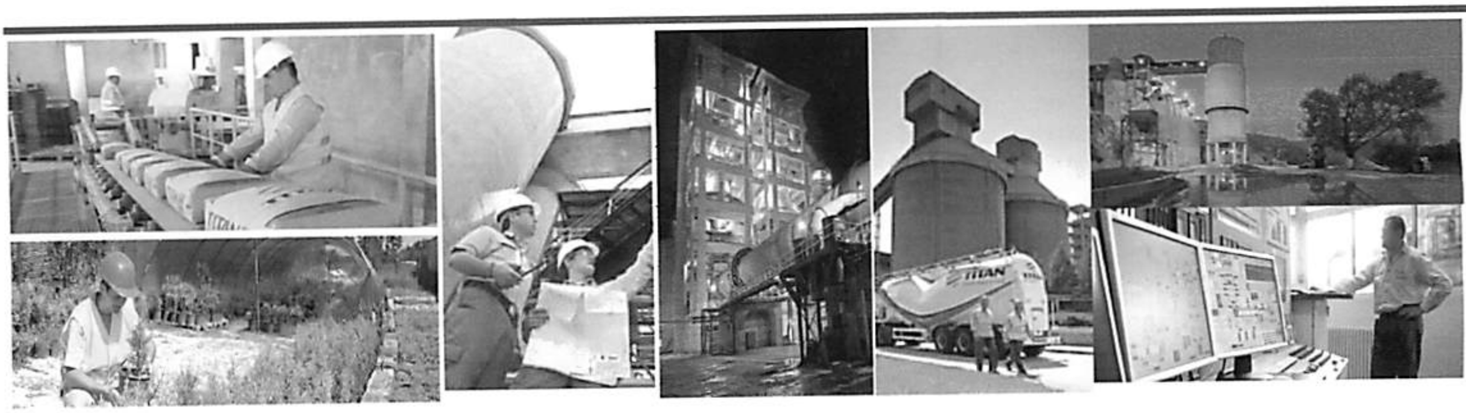
CEMENTARNICA "USJE" AD SKOPJE
Annual Report and
Statutory Financial Statements
31 December 2012

TITAN
CEMENTARNICA USJE

This report is translation of the original report published in Macedonian language

CEMENTARNICA "USJE" AD - SKOPJE

ANNUAL REPORT 2012



Skopje, February 2013

CONTENTS

1. GENERAL

Cementarnica "Usje" A.D. - Skopje (the "Company" or "Usje") is incorporated in the Republic of Macedonia with the registered address at Prvomajska 94, Skopje.

The Company's main activity is production and trade of cement, masonry cement, ready mix concrete, clinker and other related products.

2. SALES PERFORMANCE

Cement: Severe winter that lasted for the whole first quarter of 2012, together with the slowdown of the construction activities resulted in the cement demand dropping for an estimated 15% vs. 2011. USJE's sales performance followed a similar trend with the market additionally influenced by intensified competition of imported cement. Competitive pressures led to price deterioration in the 2nd half of the year; however on annual basis avg. prices were practically flat versus 2011.

Total exports to Kosovo were increased by almost 5% as the underperforming cement sales were complemented by sizeable tonnage of clinker exports of about 154,000 mt.

Nevertheless due to the declined cement supplies to the neighbouring market and the lower margin realized from the clinker sales the overall contribution to the operating results of USJE from its export activity was adversely affected.

Vertical Integration: The RMC operations despite the contraction of the market registered growth of about 6% compared with 2011 whereas the aggregates activity lost ground due to intense competition.

3. OPERATIONS

The operation of the kilns followed the demand patterns with emphasis placed on optimizing inventories and working capital throughout the year. In 2012 both kilns worked with less than 70% utilization factor.

USJE contributed to a significant infrastructure project supplying the cement for the construction of a major dam on the river Treska for a new Hydro Power Plant Sveta Petka. New cement types were developed with increased usage of additives, which fully complied with the technical specifications of the project ensuring the durability of the produced concrete, but also producing much more environmentally friendly cement.

The product portfolio was further expanded with products with lower CO2 footprint which require less non-renewable natural resources & energy.

4. HEALTH & SAFETY

Health and safety at work remains the main priority for Cementarnica Usje A.D. Skopje. This is shown through all activities that were undertaken during 2012.

A great number of internal health and safety procedures and instructions were introduced which cover critical aspects from this area.

A successful annual revision was completed at the end of the year of the Integrated Health & Safety Management System (OHSAS 18001:2007) from an independent certification body (EUROCERT).


EURO CERT

CERTIFICATE OF OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

CEMENTARNICA USJE A.D. – TITAN GROUP

BS OHSAS 18001:2007

QUARRY OPERATION
DESIGN, DEVELOPMENT AND PRODUCTION OF CEMENT
PRODUCTION OF READY MIXED CONCRETE

5. CORPORATE SOCIAL RESPONSIBILITY

CSR has been at the core of Titan's philosophy ever since its early years and had a direct and permanent impact on its performance as a business enterprise, on its labour relations and on community involvement.
Focus of our CSR strategy in 2012 was the stakeholder's engagement process. Usje continued its endeavor of engaging with its employees, suppliers, business partners and institutions, as well as the local and wider community, through various initiatives and disseminating best practices.

Communication on Progress - UN Global Compact: CSR & Sustainability Report
In 2012, USJE issued the third Corporate Social Responsibility and Sustainability Report, stating all the efforts, commitments and best practices of USJE in the field of Corporate Social Responsibility. The CSR Report was communicated to the stakeholders on the stakeholder's communication event, through Usje web-site (www.usje.com.mk) and placed on UN Global Compact web-page as Communication on Progress report.

Communication with stakeholders
USJE is a company that aiming to provide long term business sustainability, listens and responds to its stakeholders. Guided by this philosophy, USJE organized an event where the Company presented its *CSR and Sustainability Report* and organized Round Tables where the effects of the CSR actions were discussed with the stakeholders.

The discussion on the *CSR and Sustainability Report* was attended by representatives of our members of the community, institutions, suppliers and customers that the company cooperates with. "Community Engagement and Development - responsible business", "Sustainable Production and the Environment" and "Social Responsibility - Consumers and Buyers", were the three thematic sections that hosted discussions among attendees.

At the Round Tables, attending representatives expressed their views and opinions regarding the actions taken so far and exchanged experiences about the activities on this plan.



Communication Day for our employees

Aiming to communicate with our employees the Company and the Group achievements and furthermore the current global trends and how they affect our operations, USJE organized the first Communication Day for employees on the 27th of June 2012. About 70 of our employees from all Departments were present.

Special guest speaker of the event was the Governor of the National Bank of the Republic of Macedonia, Mr. Dimitar Bogov who addressed the current events in the world of finance and the economic trends regarding Europe and Macedonia.


Employees Training and Development

The Company continued its effort to train and develop its employees, with special focus on health and safety, environment, technical knowledge, as well as soft skills. Total training hours for our employees in 2012 were 5776 thus corresponding to average 18.1 training hours per employee. Training hours for both employees and contractors were 6196.

Development of our people and contractors in H&S area continued with high intensity; the number of H&S training reached 1276 hours for our people and 413 for contractors.

Community Projects and Partnership Building - Partnering with Schools Project
Cooperation with the local community continued with a number of projects in 2012. Project Partnering with Schools was implemented with success, for the third subsequent year.

The project aims to improve the health & safety and environmental conditions in the schools and the kindergartens as part of our voluntary commitment for support of education and educational processes in the country as well as our commitment to develop H&S and environmental awareness among the young population in the community.

The Project this year included nine primary schools and two kindergartens in the Municipality of Kisela Voda and resulted in infrastructural improvements of the schools, such as energy efficiency projects, installation of fences, building summer classrooms and playgrounds in the schools yards, buildings repairs, planting trees, as well as lessons in professional orientation. The project will continue in the forthcoming year.

Awards for Corporate Social Responsibility

National Award and Recognitions for Best Socially Responsible Practices for USJE
USJE won the first prize in the category Relations with Employees for large companies, with the project "Compensations, Benefits and Welfare of Employees" at the National Awards for Best Socially Responsible Practices for 2011, awarded by the National Coordinating Body for CSR, as part of the Project co-financed by the European Union and implemented by the Ministry of Economy in partnership with the Enterprise Development Foundation, the Association of Economic Chamber and the Association Konekt. This year, 59 projects from 36 companies applied on the competition for national awards.

In addition to the first prize, USJE won Recognition in the category Ethical Governance with the Stakeholder Engagement Project.

Furthermore, USJE won a special jubilee recognition for continuous implementation of best socially responsible practices.

The awards won by USJE for the third year in a row are verification of our Company's commitment and efforts in its policy for responsibility towards society and all stakeholders.

6. ENVIRONMENTAL

USJE Cement Factory, as a business unit of TITAN Group, is devoted to constant improvements of its environmental footprint and promotion of sustainable development. In this context a certain number of the projects realized in 2012 are listed hereunder:

Green Belt

Within the framework of the project *Green Belt*, a total of 22994 seedlings were planted, out of which 18306 seedlings were planted on the surface excavation fronts, 3585 seedlings within the factory, whereas the remaining 1103 seedlings were donated to the Municipality of Kisela Voda to be used for planting of public areas.

Study for environmental impact assessment from the introduction of alternative fuels in USJE Cement Factory.
In line with the global experience and commitment of TITAN Group to sustainable development, USJE Cement Factory initiated substitution of part of the fossil non-renewable fuels with alternative fuels.

To this end, and in conformity with the legal requirements, an authorized consultant drafted a Study on the environmental impact assessment for using alternative fuels, such as biomass, non-hazardous waste fractions (textile, packaging waste, etc.) and RDF – processed fractions of municipal waste that are not used otherwise. In order to involve all relevant stakeholders, a public hearing was organized. It provoked a big interest and was attended by more than 80 participants, where in a positive atmosphere all present agreed that this project will have a positive environmental & social impact. The Ministry of Environment and Physical Planning in the course of June 2012 gave a positive opinion on the drafted Study.

The usage of alternative fuels is an environmental measure aimed at reducing the use of conventional fuels, such as crude oil, oil, petrol coke and their substitution with fractions of non-hazardous waste that cannot be used otherwise it is a concept that is fully based on environmental principles, because in addition to the aforementioned aspect, the usage of waste as an energy resource or fuel, significantly contributes to reducing the quantities of waste that are being disposed of.

Treatment Station

On the basis of the previously drafted Feasibility Study and Basic Design, at the end of 2012 a treatment station was constructed in USJE Cement Factory where all atmospheric waters and waters used for washing the streets within the factory are treated. This is a pioneering activity due to the fact that USJE is the first industry in the country where surface and atmospheric waste waters are treated. Our objective is to have treated waters that meet criteria pertaining to third class of surface waters.

Biodiversity

In compliance with the Study on protection of the biodiversity, in the year 2012 approximately 80% of the old reeds in the artificial lakes within USJE Cement Factory were cut and system for lake's water aeration was installed. In addition to this, a comparative study was drafted including monitoring of bio-indicators thus acknowledging that in the course of the last two years there has been an improvement in the quality of waters and preservation of the biological diversity of the lakes.

7. OTHER INFORMATION

Usje's Management is firmly committed to the continuing integration of new rules and practices into Company operations, which promote transparency, responsibility, reliability, sustainable development and corporate social responsibility in every aspect and field of activity of the Company and its entire web of relationships with shareholders, employees, customers, suppliers, contractors and the society. With respect to this, Usje discloses the following information:

1. Usje has two executive members of the BoD - the Chief Executive Director, and Executive Director, and 5 non-executive members from which 2 are independent.
2. The CED and the Executive Director are not receiving any earnings based on their membership in the BoD. They have a regular working relation (employment) at the position Chief Executive Director and Sales-Administration Manager and their earnings are based on that. The total income (salaries, other contributions, bonuses, insurance and other receipts) of the executive members of the BoD and of the other members of the key personnel of the Company is in amount of 72.124 thousand denars. None of the 5 non-executive members have earnings based on their membership in the BoD.
3. During 2012 total amount of 1.109.522 thousand denars were paid out as gross dividends to the Company's shareholders or 1.968,00 denars per shares plus tax on dividend in amount of 123.281 thousand denars.
4. The sources of the Company's assets are its operating cash flow.
5. The financial results for 2012 are an integral part of the Financial Statements of the Group and the Company as of 31 December 2012.
6. Consequently to the previous, a financial risk management policy was explained in detail in the Note 17 to the Financial Statements of the Group and the Company as of 31 December 2012.
7. During 2012 except for transactions realized in the ordinary course of the business of the company (purchases and sales of products), Usje has no major transactions and transactions with the interested parties.
8. Usje shares the Titan Group's CSR Vision and CSR Policy, to "conduct its business in an ethical and socially responsible manner doing less harm and endeavoring to do more good."

The CSR Committee of the Company chaired by the Company Chief Executive Director continues its active engagement in developing the CSR strategy, activity plans, to decide upon, coordinate and monitor the implementation of all CSR activities of the Company. Also, the CSR Committee is the advocate coordinator of the Group's CSR vision and policy.

This year the new revised Code of Conduct by the Group was adopted by the Company. Both the Code of Conduct booklet and the electronic version, translated into local language, were distributed to all employees. After introducing themselves to the content of the Code of Conduct, the employees signed an individual statement that they have read, understood and shall act upon the Code of Conduct principles.

Usje's Management is responsible for ensuring that the Code of Conduct is understood and followed and all employees are expected to fully comply. To encourage and enable staff to communicate to the management activities that may not comply with our commitments, including the provisions of the Code of Conduct monitoring systems like "safety yellow boxes" are already used while other practices developed in other countries where TITAN operates like Greece and US are examined. Aiming to bring even closer the principles of the Code of Conduct to the employees and they to accept it as part of their own individual values and behavior, training on all specifics and details of the principles shall be organized within the following year.

The Group Internal Audit Department is monitoring compliance with the Code of Conduct at BU level. In addition, annual performance assessment reviews include relevant criteria related to practicing TITAN values and Code of Conduct, so as to meet business objectives as defined by TITAN strategy.

“Bribery and Corruption” is also addressed by TITAN's Code of Conduct while the level of exposure to relevant risks is estimated every year through reports and analyses provided by the Transparency International's Annual Corruption Perception Index.

Our Code of Conduct clearly prohibits giving and receiving bribes, while as signatories of the Global Compact we are fully committed to join national and other programs aiming at eliminating bribery and corruption. Moreover, Titan's Procurement Code of Conduct (www.titan.gr,www.usje.com.mk) issued in 2008 is stating what the company policy and commitments are towards its suppliers, and clearly states the contractual obligations of the suppliers including the obligation to abstain from any action that could be interpreted as an act of bribery, corruption and fraud. No verifiable cases of non-compliance and breaches to our bribery policy have been reported in 2012.

Konstantinos Derdemezis

President of the Board of Directors

Contents

GENERAL INFORMATION

Chief Executive Director

Boris Hrisafov

Registered office

Prvomajska 94
1000 Skopje

Solicitors

Lawyer Office Polenak - external lawyer
Lawyer Office Dimitrov - external lawyer

Bankers

Komercijalna Banka AD - Skopje
Stopanska Banka AD - Skopje
Tutunska Banka AD - Skopje
Alfa Banka AD - Skopje
Ohridska Banka AD - Ohrid
ProKredit Banka AD - Skopje
Sparkase Banka Makedonija AD - Skopje
Halkbanka AD - Skopje

Auditors

Ernst & Young Certified Auditors Ltd.
Bul. Oktomvriska Revolucija 18
1000 Skopje
Republic of Macedonia

Ernst & Young Certified Auditors Ltd - Skopje
ul. Oktomvriska Revolucija, 18
Building 3, 4th floor
1000 Skopje, Republic of Macedonia

Tel: (+389 2) 311 33 10
Fax: (+389 2) 311 34 38
www.ey.com

INDEPENDENT AUDITORS' REPORT

To the shareholdersof Cementarnica "USJE" AD - Skopje

We have audited the accompanying financial statements of Cementarnica "USJE" AD - Skopje ("the Company") and the consolidated financial statements of Cementarnica "USJE" AD - Skopje and its subsidiaries ("the Group"), which comprise the Company's and the Group's statements of financial position as at 31 December 2012 and the statements of comprehensive income, statements of the changes in equity and statements of cash flows for the year then ended, and 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 Macedonian accounting regulation, 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 statements. The procedures selected depend on the auditors' judgement, 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 auditors consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

ERNST & YOUNG

Opinion

In our opinion, the Company's financial statements and the Group's consolidated financial statements give true and fair view of the financial position of the Company and of the Group as at 31 December 2012 and the financial performance and cash flows for the Company and for the Group for the year then ended in accordance with Macedonian accounting regulation.

Report on Other Legal and Regulatory Matters

Management is also responsible for preparation of the annual report in accordance with article 384 of the Macedonian Company Law. Our responsibility in accordance with the Audit Law is to report whether the annual report is consistent with the financial statements of the Company for the year ended 31 December 2012. Our work regarding the annual report is performed in accordance with ISA 720 and restricted to assessing whether the historical financial information of the annual report is consistent with the financial statements of the Company.

The annual report is consistent, in all material respects, with the audited financial statements of the Company for the year ended 31 December 2012.

ЕРНСТ И ЈАНГ -ОВЛАСТЕНИ РЕВИЗОРИ ДОО СКОПЈЕ

Kalina Sukarova – Savovska
Administrator

Jasna Dukovska - Jegeni
Certified Auditor

Ernst & Young Certified Auditors Ltd.
Skopje, 29 March 2013

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	*Consolidated* 2012 MKD'000	*Consolidated* 2011 MKD'000	*Company* 2012 MKD'000	*Company* 2011 MKD'000
Sales	3a	3.764.978	4.585.952	3.716.652	4.487.265
Other revenue	3b	516.411	534.493	529.478	537.620
Cost of sales	3c	(2.563.313)	(2.728.277)	(2.541.657)	(2.659.984)
Gross profit		**1.718.076**	**2.392.168**	**1.704.473**	**2.364.901**
Other operating income	3d	81.971	35.678	80.900	36.878
Other operating expenses	3e	(134.691)	(82.462)	(134.158)	(82.982)
Selling and marketing expenses	3f	(30.494)	(31.860)	(29.123)	(30.427)
Administrative expenses	3g	(89.695)	(108.246)	(85.710)	(104.064)
Depreciation	5	(261.131)	(288.258)	(248.759)	(275.693)
Profit from operating activities		**1.284.036**	**1.917.020**	**1.287.623**	**1.908.613**
Finance income	3h	44.890	14.018	48.999	22.888
Finance expense	3h	(7.678)	(3.151)	(7.341)	(2.464)
		37.212	10.867	41.658	20.424
Net profit before income tax		**1.321.248**	**1.927.887**	**1.329.281**	**1.929.037**
Income tax expense	4	(3.470)	(9.432)	(3.431)	(8.711)
Net profit for the year		**1.317.778**	**1.918.455**	**1.325.850**	**1.920.326**
Other comprehensive income		391	498	-	-
Total comprehensive income for the period		**1.318.169**	**1.918.953**	**1.325.850**	**1.920.326**

Net profit for the year attributable to:		
Equity holders of the parent	1.319.549	1.916.612
Non controlled interest	(1.771)	1.843
	1.317.778	**1.918.455**

Total comprehensive income for the year attributable to:		
Equity holders of the parent	1.319.944	1.916.777
Non controlled interest	(1.775)	2.176
	1.318.169	**1.918.953**

STATEMENT OF FINANCIAL POSITION
at 31 December 2012

	Note	Consolidated 2012 MKD'000	Consolidated 2011 MKD'000 Restated*	Consolidated As at 1 January 2011 Restated* MKD'000	Company 2012 MKD'000	Company 2011 MKD'000 Restated*	Company As at 1 January 2011 Restated* MKD'000
ASSETS							
Non-current assets							
Property, plant and equipment	5	2.250.643	2.275.675	2.374.334	2.105.390	2.118.044	2.204.137
Intangible assets		4.034	4.034	4.034	-	-	-
Investment properties	6	80.703	83.361	84.757	80.703	83.361	84.757
Investments in subsidiaries		-	-	-	157.921	157.921	157.921
Exploration and evaluation assets		21.087	23.347	13.013	21.087	23.347	13.013
		2.356.467	**2.386.417**	**2.476.138**	**2.365.101**	**2.382.673**	**2.459.828**
Current assets							
Inventories	7	710.660	663.142	654.183	710.384	660.905	650.700
Trade and other receivables	8	373.188	259.587	213.384	353.244	231.887	201.226
Short term loans receivables	9	-	1.414.615	153.750	-	1.414.615	153.750
Income tax receivable		8.244	10.157	15.741	5.888	8.954	15.220
Cash and cash equivalents	10	1.557.968	176.246	36.295	1.518.125	147.635	24.713
		2.650.060	**2.523.747**	**1.073.353**	**2.587.641**	**2.463.996**	**1.045.609**
TOTAL ASSETS		**5.006.527**	**4.910.164**	**3.549.491**	**4.952.742**	**4.846.669**	**3.505.437**
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	11	1.747.730	1.747.730	1.747.730	1.747.730	1.747.730	1.747.730
Other reserves	12	623.262	622.867	636.418	618.172	618.172	631.888
Retained earnings		2.056.895	1.970.154	707.326	2.063.722	1.920.680	704.137
		4.427.887	**4.340.751**	**3.091.474**	**4.429.624**	**4.336.582**	**3.083.755**
Non controlled interest		54.623	58.616	61.217	-	-	-
Total equity		**4.482.510**	**4.399.367**	**3.152.691**	**4.429.624**	**4.336.582**	**3.083.755**
Non-current liabilities							
Provision for retirement benefits	13	57.745	63.671	62.971	57.745	63.671	62.971
Provision for rehabilitation of quarries		12.336	14.946	16.894	12.336	14.946	16.894
		70.081	**78.617**	**79.865**	**70.081**	**78.617**	**79.865**
Current liabilities							
Trade and other payables	14	443.447	425.519	306.293	442.587	424.828	331.186
Current portion of retirement benefit obligations	13	10.186	6.610	8.234	10.186	6.610	8.234
Income tax payable		266	17	2.380	227	-	2.369
Dividend payable		37	34	28	37	33	28
		453.936	**432.180**	**316.935**	**453.037**	**431.471**	**341.817**
TOTAL EQUITY AND LIABILITIES		**5.006.527**	**4.910.164**	**3.549.491**	**4.952.742**	**4.846.669**	**3.505.437**

Authorized on behalf of the Board of Directors on 22 February 2013:

Boris Hrisafov — Chief Executive Director

Olivera Vasilkovska — Finance Manager

"УСЈЕ" АД Скопје

STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	Note	*Consolidated*		*Company*	
		2012	*2011*	*2012*	*2011*
		MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Cash flow from operating activities					
Net profit before income taxes		**1.321.248**	**1.927.887**	**1329.281**	**1.929.037**
Adjustments for:					
(Gain) on disposal of PP&E		(22.214)	(6.635)	(22.214)	(6.635)
Depreciation of PPE and investment properties		261.131	288.259	248.759	275.693
Actuarial losses		4.584	7.738	4.584	7.738
Interest income		(44.890)	(14.018)	(44.881)	(14.008)
Dividend income		-	-	(4.118)	(8.879)
Interest expense		2.873	2.609	2.539	1.925
Write off trade receivables		437	3.897	437	3.897
Inventory shortage		1.405	-	1.405	-
NBV of tangible assets written off		3.302	-	3.302	-
Income from pallets		(11.998)	-	(11.998)	-
Other provision		30.750	1.520	30.750	1.520
Operating profit before working capital changes		**1.546.628**	**2.211.257**	**1.537.846**	**2.190.288**
(Increase) / Decrease in trade and other receivables		(101.160)	(30.783)	(112.307)	(34.558)
Decrease in inventories		(46.544)	(9.429)	(49.490)	(11.725)
Increase / (Decrease) in trade and other payables		(18.042)	88.424	(13.771)	82.940
Cash generated from operations		**1.380.882**	**2.259.469**	**1.362.278**	**2.226.945**
Interest expense and bank charges paid		(2.873)	(2.609)	(2.539)	(1.925)
Income tax paid		(266)	(5.535)	(227)	(4.814)
Net cash flows generated from operations		**1.377.743**	**2.251.325**	**1.359.512**	**2.220.206**
Cash flows from investing activities					
Purchase of PP&E		(229.311)	(175.173)	(229.311)	(175.173)
Expenditures for exploration and evaluation assets		(5.178)	(25.157)	(5.178)	(25.157)
Proceeds from sale of PP&E		22.214	8.519	22.214	8.519
Loan to associate		1.414.615	(1.260.865)	1.414.615	(1.260.865)
Dividend income		-	-	4.118	8.879
Interest income received		37.332	14.018	37.323	14.008
Net cash flows (used in) investing activities		**1.239.672**	**(1.438.658)**	**1.243.781**	**(1.429.789)**
Cash flows from financing activities					
Dividends paid to group shareholders		(1.052.225)	(571.024)	(1.052.225)	(571.024)
Dividends paid to minority shareholders		(59.515)	(35.870)	(57.297)	(31.093)
Tax on dividend		(123.281)	(65.378)	(123.281)	(65.378)
Net cash flows (used) in financing activities		**(1.235.021)**	**(672.272)**	**(1.232.803)**	**(667.495)**
Net increase in cash and cash equivalents		1.382.394	140.395	1.370.490	122.922
Net foreign exchange differences		(672)	(444)	-	-
Cash and cash equivalents at 1 January		176.246	36.295	147.635	24.713
Cash and cash equivalents at 31 December	10	**1.557.968**	**176.246**	**1.518.125**	**147.635**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital	*Other reserves (note 12)*	*Retained earnings*	*Total*	*Non controlled interest*	*Total equity*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*	*MKD'000*	*MKD'000*
At 1 January 2012	**1.747.730**	**622.867**	**1.970.154**	**4.340.751**	**58.616**	**4.399.367**
Profit/(loss) for the year	-	-	1.319.549	1.319.549	(1.771)	1.317.778
Other comprehensive income (Translation differences)	-	395	-	395	(4)	391
Total comprehensive income	**-**	**395**	**1.319.549**	**1.319.944**	**(1.775)**	**1.318.169**
Dividends declared, net	-	-	(1.109.527)	(1.109.527)	(2.218)	(1.111.745)
Tax on dividend	-	-	(123.281)	(123.281)	-	(123.281)
At 31 December 2012	**1.747.730**	**623.262**	**2.056.895**	**4.427.887**	**54.623**	**4.482.510**

For the year ended 31 December 2011 Restated*

	Share capital	*Other reserves (note 12)*	*Retained earnings*	*Total*	*Non controlled interest*	*Total equity*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*	*MKD'000*	*MKD'000*
At 1 January 2011	**1.747.730**	**636.418**	**656.973**	**3.041.121**	**61.217**	**3.102.338**
Effect from change of accounting policy (Note 2.2)	-	-	50.353	50.353	-	50.353
At 31 December 2011 (Restated)	**1.747.730**	**636.418**	**707.326**	**3.091.474**	**61.217**	**3.152.691**
Profit for the year	-	-	1.916.612	1.916.612	1.843	1.918.455
Other comprehensive income (Translation differences)	-	165	-	165	333	498
Total comprehensive income	**-**	**165**	**1.916.612**	**1.916.777**	**2.176**	**1.918.953**
Dividends declared, net	-	(13.716)	(588.406)	(602.122)	(4.777)	(606.899)
Tax on dividend	-	-	(65.378)	(65.378)	-	(65.378)
At 31 December 2011	**1.747.730**	**622.867**	**1.970.154**	**4.340.751**	**58.616**	**4.399.367**

** 2011 financial statements reflect the adjustments made as detailed in Note 2.2.*

COMPANY'S STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital	*Other reserves*	*Retained earnings*	*Total*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
At 1 January 2012	**1.747.730**	**618.172**	**1.970.680**	**4.336.582**
Profit/(loss) for the year	-	-	1.325.850	1.325.850
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1.325.850	1.325.850
Dividends declared, net	-	-	(1.109.527)	(1.109.527)
Tax on dividend	-	-	(123.281)	(123.281)
At 31 December 2012	**1.747.730**	**618.172**	**2.063.722**	**4.429.624**

On 14 May 2012, the General Assembly brought a Decision for distribution of dividend for the year ended 2011 in accordance with the Company Law. The dividend declared was in amount of MKD 1.232.808 thousand and taxed with tax on dividend distribution of 10% i.e. amount of MKD 123.281 thousand.

For the year ended 31 December 2011 Restated*

	Share capital	*Other reserves*	*Retained earnings*	*Total*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
At 1 January 2011	**1.747.730**	**631.888**	**653.784**	**3.033.402**
Effect from change of accounting policy (Note 2.2)	-	-	50.353	50.353
At 31 December 2011 (Restated)	**1.747.730**	**631.888**	**704.137**	**3.083.755**
Profit/(loss) for the year	-	-	1.920.326	1.920.326
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1.920.326	1.920.326
Dividends declared, net	-	(13.716)	(588.405)	(602.121)
Tax on dividend	-	-	(65.378)	(65.378)
At 31 December 2011 (Restated)	**1.747.730**	**618.172**	**1.970.680**	**4.336.582**

**2011 financial statements reflect the adjustments made as detailed in Note 2.2.*

1. Corporate information

Cementarnica "Usje" A.D. - Skopje ("the Company") is incorporated in the Republic of Macedonia with the registered address at Prvomajska 94, Skopje.

The Company's main activity is production and trade with cement, masonry cement, ready mix concrete, clinker and other related products. The main activity of the subsidiaries in Kosovo and Bulgaria is support services for sale of cement on Kosovo and Bulgarian market.

The Company is controlled by Titan Cement Netherlands B.V. registered in Netherlands, which has 94,84% shareholding in the Company. The Company's ultimate parent is Titan Cement Company S.A. - Greece.

The number of employees as of 31 December 2012 was 331 (2011: 321 employees).

The Company and the Group financial statements for the year ended 31 December 2012 have been approved for issue by the Board of Directors on 22 February 2013.

2.1 Basis of preparation

The consolidated financial statements of Cementarnica "Usje" A.D.- Skopje and its subsidiaries ("the Group") and the financial statements of the Company have been prepared in accordance with the Company Law (Official Gazette of Republic of Macedonia 28/04 with amendments 84/05, 25/07, 87/08, 42/10, 48/10, 24/11 and 166/12) and Accounting Principles applicable in the Republic of Macedonia ("Macedonian GAAP"), which are in accordance to the new Rulebook of Accounting published on 29 December 2009 (Official Gazette of Republic of Macedonia 159/09 and 164/10) effective from 1 January 2010. This Rulebook comprise the basic text of IFRS's including SIC's and IFRIC's as issued by IASB at 1 January 2009.

In the period as of 31 December 2009 applicable standards were the International Accounting Standards published in Official Gazette of Republic of Macedonia which comprise the following:

- The revisions of International Accounting Standards, IAS 1 to IAS 39 were published on 30 December 2004, previously effective as of 5 November 1999. The effective date for all revised standards is January 1, 2005. In addition, International Accounting Standards, IAS 40 and IAS 41 were published with the effective date 1 January 2005.
- On 10 February 2005 International Financial Reporting Standard 1 was published. The effective date was set to 17 February 2005.
- On 29 December 2005 International Financial Reporting Standards, IFRS 2 to IFRS 7 were published. The effective date was set to 30 December 2005.

The Group's consolidated financial statements and the Company's financial statements have been prepared on a historical cost basis, except for the investment property that have been measured at fair value. The consolidated financial statements and the Company's financial statements are presented in Macedonian Denars ("MKD") and all values are rounded to the nearest thousands ('000) except when otherwise indicated.

2.1 Basis of preparation (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its three subsidiaries: Cement Plus for building materials DOO incorporated in Kosovo with 65% holding, RUDMAK DOOEL export-import Skopje with 100% holding and TROJAN CEM EOOD Bulgaria with 100% holding. The financial statements of the consolidated subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The non-controlling interest represents the portion of the profit or loss and the net assets not held by the Group and is presented separately in the consolidated statement of comprehensive income and within the equity in the consolidated statement of financial position, separately from shareholder's equity of the parent company.

2.2 Summary of significant accounting policies

Changes in accounting policies

IAS 40 Investment Properties

The Group reassessed its accounting policy for investment properties with respect to the measurement model. The Company has previously measured the investment property using the cost model. During 2012, the Company elected to change its accounting policy use the fair value model after the initial recognition of the asset. The Company believes that using the fair value model provides more relevant presentation of these assets, assist user to better understand the risk associated with these assets and is consistent with industry practice in relation to these types of assets. The Company applied the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for a change in accounting policy. As a result, the changes have been applied retrospectively having impact on the prior year financial information.

As a result of the accounting policy change, the following adjustments were made to the financial statements:

As of 1 January 2011:
Increase in opening retained earnings: MKD 50.353 thousand
Increase in opening investment property MKD 50.353 thousand

As of 31 December 2011:
Decrease in investment property due to effect of loss from fair value adjustment: MKD 1.396 thousand

As of 31 December 2012:
Decrease in investment property due to effect of transfer to owner occupied assets: MKD 2.658 thousand.

2.2 Summary of significant accounting policies (continued)

a. Foreign currency translation

The Group and the Company prepare the financial statements in Macedonian denars, which is the Group's and the Company's functional currency and the presentation currency for local statutory purposes. Each entity in the Group determines its own functional currency and items included in the financial statements in each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of transaction. Monetary and non-monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

The functional currency of the domestic operations, RUDMAK DOOEL export-import Skopje is the Macedonian denars. The functional currency of the foreign operations, Cement Plus for Building Materials - Kosovo and Trojan Cem Eood - Bulgaria is the Euro. As of each reporting date, the assets and liabilities of this subsidiary are translated through conversion in euro into the presentation currency of Cementarnica "USJE" AD (the Macedonian Denars) at the rate of exchange ruling at the reporting date (2012: MKD 61,5000 for Euro 1; (2011: MKD 61,5050 for Euro 1) and, its profit or loss is translated at the weighted average exchange rate for the year (2012: MKD 61,5214 for Euro 1; 2011: MKD 61,5050 for Euro 1). The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the profit or loss.

b. Investment in subsidiary

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. In the stand alone financial statements of the Company, investment in subsidiaries is presented at cost less any impairment in value. Distributions received in excess of accumulated profits from the investor are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

c. Property, plant and equipment

Property, plant and equipment is stated as follows:

- those assets acquired up to 31 December 1998, the revaluation under the previous GAAP at the date of transition of the Group to IFRS (1 January 2004) was accepted as deemed cost since the revaluation was broadly comparable to depreciated cost under IFRS adjusted to reflect changes in general price index.

- those assets acquired after 31 December 1998 are stated at historical cost less accumulated depreciation and any subsequent accumulated impairment loss.

2.2 Summary of significant accounting policies (continued)

c. Property, plant and equipment (continued)

Additions are recorded at cost. Cost represents the prices by suppliers together with all costs incurred in bringing new property, plant and equipment into use.

Items of property, plant and equipment that are retired or otherwise disposed of are eliminated from the statement of financial position, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Depreciation of property, plant and equipment, with exception of quarries, is designed to write off the cost or valuation of property, plant and equipment on the straight-line basis over their estimated useful lives. The principal depreciation rates in use are:

Buildings	2,5 -10%
Equipment	5 - 25%

Land is stated in the statement of financial position at cost less impairment and is not depreciated as it is deemed to have an infinite life, except quarries which are depreciated on a depletion basis. This depletion is recorded as the material extraction process advances based on the unit of - production method.

The asset's methods of depreciation, useful lives and residual values are reviewed at each reporting date.

d. Investment property

Investment property, comprising of land, production premises with business offices and construction object - restaurant and cafeteria room, is held for long-term rental yields and is not occupied by the Group. As disclosed in the Note *Changes in Accounting Policies*, during 2012, the Group elected to change it accounting policy in regard to the measurement model after the initial recognition. As a result, the investment properties are stated at fair value, which reflects the market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on valuation performed by independent value using the income method and the market comparison method as primary valuation methods which are generally accepted in European valuation practice.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group's accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.2 Summary of significant accounting policies (continued)

e. Exploration and evaluation assets

Exploration and evaluation expenditure for each area of interest (geographically specific to the concession, permit or mining license granted) is carried forward as an asset if a decision has been made that a mining operation is economically feasible and can be developed for commercial production. At the end of the reporting period, these costs include costs of acquisition of rights to explore. All other exploration and evaluation expenditures are charged to the profit or loss as incurred.

Administrative and general expenses relating to exploration and evaluation activities are expensed as incurred.

f. Financial instruments - initial recognition and subsequent measurement

(i) Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group’s financial assets include cash and short-term deposits, trade and other receivables, and short term loans.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the income statement. The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

2.2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are measured at amortized cost using the effective interest rate method (EIR). The gains and losses are recognized in the income statement in the moment when the loans and receivables are reversed or when the value is decreased due to impairment, and through the amortization process.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method. This method use effective interest rate which accurately discounts the estimated future cash follows thought the use full life of the financial asset to net financial value of the financial asset. The gains and losses are recognized in the income statement in the moment when the investments are reversed or when the value is decreased due to impairment, and through the amortization process.

The Group did not have any investments held to maternity during the period ended 31 December 2012 and the year ended 31 December 2011.

Available-for-sale financial investments
Available-for-sale financial investments are non derivative financial assets which are determinate as available for sales or aren't classified in the previous three categories. After initial measurement, available-for-sale financial investments are measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative gain or loss is reclassified to the income statement.

The Group did not have any available-for-sale financial investments during the period ended 31 December 2012 and the year ended 31 December 2011.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(ii) Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognized in profit or loss.

2.2 Summary of significant accounting policies (continued)

(ii) Financial liabilities (continued)

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit and loss when the liabilities are derecognized as well as through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

g. Inventories

Inventories are valued 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, excluding distribution costs and administrative expenses. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Tools and consumable stores are written-off 100% when consumed.

h. Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in banks and deposits held with banks with original maturities of up to three months or less.

i. Share capital

Ordinary shares are classified as equity.

2.2 Summary of significant accounting policies (continued)

j. Taxation

Current income tax

The income tax expense comprises the current income tax on: non-deductible items and taxes on dividend distribution. The tax rate for both 2012 and 2011 is 10%.

Taxes on non deducible items

The calculation and payment of the current income tax is in accordance with the Income Tax Law which include the model for taxation whose tax base are the specified non-deductible expenses, adjusted for tax credits and tax exemptions. The payment of the monthly tax is in advance only on the unrecognised expenses.

Taxes on dividend distribution and other distributions of profit

The amount which is distributed as dividends and other types of profit distributions, in monetary or non-monetary form, is taxed at the moment of payment.

For further details please refer to Note 4.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the reporting date.

k. Employee benefits

Pension obligations

The Group, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. The Group makes these contributions to the Government's health and retirement funds. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Group does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions.

Termination and retirement benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

2.2 Summary of significant accounting policies (continued)

k. Employee benefits (continued)

Pursuant to the Group's signed collective bargaining agreements the Group is obligated to pay retirement benefits in an amount equal to six average republic salaries and between one and three average republic salaries to be paid out as a jubilee anniversary award. The number of average republic salaries for jubilee anniversary awards corresponds to the total number of years of service of the employee as presented in the table below:

Total number of Service Years	*Number of Wages*
10	1
20	3
30	3
35 (women)	3
40 (men)	3

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the discount rate of the Central Bank of Republic of Macedonia due to the absence of the market of high quality corporate bond or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Employee's children scholarships

Starting from 31 December 2009, included in the actuarial calculation of the defined benefits are allowances for scholarships of Group employees children attending graduate or post graduate studies and for diseased employee children that are attending secondary school. Assumption is made that for the children who are still not eligible for scholarship under the scheme that 70% will start with their graduate studies in 2013, i.e. 50% in the next period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income or expense in the period in which they arise.

l. Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group 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. The provisions comprise of provision for retirement benefits and provision for rehabilitation of quarries. Provisions are not recognised for future operating losses.

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

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

2.2 Summary of significant accounting policies (continued)

l. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific criteria must also be met before revenue is recognized:

Sales of goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, usually on delivery of the goods.

Rendering of services

Fees from services provided are recognized over the period in which the services are rendered and accepted by the buyer.

Interest income

The interest relates to time deposit are accounted for at the expired date of time deposit.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

m. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

n. Dividends distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders.

o. Events after the reporting period

Events after the reporting period, which provide evidence of conditions that exist as of the reporting date, are treated as adjustable events in these financial statements. Those that are indicative of conditions that arose after the reporting date have been treated as non-adjustable events.

q. Financial risk management

Accounting estimates and assumptions

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

2.2 Summary of significant accounting policies (continued)

q. Financial risk management (continued)

Provisions for environmental restoration

Companies that operate quarries and processing sites are required to restore these quarries and processing sites at the end of their producing lives to a condition that is in line with the prevailing environmental legislation of the country in which the Group operates (to restore the land within 3 years after the closure of the mine site), to the level acceptable to the relevant authorities and to the level that is consistent with the Group's environmental policies and practices.

The provision for environmental restoration reflects the present value of the expected future restoration costs that are expected to be incurred for the areas that have been disturbed at the reporting date. The provision is determined as present value of expected future cash outflows to be incurred for sites rehabilitation. This includes determination of the amount based on rehabilitation project, discount rate and expected inflation rates. The provision is re-measured at every reporting date and is adjusted to reflect the present value of the future expenses required to fulfil the obligation.

The present value of estimated restoration costs (that is, original estimation as well as changes in the accounting estimates) are charged to the income statement unless they relate to property, plant and equipment that is on the site, in which case the costs are included within property, plant and equipment and depreciated over the useful life of the related item of property, plant and equipment.

Any change in the net present value of the environmental provision due to the passing of time is included in finance costs in profit or loss.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the discount rate of the Central Bank of Republic of Macedonia due to the absence of the market of high quality corporate bond or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market.

Fair value

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

3. Revenue and expenses

a. Sales

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Gross sales				
Domestic market	3.447.302	4.581.519	2.822.735	3.399.347
Foreign market	317.676	4.433	893.917	1.087.918
	3.764.978	**4.585.952**	**3.716.652**	**4.487.265**
Domestic market				
Income from cement	3.091.173	4.315.294	2.469.381	3.146.360
Income from RMC	139.194	136.198	139.194	136.198
Income from resale of goods	48.287	56.663	45.512	43.425
Income from limestone	21.994	-	21.994	-
Income from use of own products	146.654	73.364	146.654	73.364
	3.447.302	**4.581.519**	**2.822.735**	**3.399.347**
Foreign market				
Income from cement	29.035	382	602.715	1.071.907
Income from clinker	284.534	-	284.534	-
Income from resale of goods	4.107	4.051	6.567	15.764
Income from sand	-	-	101	247
	317.676	**4.433**	**893.917**	**1.087.918**

b. Other revenues

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Pet coke	364.330	418.293	364.330	418.293
Transport of cement - intercompany	54.294	-	76.885	3.457
Pet coke - domestic market	49.055	7.816	49.055	7.816
Third part transportation	27.154	23.939	27.154	23.939
Income from use of own products	-	24.818	-	24.818
Services	10.765	27.573	10.765	27.573
Excise duty	9.389	-	-	-
Send	795	904	660	574
Additives	629	639	629	639
Limestone	-	30.511	-	30.511
	516.411	**534.493**	**529.478**	**537.620**

3. Revenues and expenses (continued)

c. Cost of sales

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Transportation services	**117.073**	**38.544**	**117.073**	**38.544**
Variable costs				
Kiln fuel	536.712	646.920	536.712	646.920
Electricity	308.937	326.488	308.369	325.707
Raw materials	147.484	221.350	147.484	221.350
Other variable cost	126.238	78.949	126.238	78.949
Refractory	46.322	45.407	46.322	45.407
Admixtures - additives	23.519	24.033	23.519	24.033
Grinding media	9.880	9.254	9.880	9.254
Fuel & oil	8.079	24.101	7.963	23.713
Total variable costs	**1.207.171**	**1.376.502**	**1.206.487**	**1.375.333**
Fixed costs				
Salaries & other benefits	260.979	262.916	259.498	261.439
Third parties fees - contract labour	72.902	81.044	72.791	80.802
Maintenance & spare parts	54.937	56.745	54.914	56.261
Other plant utilities	55.932	52.669	55.917	51.857
Other fixed costs	53.497	46.057	52.835	46.057
Lining	6285	4.156	6.285	4.156
Insurance premium	5.109	5.760	5.021	5.760
IT & Telecoms	3.065	4.699	3.065	4.699
Car related expenses	2.488	1.501	2.488	1.501
Travel expenses	2.445	3.328	2.395	3.377
Total fixed costs	**517.639**	**518.975**	**515.209**	**515.909**
Inventory change	(1.844)	39.326	(1.844)	39.326
Packing expenses	168.148	193.974	168.148	193.974
Own products	144.799	93.622	144.799	93.622
Costs of traded goods	410.327	467.334	391.785	403.276
	2.563.313	**2.728.277**	**2.541.657**	**2.659.984**

3. Revenues and expenses (continued)

d. Other operating income

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Gain from disposed fixed assets	22.214	6.635	22.214	6.635
Revenues from vehicles at a standstill	14.757	-	14.757	-
Rent income	12.784	9.520	12.692	9.428
Revenues from pallets	11.998	-	11.998	-
Revenues from sold materials	6.330	2.710	6.330	2.710
Actuarial gains and reversal of unused provision	4.247	4.593	4.247	4.593
Scrap	3.689	2.201	3.689	2.201
Income from re-exported equipment	3.034	-	3.034	-
Surplus of products	979	5.696	-	5.696
Income from other services	270	920	270	920
Collected damages from insurance companies	222	109	222	109
Technical fee	-	-	-	1.292
Revenues from sold fixed assets	-	1.884	-	1.884
Other	1.447	1.410	1.447	1.410
	81.971	**35.678**	**80.900**	**36.878**

Gain from disposed fixed assets in amount of MKD 22.214 thousand consist of sale of three damper caterpillars in amount of MKD 8.619 thousand, sale of two bulldozers caterpillars on amount of MKD 5.229 thousand, sale of front loader caterpillar in amount of MKD 3.075 thousand and the rest of the balance consist of other machinery and equipment sold including vehicles (forklifts, compressors, drilling machine, electrical dredges, etc).

Revenues from vehicles at a standstill in amount of MKD 14.757 thousand refer to provisional income expected to be refunded by the Kosovo Customs related to compensation paid to transporters for vehicles at a standstill (see Note 3e).

Rent income in amount of MKD 12.784 thousand consist of rented business premises space together with the re-invoiced utilities in amount of MKD 9.853 thousand and RMC pump and silo trucks in amount of MKD 2.931 thousand all to third parties.

Revenues from sold pallets in amount of MKD 11.998 thousand refer to collect payment for not returned pallets in the guarantee period.

Revenues from sold materials in amount of MKD 6.330 thousand consist of MKD 3.959 thousand related to sold materials, MKD 465 thousand related to sell slag to related party in Kosovo, MKD 1.646 thousand related to sold plates and spare parts, and the rest of the balance consist of other materials (old iron, fly-ash -transit etc).

The actuarial gains and reversal of unused provision for employee's benefits in amount of MKD 4.247 thousand relates to changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit method.

3. Revenues and expenses (continued)

e. Other operating expenses

	Consolidated		*Company*	
	2012 *MKD'000*	*2011* *MKD'000*	*2012* *MKD'000*	*2011* *MKD'000*
Provision for unpaid salaries based on the Supreme court's decision	30.750	-	30.750	-
Compensation for vehicles at a standstill	14.757	-	14.757	-
Actuarial losses and related expenses for employees	8.847	12.331	8.847	12.331
Rebates and discounts	52.888	3.042	53.268	4.005
Staff leaving indemnities (including VELP)	6.313	44.835	6.200	44.835
Cost of sold materials	4.583	1.798	4.583	1.798
Business premises costs	4.217	2.902	4.217	2.902
Net book value of disposed fixed assets	3.053	1.767	3.053	1.767
Penalties for non-fulfilment of obligations	2.216	1.901	2.216	1.901
Promotion, advertisement and entertainment	1.673	2.241	1.673	2.241
Shortage of goods in warehouse	2.091	-	1.405	-
Costs for Court Procedures	1.007	-	1.007	-
De-recognition of intangible assets	300	1.300	300	1.300
Withholding tax	29	1.286	13	1.274
Correction of value of stocks	12	1.520	12	1.520
Provision for impairment of advance payment	-	3.897	-	3.897
Cost for compensation to clients	-	481	-	481
Other expenses	1.955	3.161	1.857	2.730
	134.691	**82.462**	**134.158**	**82.982**

Provision for unpaid salaries based on the Supreme court's decision in amount of MKD 30.750 thousand which refers to 17 people who are entitled to return to work after the end of the court procedure that started in 2009 when some employees had their employment cancelled due to business reasons.

Compensation for vehicles at a standstill in amount of MKD 14.757 thousand represents covered cost by USJE to transporters which vehicles were confiscated on a Kosovo border. At a same time accrued income was booked (see Note 3d).

The amount of MKD 8.847 thousand represents actuarial losses, additional finance costs and current service costs related to employees benefits which arise from experience adjustments and changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit (see Note 13).

Business premises costs in amount of MKD 4.217 thousand consist of MKD 3.099 thousand related to re-invoiced utilities from rented PPE and MKD 1.118 thousand related to water fee for the Cementarnica football club.

3. Revenues and expenses (continued)

f. Selling and marketing expenses

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Salaries and related expenses	22.364	23.043	21.142	21.771
Car and related expenses	2.870	3.385	2.870	3.385
Accommodation	2.271	3.520	2.271	3.520
IT & Telecoms	1.005	738	1.005	738
Promotion, advertisement and entertainment	870	405	870	405
Travel expenses	139	182	139	182
Other taxes	-	4	-	4
Other expenses	975	583	826	422
	30.494	**31.860**	**29.123**	**30.427**

g. Administrative expenses

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Salaries and related expenses	41.142	39.651	38.713	37.270
Third Party fees	21.309	37.364	20.516	36.999
Promotion, advertisement, donations and sponsorship	7.406	9.825	7.388	9.825
Accommodation	6.155	6.815	5.633	5.907
Car and related expenses	3.228	2.899	3.225	2.899
IT & Telecoms expenses	1.756	1.617	1.604	1.469
Travel expenses	1.591	1.934	1.591	1.934
Other expenses	7.108	8.141	7.040	7.761
	89.695	**108.246**	**85.710**	**104.064**

3. Revenues and expenses (continued)

h. Net Finance income

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Interest income	44.890	14.018	44.881	14.009
Dividend income	-	-	4.118	8.879
Bank charges	(2.788)	(2.357)	(2.454)	(1.678)
Net foreign exchange (losses)	(4.805)	(542)	(4.802)	(538)
Interest expense	(85)	(252)	(85)	(248)
	37.212	**10.867**	**41.658**	**20.424**

Interest income in amount of MKD 44.881 thousand consist of intercompany interest income for the loan given to Titan Global Finance PLC in 2011 and returned during the first half in 2012 in amount of MKD 18.821 thousand, MKD 7.558 thousand related to accrued interest from time deposits and the remaining of the balance is received interest related to the time deposits in the banks and current operations.

4. Income tax expense

The income tax expense comprises of:

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Tax on non-deductible expenses	3.431	8.711	3.431	8.711
Other income tax expense	39	721	-	-
	3.470	**9.432**	**3.431**	**8.711**

As of 31 December 2011; the tax on non-deductible expenses is as follows:

Consolidated and the Company

	31 December 2011
	MKD'000
Tax on non-deductible expenses:	
Other compensations to the employees	5.450
Expenses not related to the main activities	860
Sponsorship	467
Entertainment	441
Provision for bad debts	390
Penalties and WHT	342
Scholarship	137
Other	624
	8.711

4. Income tax expense (continued)

For 2012, the tax on non-deductible expenses is as follows:

Consolidated and the Company

	31 December 2012 MKD'000
Tax on non-deductible expenses:	
Other compensations to the employees	1.770
Expenses not related to the main activities	731
Entertainment	401
Penalties and WHT	232
Sponsorship	129
Scholarship	123
Provision for bad debts	44
Other	1
	3.431

In addition, the Group has plus income tax which arise from its subsidiary, Cement Plus for Building Materials Kosovo and Trojan Cem Eood Bulgaria in amount of MKD 39 thousand.

5. Property, plant and equipment

The Group **31 December 2012**	*Land and Buildings MKD'000*	*Equipment MKD'000*	*Construction in progress MKD'000*	*Total MKD'000*
Cost				
At 1 January 2012	**3.142.425**	**4.531.830**	**171.611**	**7.845.866**
Additions	27.850	-	201.473	229.323
Transfers from CIP	31.874	121.930	(153.804)	-
Transfer from investment property	2.658	-	-	2.658
Disposals	(2.911)	(208.989)	-	(211.900)
Translation differences	(8)	(6)		(14)
At 31 December 2012	**3.201.888**	**4.444.765**	**219.280**	**7.865.933**
Depreciation				
At 1 January 2012	**2.028.298**	**3.541.893**	-	**5.570.191**
Charge for the year	35.239	218.454	-	253.693
Disposals	(644)	(207.942)	-	(208.586)
Translation differences	(3)	(5)	-	(8)
At 31 December 2012	**2.062.890**	**3.552.400**	-	**5.615.290**
Net book value at 31 December 2012	**1.138.997**	**892.366**	**219.280**	**2.250.643**

The Company **31 December 2012**	*Land and Buildings MKD'000*	*Equipment MKD'000*	*Construction in progress MKD'000*	*Total MKD'000*
Cost				
At 1 January 2012	**2.993.352**	**4.480.376**	**171.611**	**7.645.339**
Additions	27.850	-	201.473	229.323
Transfers from CIP	31.874	121.930	(153.804)	-
Transfer from investment property	2.658	-	-	2.658
Disposals	(2.911)	(208.989)	-	(211.900)
At 31 December 2012	**3.052.823**	**4.393.317**	**219.280**	**7.665.420**
Depreciation				
At 1 January 2012	**2.012.663**	**3.514.632**	-	**5.527.295**
Charge for the year	30.664	210.657	-	241.321
Disposals	(644)	(207.942)	-	(208.586)
At 31 December 2012	**2.042.683**	**3.517.347**	-	**5.560.030**
Net book value at 31 December 2012	**1.010.140**	**875.970**	**219.280**	**2.105.390**

5. Property, plant and equipment (continued)

The Group 31 December 2011	*Land and Buildings MKD'000*	*Equipment MKD'000*	*Construction in progress MKD'000*	*Total MKD'000*
Cost				
At 1 January 2011	**3.082.194**	**4.470.537**	**191.919**	**7.744.650**
Additions	17.625	36.560	120.988	175.173
Transfer from CIP	54.450	86.846	(141.296)	-
Transfer to investment property	(11.738)	-	-	(11.738)
Disposals	-	(51.025)	-	(51.025)
Write off	(106)	(11.088)	-	(11.194)
At 31 December 2011	**3.142.425**	**4.531.830**	**171.611**	**7.845.866**
Depreciation				
At 1 January 2011	**1.997.465**	**3.372.851**	-	**5.370.316**
Charge for the year	42.666	229.373	-	272.039
Transfer to investment property	(11.738)	-	-	(11.738)
Disposals	-	(49.527)	-	(49.527)
Write off	(95)	(10.804)	-	(10.899)
At 31 December 2011	**2.028.298**	**3.541.893**	-	**5.570.191**
Net book value at 31 December 2011	**1.114.127**	**989.937**	**171.611**	**2.275.675**

The Company 31 December 2011	*Land and Buildings MKD'000*	*Equipment MKD'000*	*Construction in progress MKD'000*	*Total MKD'000*
Cost				
At 1 January 2011	**2.933.121**	**4.419.083**	**191.919**	**7.544.123**
Additions	17.625	36.560	120.988	175.173
Transfers from CIP	54.450	86.846	(141.296)	-
Transfer to investment property	(11.738)	-	-	(11.738)
Disposals	-	(51.025)	-	(51.025)
Write off	(106)	(11.088)	-	(11.194)
At 31 December 2011	**2.993.352**	**4.480.376**	**171.611**	**7.645.339**
Depreciation				
At 1 January 2011	**1.986.404**	**3.353.582**	-	**5.339.986**
Charge for the year	38.092	221.381	-	259.473
Transfer to investment property	(11.738)	-	-	(11.738)
Disposals	-	(49.527)	-	(49.527)
Write off	(95)	(10.804)		(10.899)
At 31 December 2011	**2.012.663**	**3.514.632**	-	**5.527.295**
Net book value at 31 December 2011	**980.689**	**965.744**	**171.611**	**2.118.044**

6. Investment property

	Consolidated			Company		
	2012 MKD'000	*2011 Restated MKD'000*	*01 of January 2011 Restated MKD'000*	*2012 MKD'000*	*2011 Restated MKD'000*	*01 of January 2011 Restated MKD'000*
Opening balance at 1 January	83.361	84.757	34.404	83.361	84.757	34.404
Impact from change of accounting policy	-	-	50.353	-	-	50.353
Loss from fair value adjustment	-	(1.396)	-	-	(1.396)	-
Transfer to property, plant and equipment (Note 5)	(2.658)	-	-	(2.658)	-	-
Closing balance at 31 December	**80.703**	**83.361**	**84.757**	**80.703**	**83.361**	**84.757**

Investment property principally comprise of land, production premises with business offices (usjepor and pallets) and construction object – restaurant and cafeteria room which are held for long-term rental yields and is not occupied by the Group. During 2012, part of the land has being transferred to Property, plant and equipment (see Note 5), since the land was used for own occupancy.

7. Inventories

	Consolidated		Company	
	2012 MKD'000	*2011 MKD'000*	*2012 MKD'000*	*2011 MKD'000*
Spare parts	266.347	253.366	266.347	253.366
Raw materials and fuel	155.800	108.239	155.800	108.239
Consumable stores	168.963	184.505	168.687	184.388
Finished goods	62.914	55.896	62.914	55.896
Semi-finished goods	38.548	43.722	38.548	43.722
Packing materials	17.432	14.988	17.432	14.988
Goods for resale	275	2.347	275	227
Prepayments for inventory purchase	381	79	381	79
	710.660	**663.142**	**710.384**	**660.905**

8. Trade and other receivables

	Consolidated 2012 MKD'000	*Consolidated* 2011 MKD'000	*Company* 2012 MKD'000	*Company* 2011 MKD'000
Trade debtors	282.422	196.771	273.372	190.677
Prepayments	25.590	25.803	24.245	4.279
Advances to suppliers	-	8	-	8
Other current assets	65.176	37.005	55.627	36.923
	373.188	**259.587**	**353.244**	**231.887**

Included in other current assets are restricted time deposits held with Stopanska Banka AD Skopje of MKD 14.022 thousand related to the issued guarantees for custom duties and supply of electrical energy.

Trade receivables are non-interest bearing and are generally on 0 - 75 days terms.

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

The Group

			Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2012	282.422	180.540	91.219	2.071	6.281	581	1.730
2011	196.771	176.002	13.426	7.343	-	-	-

The Company

			Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2012	273.372	178.741	92.031	370	2.230	-	-
2011	190.677	175.161	11.650	3.866	-	-	-

9. Short term loans receivable

On 06 December 2011, the Company concluded a Credit Facility Agreement with TITAN Global Finance PLC ("the Borrower") representing revolving credit line agreement with a limit of EUR 30.000 thousand. The frame can be withdrawn upon written request of the Borrower in one or more tranches (each representing separate loan). The withdrawn facilities are repayable by the Borrower in whole or in part on demand by the Company at any time or at discretion of the Borrower, but not later than two years after the date of the Agreement. The Agreement is concluded for a period of one year and eleven months and the interest rate is EURIBOR for the relevant period plus 2,70 per cent p.a.. As of 31 December 2012, the Company has taken back the whole allowed loan in amount of MKD 1.414.615 thousand i.e. EUR 23.000 thousand.

10. Cash and cash equivalents

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Bank deposits	1.493.846	136.142	1.493.543	135.827
Cash at bank	64.103	40.075	24.563	11.779
Cash at hand	19	29	19	29
	1.557.968	**176.246**	**1.518.125**	**147.635**

11. Share capital

The authorized, issued and fully paid share capital is:

The Group and the Company	*Number of shares*	*MKD '000*
Titan Cement Netherlands B.V. - ordinary shares of MKD 3.100 each	534.667	94,84%
Other shareholders - ordinary shares of MKD 3.100 each	29.117	5,16%
	563.784	**100%**

	MKD'000
Share capital as registered	
At 31 December 2012 and 31 December 2011	**1.747.730**

Dividends paid and proposed

The Group and the Company	*MKD'000*
Declared and paid during the period ended 31 December 2011	
Final dividend for 2010:	
MKD 1.068,00 per share	
Declared:	602.121
Paid:	602.117
Declared and paid during the period ended 31 December 2012	
Final dividend for 2011:	
MKD 1.968,00 per share	
Declared:	1.109.527
Paid:	1.109.522

Dividends declared and paid for the year ended 31 December 2012 and year ended 31 December 2011 entirely relate to cash dividends on ordinary shares.

12. Other reserves

The Group	*Asset revaluation reserve* MKD'000	*Statutory reserves* MKD'000	*Foreign currency translation reserve* MKD'000	*Total* MKD'000
At 1 January 2011	**268.551**	**363.337**	**4.530**	**634.418**
Dividends declared, net	-	(13.716)	-	(13.716)
Currency translation difference	-	-	165	165
At 31 December 2011	**268.551**	**349.621**	**4.695**	**622.867**
Currency translation difference	-	-	395	395
At 31 December 2012	**268.551**	**349.621**	**5.090**	**623.262**

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign subsidiary.

The Company	*Asset revaluation reserve* MKD'000	*Statutory reserves* MKD'000	*Total* MKD'000
At 31 December 2011	**268.551**	**349.621**	**618.172**
At 31 December 2012	**268.551**	**349.621**	**618.172**

13. Provision for retirement benefits

	Consolidated		*Company*	
	2012 MKD'000	*2011* MKD'000	*2012* MKD'000	*2011* MKD'000
Defined retirement benefit obligations	24.706	24.323	24.706	24.323
Defined jubilee anniversary award obligations	21.564	22.960	21.564	22.960
Defined scholarship obligations	21.661	22.998	21.661	22.998
	67.931	**70.281**	**67.931**	**70.281**
Analyzed as:				
Non-current portion	57.745	63.671	57.745	63.671
Current portion	10.186	6.610	10.186	6.610
	67.931	**70.281**	**67.931**	**70.281**

13. Provision for retirement benefits (continued)

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

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
At 1 January	70.281	71.205	70.281	71.205
Current service costs	5.043	6.675	5.043	6.675
Interest cost	3.467	3.717	3.467	3.717
Recognised actuarial (gains)/losses, net	(4.247)	505	(4.247)	505
	74.544	82.102	74.544	82.102
Benefits paid during the year	(6.951)	(8.662)	(6.951)	(8.662)
Losses, net, from reconciling the actuarial calculation	338	428	338	428
Unused provision reversed	-	(3.587)	-	(3.587)
At 31 December	**67.931**	**70.281**	**67.931**	**70.281**

The amounts recognised in the income statement are as follows:

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Current service costs	5.043	6.675	5.043	6.675
Interest cost	3.467	3.717	3.467	3.717
Recognised actuarial (gains)/losses, net	(4.247)	505	(4.247)	505
(Gains)/losses, net, from reconciling the actuarial calculation	338	428	338	428
	4.601	**11.325**	**4.601**	**11.325**

The principal actuarial assumptions used by the independent actuaries were as follows:

a) Live probability and mortality by age and sex are determined according to the Mortality Table for the population of Republic of Macedonia for the period 1980-1982;
b) Turnover rate of employees is insignificant and it is not taken into consideration because percentage of leaving the company is almost none, except for 2009, when the Company during the year decided to carry out program for decreasing the employees, and
c) Employee's retirement in the future will be according to the current legislative (64 for male and 62 for female).
d) The actuarial calculation also included the scholarships for the children of the Company's employees who attend graduate and post graduated studies as well as the children of the died employees attending secondary school or graduate studies. In addition, assumption is also made for the children who are still not eligible for scholarship under the assumption that 70% will registered at a university in 2013, i.e. 50% in the next periods.

13. Provision for retirement benefits (continued)

The used financial assumptions were as follows:

Nominal annual increase of the average republic net salary: 4,5%;

Discount rate: 5,5%

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

14. Trade and other payables

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Trade creditors	349.165	329.292	349.129	328.973
Customer prepayments	8.598	30.107	7.841	29.823
Tangible assets creditors	66.861	45.902	66.861	45.902
Other current liabilities	18.823	20.218	18.756	20.130
	443.447	**425.519**	**442.587**	**424.828**

15. Contingences and Commitments

Contingent liabilities

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Bank guarantees	81.364	14.023	78.597	14.023
Concession agreement guarantees	919	2.140	919	2.140
	82.283	**16.163**	**79.516**	**16.163**

As of 31 December 2012, the Group has obtained a Bank payment guaranties from Stopanska Banka in favour of Customs of MKD 5.043 thousand valid till 19 March 2013, in favour of MEPSO AD Macedonia of MKD 3.936 thousand for transmission of electricity valid till 15 January 2013, in favour of Makpetrol AD Skopje of MKD 5.043 thousand related to the purchase of natural gas valid till 15 February 2013 and Bank guaranties from Ohridska Banka in favour of MOL Hungarian Oil and Gas PLC for pet coke of MKD 64.575 thousand valid until 31 March 2013. Also, the Group has obtained a bank payment guarantee from Raiffeisen Bank, Kosovo in favour of custom in amount of MKD 2.767 thousand with pledged of forklift and generator.

In addition, the Group has obtained bank payment guarantees from Alpha Bank in total of MKD 919 thousand in favour of the Ministry of Economy for realisation of concession agreements.

15. Contingences and Commitments (continued)

Commitments

Operating lease commitments - company as lessee

The Group leases motor vehicles under lease agreements. The leases have varying terms and clauses. The expenditures are recognised in the profit or loss for the period.

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Up to 1 year	4.564	5.312	4.564	5.312
Later than 1 year and not later than 5 years	9.483	10.519	9.483	10.519
	14.047	**15.831**	**14.047**	**15.831**

Purchase commitments

As at 31December 2012, the Group has entered into contracts for the purchase of electricity amounting to MKD 45.070 thousand only for the first quarter of 2013.

16. Related party transactions

Titan Cement Netherlands B.V. owns 94.84% of the Company's share capital.

The following transactions were carried out with the related parties:

a) Sales of goods and services

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Cement Plus Ltd - cement, sand and white cement	-	-	564.566	1.069.731
SHARRCEM SH.P.K-Clinker	249.203	-	249.203	-
SHARRCEM SH.P.K - pet coke	224.386	412.254	224.386	412.254
SHARRCEM SH.P.K- Freight revenue	54.294	-	54.294	-
Cement Plus Ltd - freight revenue	-	-	22.591	3.458
Titan Global Finance PLC London - interest income	18.821	3.210	18.821	3.210
Trojan Cem EOOD Sofija - cement	-	-	11.295	12.791
SHARRCEM SH.P.K - materials and services	4.517	1.586	4.517	1.586
SHARRCEM SH.P.K - silos	3.065	-	3.065	-
SHARR Beteiligungs Branch Skopje services	270	270	270	270
Antea Cement SHA - grey cement	-	852	-	852
Cement Plus Ltd - technical fee	-	-	-	1.292
	554.556	**418.172**	**1.153.008**	**1.505.444**

16. Related party transactions (continued)

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

Receivables from related parties

	Consolidated 2012 MKD'000	*Consolidated* 2011 MKD'000	*Company* 2012 MKD'000	*Company* 2011 MKD'000
SHARRCEM SH.P.K - pet coke, clinker	175.671	96.222	175.671	96.222
Trojan Cem EOOD SOFIJA - grey cement	-	-	4.676	3.512
Titan Global Finance-short term loan	-	1.414.615	-	1.414.615
Cement Plus Ltd - cement and white cement	-	-	-	4.426
Titan Global Finance - interest	-	2.312	-	2.312
Cement Plus Ltd - technical fee	-	-	-	1.227
	175.671	**1.513.149**	**180.347**	**1.522.314**

b) Purchases of goods and services

	Consolidated 2012 MKD'000	*Consolidated* 2011 MKD'000	*Company* 2012 MKD'000	*Company* 2011 MKD'000
Titan Cement Company - white cement and pet coke	682.411	896.725	682.411	896.725
SHARRCEM SH.P.K - sharmal	25.118	-	25.118	-
Balkcem Limited - technical fee	16.945	31.107	16.945	31.107
Geospan Dooel Skopje - aggregates	5.105	-	5.105	-
SHARRCEM SH.P.K - silos	3.065	-	3.065	-
SHARRCEM SH.P.K - grey cement	524	1.814	524	1.814
Titan Cement Company - raw materials	260	-	260	-
SHARRCEM SH.P K- materials and services	80	98	80	98
Titan Zlatna Panega - materials	44	2.535	44	2.535
Titan Cement Company - purchased clinker	-	16.478	-	16.478
Titan Zlatna Panega - grey cement	-	2.304	-	2.304
Titan Cement Company - services	-	18	-	18
	733.552	**951.079**	**733.552**	**951.079**

16. Related party transactions (continued)

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

Payables to related parties

	Consolidated		*Company*	
	2012	*2011*	*2012*	*2011*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
SHARR CEM SH.P.K - sharmal	2.345	-	2.345	-
SHARR CEM SH.P.K - services	5.747	-	5.747	-
Titan Cement Company - white cement , pet coke and services	1.673	66.076	1.673	66.076
Balkcem Limited - technical fee	1.002	6.370	1.002	6.370
Titan Zlatna Panega - grey cement	104	104	104	104
Cement Plus Ltd. - prepayments	-	-	31	-
Titan Cement Company - construction in progress	-	1.876	-	1.876
Beni Suef Cement Co - services	-	110	-	110
	10.871	**74.536**	**10.902**	**74.536**

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

17. Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables. The Group has various financial assets such as trade receivables and cash and cash equivalents short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

a) Interest risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

b) Foreign exchange risk

The Group's exposure to foreign currency risk is minimal due to the fact that the majority of foreign currency transactions relating to selling and purchases are denominated in EURO, which was stable during all 2012.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

17. Financial risk management objectives and policies (continued)

c) Liquidity risk (continued)

The table below summarises the maturity profile of the Company's and Group's financial liabilities at 31 December 2012 and 31 December 2011 based on contractual undiscounted payments.

The Group

Year ended 31 December 2012

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	338.294	-	-	-	338.294
Other payables	-	94.282	-	-	-	94.282
Payables to related parties	-	10.871	-	-	-	10.871

Year ended 31 December 2011

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	300.658	-	-	-	300.658
Other payables	-	50.325	-	-	-	50.325
Payables to related parties	-	74.536	-	-	-	74.536

The Company

Year ended 31 December 2012

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	338.227	-	-	-	338.227
Other payables	-	93.458	-	-	-	93.458
Payables to related parties	-	10.902	-	-	-	10.902

17. Financial risk management objectives and policies (continued)

c) Liquidity risk (continued)

Year ended 31 December 2011

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	300.339	-	-	-	300.339
Other payables	-	49.953	-	-	-	49.953
Payables to related parties	-	74.536	-	-	-	74.536

d) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any one customer. In addition, to reduce this risk the Group has required as collateral: bank guaranties and deposits. Recognisable risks are accounted for by adequate provisions on receivables.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial investments and other financial assets (non-current), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

e) Fair values

The fair values of the Group financial instruments approximate their carrying amounts due to their short term of maturity.

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following shareholders' approval. No changes were made in the objectives, policies or processes during the years end 31 December 2012 and 31 December 2011.

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

17. Financial risk management objectives and policies (continued)

Capital management (continued)

The Group

	2012	2011
	MKD'000	*MKD'000*
EBITDA	**1.545.167**	**2.205.278**

The Company

	2012	2011
	MKD'000	*MKD'000*
EBITDA	**1.536.382**	**2.184.306**

18. Events after the reporting period

There have been no significant events subsequent to the reporting period, which require disclosure in the financial statements of the Group and the Company.