



ANTEA CEMENT SH.A.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
WITH INDEPENDENT AUDITORS' REPORT THEREON

Contents

INDEPENDENT AUDITOR'S OPINION.....	1
STATEMENT OF COMPREHENSIVE INCOME	2
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS.....	5
1. CORPORATE INFORMATION	6
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	6
3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS	15
4. FINANCIAL RISK MANAGEMENT	16
5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS.....	17
6. SALES OF PRODUCTS.....	19
7. OTHER REVENUES.....	19
8. COST OF SALES.....	20
9. OTHER INCOME.....	21
10. OTHER EXPENSES	21
11. SELLING AND MARKETING EXPENSES	21
12. ADMINISTRATIVE EXPENSES.....	22
13. EMPLOYEE BENEFITS EXPENSE	22
14. FINANCE COSTS	22
15. INCOME TAX.....	23
16. PROPERTY, PLANT AND EQUIPMENT	25
17. INTANGIBLE ASSETS	26
18. INVESTMENTS IN SUBSIDIARY	26
19. INVENTORIES.....	27
20. TRADE RECEIVABLES	27
21. OTHER RECEIVABLES.....	28
22. CASH AND CASH EQUIVALENTS.....	28
23. SHARE CAPITAL	29
24. BORROWINGS	29
25. TRADE PAYABLES	31
26. OTHER PAYABLES.....	32
27. RELATED PARTY TRANSACTIONS.....	32
28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.....	35
29. FAIR VALUES.....	38
30. CAPITAL MANAGEMENT	39
31. COMMITMENTS AND CONTINGENCIES.....	39
32. EVENTS AFTER THE REPORTING PERIOD	40



Independent Auditor's Report

To the Board of Directors and Shareholders of ANTEA CEMENT SH.A.

Our opinion

In our opinion, the standing alone financial statements present fairly, in all material respects, the financial position of ANTEA CEMENT SH.A. (the "Company") as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's standing alone financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the standing alone financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements in Albania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the standing alone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

*PricewaterhouseCoopers Audit sh.p.k., Str. Ibrahim Rugova, SkyTower, 9th floor, Tirana, Albania
T: +355 (4) 2242 254, F: +355 (4) 2242 639, www.pwc.com/al*



Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the standing alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standing alone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standing alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standing alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standing alone financial statements, including the disclosures, and whether the standing alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Audit sh.p.k.
PricewaterhouseCoopers Audit sh.p.k.
16 February 2018
Tirana, Albania

Statutory Auditor
Laureta Peci Kellici

ANTEA CEMENT SH.A.

STATEMENT OF COMPREHENSIVE INCOME (Amounts in ALL thousands unless otherwise stated)

		Year ended 31 December 2017	Year ended 31 December 2016
	<i>Notes</i>		
Sales of products	6	6,569,773	4,373,020
Other revenues	7	313,710	147,187
Revenue		6,883,483	4,520,207
Cost of sales	8	(5,492,136)	(3,572,235)
Gross profit		1,391,347	947,972
Other income	9	123,491	94,576
Other expenses	10	(121,844)	(3,077)
Selling and marketing expenses	11	(70,600)	(90,165)
Administrative expenses	12	(500,058)	(470,536)
Operating profit before interest, taxes and impairment		822,336	478,770
Impairment of investment	18	-	(526,180)
Net finance costs	14	(318,989)	(478,489)
Profit before income taxes		503,347	(525,899)
Income tax expense	15	(25,774)	(26,422)
Profit / (Loss) for the year		477,573	(552,321)
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		477,573	(552,321)

The notes on pages 6 to 40 are an integral part of these financial statements.

ANTEA CEMENT SH.A.

STATEMENT OF FINANCIAL POSITION

(Amounts in ALL thousands unless otherwise stated)

Notes	31 December 2017	31 December 2016
ASSETS		
Non-current assets		
Property, plant and equipment	16 18,801,485	19,397,045
Intangible assets	17 105,186	7,774
Investments in subsidiary	18 829,931	829,931
	<u>19,736,602</u>	<u>20,234,750</u>
Current assets		
Inventories	19 2,015,724	1,721,744
Trade receivables	20 300,014	459,462
Other receivables	21 140,149	42,446
Receivables from related parties	27B 391,488	178,043
Cash and cash equivalents	22 602,678	975,997
	<u>3,450,053</u>	<u>3,377,692</u>
TOTAL ASSETS	<u>23,186,655</u>	<u>23,612,442</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	23 10,686,510	10,686,510
Accumulated losses	(4,988,804)	(5,466,377)
	<u>5,697,706</u>	<u>5,220,133</u>
Non-current liabilities		
Interest-bearing loans and borrowings	24A 13,886,666	15,133,515
Deferred tax liability	15 1,187,844	1,174,342
	<u>15,074,510</u>	<u>16,307,857</u>
Current liabilities		
Trade payables	25 537,407	609,653
Other payables	26 171,933	101,184
Interest-bearing loans and borrowings	24B 1,467,560	1,242,015
Payables to related parties	27D 237,539	131,600
	<u>2,414,439</u>	<u>2,084,452</u>
TOTAL EQUITY AND LIABILITIES	<u>23,186,655</u>	<u>23,612,442</u>

These financial statements have been approved by the management of the company on 07 February 2018 and signed on its behalf by:

Mario Bracci

Chief Executive Officer

Adrian Qirjako

Finance Director

The notes on pages 6 to 40 are an integral part of these financial statements.

ANTEA CEMENT SH.A.

STATEMENT OF CHANGES IN EQUITY

(Amounts in ALL thousands unless otherwise stated)

	Share capital	Accumulated losses	Total
As at 1 January 2016	10,686,510	(4,914,056)	5,772,454
Net loss for the year	-	(552,321)	(552,321)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(552,321)	(552,321)
As at 31 December 2016	10,686,510	(5,466,377)	5,220,133
Net profit for the year	-	477,573	477,573
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	477,573	477,573
As at 31 December 2017	10,686,510	(4,988,804)	5,697,706

The notes on pages 6 to 40 are an integral part of these financial statements.

ANTEA CEMENT SH.A.

STATEMENT OF CASH FLOWS

(Amounts in ALL thousands unless otherwise stated)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Profit / (Loss) before income tax		503,347	(525,899)
Cash flows from operating activities			
Adjustments for:			
Depreciation	16	817,962	793,044
Amortization	17	4,906	1,717
Losses on disposal of property, plant and equipment and intangible assets		504	345
Impairment of Investment		-	526,180
Movements in Forestation Provision	26	16,140	-
Movements in other provisions	26	24,581	(10,186)
Interest income	14	(119)	(302)
Interest expense	14	458,048	615,487
Foreign exchange translation differences		(162,453)	(158,947)
Operating cash flows before working capital changes		1,662,916	1,241,439
(Increase) / Decrease in inventories	19	(293,980)	126,420
(Increase) / Decrease in trade and other receivables	21,21	(180,350)	723,850
Increase / (Decrease) in trade and other payables	25,26	67,780	(54,741)
Changes in working capital			
Interest paid		(239,710)	(333,155)
Interest received		119	302
Net Cash flows from operating activities		1,016,775	1,704,115
Cash flows from investing activities			
Purchase of property, plant and equipment		(318,874)	(266,291)
Purchase of Intangible Assets		(6,350)	-
Capital increase in subsidiaries		-	(138,120)
Net cash flows used in investing activities		(325,224)	(404,411)
Cash flows from financing activities			
Proceeds of borrowings		220,694	-
Repayment of borrowings		(1,255,214)	(1,132,938)
Payment of front fees		-	(2,875)
Net cash flows (used in)/from financing activities		(1,034,520)	(1,135,813)
Net increase/(decrease) in cash and cash equivalents		(342,969)	163,891
Cash and cash equivalents at 1 January	22	975,997	825,474
Effect of exchange rate changes on cash and cash equivalents		(30,350)	(13,368)
Cash and cash equivalents at 31 December	22	602,678	975,997

The notes on pages 6 to 40 are an integral part of these financial statements.

ANTEA CEMENT SH.A. NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

1. CORPORATE INFORMATION

Antea Cement Sh.A hereinafter referred as the ("the Company") is incorporated in the Republic of Albania with the registered address at Kashar, Katundi i ri, Autostrada Tirane-Durres km 7, PO BOX 1746, Tirana, Albania. The Company's main activity is production and trade of cement, bulk and packed in bags.

The Company is controlled by ALVACIM Ltd, registered in Cyprus, which has 80% shareholding in the Company, and IFC has 20% shareholding in the Company.

The Company's ultimate parent is Titan Cement Company S.A. - Greece.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2017 and 2016. The Company maintains its accounting records and publishes its statutory financial statements in accordance with the Accounting Law no. 9228 dated April 29, 2008 "On Accounting and Financial Statements".

The number of employees as of 31 December 2017 is 193; (31 December 2016: 193).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are in accordance with International Financial Reporting Standards ("IFRS").

a. Basis of preparation

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5 for new and amended standards adopted by the Company).

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

The Company has two fully owned (100%) subsidiaries, Albacemento Sh.p.k. established and operating in Albania and Cementi Antea SRL established and operating in Italy.

Titan Cement Company S.A (the Group) which is the ultimate controlling party of the Company produces and publishes consolidated financial statements in accordance with IFRS in which the Company and its subsidiaries are included. The consolidated financial statements can be obtained from <http://www.titan.gr>. In the consolidated financial statements, subsidiary undertakings – which are those companies in which the group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated.

Presentation currency. These financial statements are presented in Albanian Lek ("ALL"), unless otherwise stated. Except as indicated, financial information presented in ALL has been rounded to the nearest thousand.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Investments in subsidiaries

Subsidiaries are those investees, including structured entities, that the Company controls because the Company (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Company has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Company may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Company assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Company from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are deconsolidated from the date on which control ceases. Investment in subsidiaries in the separate financial statements is measured at cost.

c. Foreign currency translation

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the national currency of the Republic of Albania, Albanian Lek (ALL).

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of Bank of Albania at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates are recognized in profit or loss as finance income or costs.

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

d. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Sales of goods. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Company agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Revenue Recognition (Continued)

Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest Income

Interest income is recognized on a time-proportion basis using the effective interest method. Revenue relates to time deposits and is recognized as interest accrues. Interest income is included in finance income in the statement of comprehensive income.

e. Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Taxes (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date (i.e. 15%).

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

f. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalized and the replaced part is retired. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Land Improvements	10 to 40 years
Buildings	10 to 40 years
Plant and machinery	5 to 40 years
Vehicles	5 to 15 years
Furniture and Fittings , and Electronic Equipment	2 to 10 years

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Property, plant and equipment (continued)

Spare parts are recognized as part of Property plant and equipment if the follow criteria's are met: the spare parts are expected to be used for more than one period, their cost can be measured reliably, it is probable that future economic benefits associated with the item will flow to the entity, and the unit value of the qualifying strategic spare part equals and exceeds the equivalent of Euro 50 thousand.

g. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

h. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Company capitalizes borrowing costs for all eligible assets where construction commenced on or after 1 January 2009.

i. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Intangible assets (continued)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Amortization of intangible assets with finite lives are as follows: Computer Software 5 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

j. Financial liabilities

Initial recognition and measurement

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 initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and financial guarantee contracts.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method ('EIR') amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of comprehensive income.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

De-recognition

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

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

k. Offsetting of financial instruments

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

l. Inventories

Inventories are recorded at the lower of cost and net realizable value. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials:

- Purchase cost on an average cost basis

Finished goods and work in progress:

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in other comprehensive income, in respect of the purchases of raw materials.

m. Impairment on non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Impairment on non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long - term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Impairment of intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

n. Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognized on the trade date i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Financial asset (continued)

For the years ended as at 31 December 2017 and as at 31 December 2016, the Company did not hold any of the abovementioned financial assets other than trade and other receivables including related party receivables.

Trade and other receivables, including related party receivables

Trade and other receivables, including related party receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. As stated above, provision is made when there is objective evidence (see below) that the Company will not be able to collect the debts. Bad debts are written off when identified.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or Group of financial assets is impaired.

In relation to trade and related party receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

o. Cash and short-term deposits

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

p. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

q. Trade payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

r. Comparatives

Comparative figures have been reclassified where appropriate, to conform to changes in presentation in the current period. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in the financial statements.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

I. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

II. Impairment of receivables

Management maintains an allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful receivables, management bases its estimates on the ageing of accounts receivable, balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. At 31 December 2017 the best estimate of the allowance for impairment of receivables is **ALL 574,434 thousand** (2016: **ALL 574,434 thousand**). Further details are provided in Note 20.

III. Useful lives of property plant and equipment, and intangible assets

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining the expected useful lives of these assets and their residual values. The determination of the useful lives of the assets is based on management's judgment. Further details are provided in Notes 2 (f),(i), 16 and 17.

IV. Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the country in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile. As the Company assesses the probability for a litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

V. Environmental restoration costs - Provisions for Forestation

The Company is required to perform restoration works consisting in re-forestation on quarries and processing sites on yearly basis based on a specific schedule. These works are fulfilled each year and the respective costs are recognized in the statement of profit or loss and other comprehensive income of the Company.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

V. Environmental restoration costs – Provisions for Forestation (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 15 – Income tax expense
- Note 20 – Accounts receivable
- Note 26 – Provisions
- Note 31 – Commitments and contingencies

4. FINANCIAL RISK MANAGEMENT

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements and in particular in note 28.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The principal financial instruments of the Company consist of cash on hand and at banks, loan from related party, trade accounts receivable and payable, other receivables and liabilities.

(i) Credit risk

Due to the large volume and diversity of the Company's customer base, concentrations of credit risk with respect to trade accounts receivable from customers are limited. The allowance for doubtful accounts receivable is stated at the amount considered necessary to cover potential risks in the collection of accounts receivable balances.

(ii) Liquidity risk

The Company generates significant cash flows from operating activities such that it believes that its liquidity risk is not significant.

(iii) Market risk

Interest rate risk

The Company faces interest rate cash flow risk related to its loans which are at a variable rate. Management has not entered into any derivatives to hedge this risk.

Foreign exchange risk

The Company has significant exposure toward foreign currencies. The Company has long-term and short-term borrowings denominated in Euro.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates might have an impact on profit. At 31 December 2017 it is estimated that a change in the percentage of interest rates in the value of the ALL against other foreign currencies would not significantly impact the Company's profit before income tax.

(iv) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the EBITDA which is earnings before interest, taxes and depreciation. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Details on how EBITDA is calculated is presented in note

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to financial risk management and capital management during the year.

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

The following amended standards became effective for the Company from 1 January 2017, but did not have any material impact on the Company.

- *Recognition of Deferred Tax Assets for Unrealized Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).*
- *Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).*
- *Annual Improvements to IFRSs 2014-2016 cycle - amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).*

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

Standards issued but not yet effective and not early adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Company has not early adopted. The Company is in the process of assessing the impact these changes will have on its accounts:

- *IFRS 9 "Financial Instruments" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018).*
- *IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)*
- *IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).*
- *Annual Improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).*
- *IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).*
- *IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).*
- *Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).*
- *Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).*
- *Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).*

The Company has performed a preliminary analysis the impact of IFRS 15 and IFRS 9 on the Company's accounts and has determined that these standards are not expected to have a significant impact on the Company's accounts and results of operations.

ANTEA CEMENT SH.A.
NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

6. SALES OF PRODUCTS

The sales reflected in the statement of comprehensive income are analysed as follows in terms of domestic and foreign markets as well as per type of product

	Year ended 31 December 2017	Year ended 31 December 2016
Cement products	6,771,208	4,432,567
Clinker	24,663	99,135
Imported cement	21,469	22,530
Discounts	(247,567)	(181,212)
Total	6,569,773	4,373,020

The sales of products are analysed as follows in terms of domestic and foreign market, as well as per type of product.

	Year ended 31 December 2017	Year ended 31 December 2016
<i>Sales</i>		
Domestic market	4,601,162	3,546,090
Foreign market	2,216,178	1,008,142
Discounts	(247,567)	(181,212)
Total	6,569,773	4,373,020
<i>Domestic market</i>		
Income from imported cement	21,469	22,530
Income from own cement	4,579,693	3,523,560
Discounts	(247,567)	(181,212)
Total	4,353,595	3,364,878
<i>Foreign market</i>		
Income from Cement	2,191,515	909,007
Income from Clinker	24,663	99,135
Total	2,216,178	1,008,142

7. OTHER REVENUES

The other revenues in the statement of comprehensive income are analysed as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Revenue from freight	272,382	145,886
Revenues from materials sold	41,328	1,301
Total	313,710	147,187

Revenues from sold materials in the amount of ALL 41,328 thousand on 31 December 2017 includes sales of Pet Coke amounting to ALL 33,955 thousand and other sold materials amounting to ALL 7.373 thousand. On 31 December 2016, revenues from sold materials in the amount of ALL 1,301 thousand includes refractories, protective equipment and packing materials.

ANTEA CEMENT SH.A.**NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousands unless otherwise stated)***8. COST OF SALES**

The Cost of sales in the statement of comprehensive income are analysed as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Variable Costs	4,114,142	2,220,673
Distribution expenses	927,502 *	382,194
Kiln fuel	1,315,650	686,622
Electricity	750,395	355,447
Raw materials & additives	548,263	295,209
Refractory	41,125	56,440
Fuel and oil	15,045	9,192
Royalty	52,147	32,081
Packing expenses	401,356	358,445
Cost of imported cement	19,858	16,820
Cost of materials sold	31,500	-
Other Items of variable cost	11,301	28,223
Fixed Costs	1,377,994	1,351,562
Salaries and related expenses (Note 13)	251,253	238,554
Repair and maintenance – spare parts	122,999	114,912
Services from third parties	246,585	171,516
Rent expenses	4,082	18,197
Plant utilities	12,029	6,656
Other fixed cost	50,994	53,477
Depreciation charges	757,008	731,857
Inventory variation	(66,956)	16,393
Total	5,492,136	3,572,235

Distribution Expenses are further detailed as follows for year ended 31 December 2017 and 2016:

	Year ended 31 December 2017	Year ended 31 December 2016
Distribution expenses related to domestic sales	235,092	186,286
Distribution expenses related to exports sales	314,170	124,044
Distribution expenses related to overseas transportation	378,240	71,864
Total	927,502	382,194

ANTEA CEMENT SH.A.
NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

9. OTHER INCOME

Other income in the statement of comprehensive income is analysed as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Income from sold inventory	-	379
Income from sales of fixed assets	-	279
Excise reimbursement	120,145	80,787
Reversal of other provisions (Note 19/26)	-	11,696
Other Operating Income	3,346	1,435
Total	123,491	94,576

Reversal of other provisions for 2017 is nil. (2016; provisions for inventory for ALL 4,118 thousand (Note 19), ALL 3,801 thousand provision for personnel costs and ALL 3,777 thousand related to other operational provision (Note 26)).

Other operating income in the amount of ALL 3,346 thousand relates to bonuses received from suppliers during the year (2016: ALL 1,435 thousand)

10. OTHER EXPENSES

Other expenses in the statement of comprehensive income are analysed as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Net book value of sold assets/disposed assets	504	345
Forestation Provision	16,140	-
Other provisions	24,581	1,510
Losses of inventory	4,356	623
Other expenses	76,263	599
Total	121,844	3,077

2017: Forestation provision relates to one-off forestation obligation the company has for one of its quarries. Other provision in the amount of ALL 24,581 thousands, relating to ALL 4,741 thousand for un-used holidays (Note 26), ALL 1,494 thousand for additional personnel costs (Note 26) and ALL 18,346 provision for operational risks (Note 26); Included in other expenses there is an amount of ALL 59,877 thousand related to losses from litigations please refer to (Note 31c).

2016: Other provision in the amount of ALL 1,510 thousands, relating to ALL 650 thousand for un-used holidays (Note 26) and ALL 860 thousand for additional personnel costs (Note 26);

11. SELLING AND MARKETING EXPENSES

The selling and marketing expenses in the statement of comprehensive income are analysed as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Salaries and related expenses (Note 13)	47,768	53,976
Utilities	15,756	19,310
Other expenses	7,076	16,879
Total	70,600	90,165

ANTEA CEMENT SH.A.**NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousands unless otherwise stated)***12. ADMINISTRATIVE EXPENSES**

The administrative expenses in the statement of comprehensive income are analysed as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Consultancy fees	131,101	127,555
Salaries and related expenses (Note 13)	108,138	87,581
Supplies	83,840	75,669
Depreciation	60,954	61,187
Insurance and taxes	52,777	53,056
Repairs and maintenance	11,446	18,168
Utilities	13,098	16,271
Travel-entertainment	5,934	4,987
Audit Fees	5,112	1,791
Amortization	4,906	1,717
Other Expenses	22,752	22,554
Total	500,058	470,536

13. EMPLOYEE BENEFITS EXPENSE

The employee benefits included under cost of sales, selling and marketing expenses and administrative expenses are summarized further as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Gross salaries	307,199	269,956
Other related expenses	99,960	110,155
Total	407,159	380,111
<i>Allocated to:</i>		
Cost of sales (note 8)	251,253	238,554
Selling and marketing expenses (note 11)	47,768	53,976
Administrative expenses (note 12)	108,138	87,581
Total	407,159	380,111

14. FINANCE COSTS

Net finance costs for years ended 31 December 2017 and 2016 are detailed as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Finance Income		
Interest income	119	302
Foreign exchange gain	523,708	572,770
Finance Income	523,827	573,072
Interest expense	(458,048)	(615,487)
Other financial costs	(11,362)	(13,699)
Bank charges	(12,151)	(8,552)
Foreign exchange losses	(361,255)	(413,823)
Finance Cost	(842,816)	(1,051,561)
Net finance Cost	(318,989)	(478,489)

ANTEA CEMENT SH.A.**NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousands unless otherwise stated)***15. INCOME TAX**

The income tax expense comprises of:

	Year ended 31 December 2017	Year ended 31 December 2016
Current income tax charge	(12,272)	-
Deferred tax movement	(13,502)	(26,422)
Total	(25,774)	(26,422)

A reconciliation of Current Income Tax Charge for the year ended 31 December 2017 and 31 December 2016 is provided as follows

	Year Ended 31 December 2017	Year Ended 31 December 2016
Accounting profit/(loss) before income tax	503,347	(525,899)
<i>Add Back:</i>		
Expenses not deductible for tax purposes	235,189	591,820
<i>Less:</i>		
Tax Depreciations	(111,952)	(258,026)
Non Taxable Income	-	(15,628)
Taxable Profit /(Taxable Losses)	626,584	(207,733)
Utilization of Taxable Losses Carried Forward	(544,770)	-
Taxable Profits	81,814	-
Current income tax charge at 15%	12,272	-

As per the Albanian Tax legislation the tax losses can be carried forward for a period of 3 consecutive years. The tax loss carry forwards expire as follows:

	31 December 2017	31 December 2016	Tax loss carry-forwards expiring by the end of:
Taxable losses of year 2013	-	(848,484)	31 December 2016
Taxable losses of year 2014	(337,037)	(337,037)	31 December 2017
Taxable losses of year 2016	(207,733)	(207,733)	31 December 2019
Of which available for utilization as at 31 December	(544,770)	(1,393,254)	
Carried Forward	-	(544,770)	

ANTEA CEMENT SH.A.**NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousands unless otherwise stated)***15. INCOME TAX (CONTINUED)**

Below are analysed deferred taxes by type of temporary differences

Differences between IFRS and statutory taxation regulations in Albania give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The effect of the movements in these temporary differences is detailed below.

	Statement of Financial Position		Statement of Comprehensive Income	
	31 December 2017	31 December 2016	2017	2016
<i>Deferred tax assets</i>				
Other provisions	2,092	1,381	711	103
Impairment of Receivables	69,097	66,505	2,592	12,176
	71,189	67,886	3,303	12,279
<i>Deferred tax liabilities</i>				
Accelerated tax depreciation/amortization	(1,259,033)	(1,242,228)	(16,805)	(38,701)
	(1,259,033)	(1,242,228)	(16,805)	(38,701)
Deferred tax (losses)	(1,187,844)	(1,174,342)	(13,502)	(26,422)

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

16. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and improvements	Buildings	Plant and machinery	Vehicles	Furniture and fittings	Electronic Equipment	Assets under construction	Total
As at 1 January 2016	2,738,665	1,667,765	19,221,905	20,972	25,433	182,875	390,171	24,247,786
Additions	-	-	90	2,620	135	3,800	259,646	266,291
Transfers	-	-	120,995	-	-	-	(120,995)	-
Disposals	-	-	-	-	-	(72)	(279)	(351)
As at 31 December 2016	2,738,665	1,667,765	19,342,990	23,592	25,568	186,603	528,543	24,513,726
Additions	-	-	28,278	-	668	4,946	284,982	318,874
Transfers	-	7,420	215,247	-	-	4,144	(322,779)	(95,968)
Disposals	-	-	-	-	-	(748)	-	(748)
As at 31 December 2017	2,738,665	1,675,185	19,586,515	23,592	26,236	194,945	490,746	24,735,884
Accumulated Depreciation								
As at 1 January 2016	342,346	223,993	3,608,183	18,526	24,440	106,155	-	4,323,643
Charge for the year	64,271	41,536	666,991	1,360	415	18,471	-	793,044
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(6)	-	(6)
As at 31 December 2016	406,617	265,529	4,275,174	19,886	24,855	124,620	-	5,116,681
Charge for the year	64,271	41,649	691,159	1,078	280	19,525	-	817,962
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(244)	-	(244)
As at 31 December 2017	470,888	307,178	4,966,333	20,964	25,135	143,901	-	5,934,399
Net book value								
As at 31 December 2016	2,332,048	1,402,236	15,067,816	3,706	713	61,983	528,543	19,397,045
As at 31 December 2017	2,267,777	1,368,007	14,620,182	2,628	1,101	51,044	490,746	18,801,485

Included in "Assets under constructions" there are strategic spare parts amounting to ALL 318,080 thousand (2016; ALL 330,095 thousand).
No property, plant and equipment have been pledged as collateral as at 31 December 2017 (2016: none).

ANTEA CEMENT SH.A.**NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousands unless otherwise stated)***17. INTANGIBLE ASSETS**

The intangible assets in the statement of financial position are analysed as follows:

	Computer software	Licences	Total
Cost:			
As at 1 January 2016	28,897	588	29,485
Additions	-	-	-
Disposals	-	-	-
As at 31 December 2016	28,897	588	29,485
As at 1 January 2017	28,897	588	29,485
Additions	1,575	4,775	6,350
Transfers	95,968	-	95,968
Disposals	-	-	-
As at 31 December 2017	126,440	5,363	131,803
Accumulated Amortisation:			
As at 1 January 2016	19,994	-	19,994
Amortisation charge for the year	1,717	-	1,717
As at 31 December 2016	21,711	-	21,711
Amortisation charge for the year	4,815	91	4,906
As at 31 December 2017	26,526	91	26,617
Net book value:			
At 31 December 2016	7,186	588	7,774
At 31 December 2017	99,914	5,272	105,186

No intangible assets have been pledged as collateral as at 31 December 2017 (2016: none).

18. INVESTMENTS IN SUBSIDIARY

	31 December 2017	31 December 2016
ALBA CEMENTO SH.P.K	756,766	756,766
Impairment of investment in subsidiary	(526,180)	(526,180)
CEMENTI ANTEA SRL	599,345	599,345
Total	829,931	829,931

Albacemento is a fully owned subsidiary of the Company. Albacemento owns and operates a cement terminal in Tirana, providing logistical services to Antea. During 2016, the Company carried out an impairment review of the related CGU. The review determined that the commercial viability of the terminal has decreased significantly. As a result, an impairment was recognized in the statement of profit or loss and other comprehensive income in the amount of ALL 526,180 thousand as at 31 December 2016.

Cementi Antea SRL – Italy is a fully owned subsidiary of the Company. Its main activity is Cement Trading through a rented terminal in Ortona, Italy.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

19. INVENTORIES

The inventories in the statement of financial position are analysed as follows:

	31 December 2017	31 December 2016
Raw materials	643,846	541,321
Spare parts	873,691	799,303
Packing materials	121,056	97,397
Semi-finished goods	160,393	115,667
Finished goods	83,622	61,392
Goods for resale	1,120	1,125
Other materials	131,996	105,539
Provision for inventories	-	-
Total	2,015,724	1,721,744

Movements in the provisions for inventory are shown as follows:

	31 December 2017	31 December 2016
Balance at 1 January	-	(4,118)
Reversal during the year (Note 9)	-	4,118
Balance as at 31 December	-	-

20. TRADE RECEIVABLES

Trade receivables in the statement of financial position are analysed as follows:

	31 December 2017	31 December 2016
Trade receivables	874,448	1,033,896
Less: Allowance for doubtful receivables	(574,434)	(574,434)
Trade Receivables Net	300,014	459,462

Trade receivables are non-interest bearing and are generally on 30-120 day terms.

The Company considers a range of qualitative and quantitative factors in calculating impairment for trade receivables such as aging of receivables, past historical data of the customer as well as guarantees from the customer.

Movements in the allowance for doubtful receivables are as follows:

	31 December 2017	31 December 2016
Balance at 1 January	574,434	574,434
Balance as at 31 December	574,434	574,434

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

20. TRADE RECEIVABLES (CONTINUED)

As at 31 December 2017 and 31 December 2016, the aging analysis of trade receivables is analysed as follows:

	31 December 2017	31 December 2016
Neither past due nor impaired	68,842	127,827
Past due but not impaired	63,859	67,324
up to 30 days	51,213	15,503
from 30 to 60 days	7,262	10,828
from 61 to 90 days	1,850	11,735
from 91 to 180 days	3,534	29,258
Past due 181 days +	741,747	838,745
from 181 days to 360 days	26,408	115,967
above 361 days	715,339	722,779
Trade receivables before allowances on doubtful receivables	874,448	1,033,896
Allowance for doubtful receivables	(574,434)	(574,434)
Net trade receivables	300,014	459,462

21. OTHER RECEIVABLES

Other receivables in the statement of financial position are analysed as follows:

	31 December 2017	31 December 2016
VAT receivables	72,995	-
Sundry debtors	16,098	7,427
Prepayments for supplies	1,295	9,008
Deferred expenses	49,748	25,516
Other taxes receivable	13	495
Total	140,149	42,446

Deferred expenses represent consumables and/or prepaid expenses, which are deferred for a period of time and are expensed based on their respective consumption rate.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	31 December 2017	31 December 2016
Cash on hand in domestic currency	58	170
Cash on hand in foreign currency	418	13
Cash at bank in domestic currency	74,481	59,435
Cash at bank in foreign currency	527,721	916,379
Total	602,678	975,997

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

23. SHARE CAPITAL

<i>Authorized, issued and fully paid</i>	31 December 2017			31 December 2016		
	<i>Number of shares</i>	<i>% Holding</i>	<i>Face Value in ALL' 000</i>	<i>Number of shares</i>	<i>% Holding</i>	<i>Face Value in ALL' 000</i>
ALVACIM ltd - ordinary shares of ALL 2,000 each	4,274,604	80%	8,549,208	4,274,604	80%	8,549,208
IFC-ordinary shares of ALL 2,000 each	1,068,651	20%	2,137,302	1,068,651	20%	2,137,302
Total	5,343,255	100%	10,686,510	5,343,255	100%	10,686,510

24. BORROWINGS

A) LONG - TERM BORROWINGS

The Company long - term loans as at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Alvacim ltd (Note 27)	9,726,875	9,780,077
IFC (Note 27)	2,431,821	2,445,019
Societe General Bank	289,702	577,084
Banka Kombetare Tregetare	656,250	1,031,250
Raiffeisen Bank	330,548	771,278
Alpha Bank	458,292	545,585
Deferred disbursement fee	(6,822)	(16,778)
Total	13,886,666	15,133,515

The carrying amounts of borrowings approximate their fair values since all borrowings are priced at market rates. More detailed information on the borrowings from related parties / shareholders are disclosed in note 27.

Further information on the Company's long-term loans is as follows:

SOCIETE GENERAL

During 2017 the Company has repaid to Societe General Bank the amount of ALL 274,695 thousand. (2016: ALL 257,278 thousand)

On 31 July 2015 the Company agreed with Societe General to extend the maturity of the Term Loan until 2019, as well as increase the amount of the facility with an additional amount of ALL 644,236 thousand which was utilized in 2015. The loan bears interest of Tbill + a Margin. The loan is secured against corporate guarantee from Titan Cement S.A.

The outstanding principal and accrued interest as at 31 December 2017 was ALL 587,272 thousand composed of ALL 289,702 thousand as long-term and ALL 297,570 thousand as short-term portion (31 December 2016: ALL 862,816 thousand composed of ALL 577,084 thousand as long-term and ALL 285,732 thousand as short-term portion).

Further on 14 December 2015 the Company signed a one year credit facility agreement with Societe General Bank Albania for the amount of Euro One Million. The facility is to be used exclusively for supporting the issuing of Bank Guarantees. On 14 December 2016 and 14 December 2017 the facility was renewed for another year respectively. The facility is secured against Corporate Guarantee from Titan Cement SA.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

24. BORROWINGS (CONTINUED)

A) LONG - TERM BORROWINGS (CONTINUED)

As at 31 December 2017 the Company has utilized the facility for issuing bank guarantees in the amount of Euro one Million with maturity until 10 August 2018.

On 16 November 2017 the Company signed a one year revolving credit facility agreement with Societe General Bank for the amount of Euro 1.8 Million. The facility is secured against Corporate Guarantee from Titan Cement SA. As at 31 December 2017 the line is un-utilized and available to the company.

BANKA KOMBETARE TREGETARE

During 2017 the Company has repaid to BKT the amount of ALL 375,000 thousand (2016: ALL 93,750 thousand).

The outstanding principal and accrued interest as at 31 December 2017 is ALL 1,041,563 thousand composed of ALL 656,250 thousand as long term and ALL 385,313 thousand as short term, (31 December 2016: ALL 1,420,313 thousand composed of ALL 1,031,250 thousand as long term and ALL 389,063 thousand as short term).

On 31 July 2015 the Company agreed with BKT to extend the maturity of the Term Loan until 2020. The loan bears interest of Tbills + a Margin. The loan is secured against corporate guarantee from Titan Cement S.A.

RAIFFESIEN BANK ALBANIA

During 2017 the Company repaid to Raiffeisen Bank the amount of ALL 440,730 thousand, (2016, ALL 440,730 thousand)

On 06 October 2015 the Company agreed with Raiffeisen Bank to extend the maturity of the Term Loan until 2019. The loan bears interest of Tbills + a Margin. The loan is secured against corporate guarantee from Titan Cement S.A.

The outstanding principal and accrued interest as at 31 December 2017 is ALL 771,278 thousand composed of ALL 330,548 thousand as long term and ALL 440,730 thousand as short term (31 December 2016: ALL 1,212,008 thousand composed of ALL 771,278 thousand as long term and ALL 440,730 thousand as short term).

ALPHA BANK ALBANIA

On 07 October 2014 the Company concluded a 5 year term loan borrowing facility with Alpha Bank Albania for ALL 698,350 thousand. The loan was fully drawn down on March 2015. The loan bears interest of Tbills + a Margin. The loan is secured against Corporate Guarantee from Titan Cement SA.

During 2017 the Company repaid to Alpha Bank the amount of ALL 87,294 thousand, (2016: ALL 65,470 thousand).

The outstanding principal and accrued interest as at 31 December 2017 is ALL 547,247 thousand composed of ALL 458,292 thousand as long term and ALL 88,955 thousand as short term (31 December 2016: ALL 634,316 thousand composed of ALL 545,585 thousand as long term and ALL 88,731 thousand as short term).

On 7 October 2014 the Company concluded a one year revolving loan facility with Alpha Bank Albania for ALL 558,680 thousand. On 7 October 2016 and 07 October 2017 respectively the facility was renewed for the respective annual periods. The loan bears interest of Tbills + a Margin. The loan is secured against Corporate Guarantee from Titan Cement SA.

The amount of loan facility and accrued interest outstanding on 31 December 2017 is 220,570 (31 December 2016: nil).

ANTEA CEMENT SH.A.**NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousands unless otherwise stated)***24. BORROWINGS (CONTINUED)****A) LONG - TERM BORROWINGS (CONTINUED)**

The maturities of the long-term loans are as follows:

	31 December 2017	31 December 2016
After one year but not more than two years	1,053,899	1,162,467
After two year but not more than five years	674,071	1,745,952
More than five years	12,158,696	12,225,096
Total	13,886,666	15,133,515

B) SHORT - TERM BORROWINGS

Short-term borrowings and short-term portions of long-term borrowings are disclosed as follows.

	31 December 2017	31 December 2016
<i><u>Borrowings from shareholders</u></i>		
Alvacim Accrued Interest (Note 27)	35,502	38,172
IFC Accrued Interest (Note 27)	8,876	9,543
<i><u>Subtotal</u></i>	<i><u>44,378</u></i>	<i><u>47,715</u></i>
<i><u>Borrowings From Financial Institutions</u></i>		
Societe General Bank	297,570	285,732
Banka Kombetare Tregetare	385,313	389,063
Raiffeisen Bank	440,730	440,730
Alpha Bank Term Loan	88,955	88,731
Alpha Bank Revolving Loan	220,570	-
Deferred disbursement fee	(9,956)	(9,956)
<i><u>Subtotal</u></i>	<i><u>1,423,182</u></i>	<i><u>1,194,300</u></i>
Total	1,467,560	1,242,015

Further information on the borrowings from related parties / shareholders are disclosed in note 27.

25. TRADE PAYABLES

Trade payables are non-interest bearing liabilities with domestic and foreign suppliers and are normally settled on a period ranging from 30 days to 90 days.

	31 December 2017	31 December 2016
Trade creditors third parties	527,869	579,430
Accruals for supplies	9,538	30,223
Total	537,407	609,653

ANTEA CEMENT SH.A.**NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousands unless otherwise stated)***26. OTHER PAYABLES**

	31 December 2017	31 December 2016
Client's advance payments	73,379	54,727
Social security	4,524	4,463
Payroll taxes	2,328	2,733
Other taxes	27,802	24,753
Corporate Income Tax Payable	12,272	-
Due to employees	-	3,271
Other provisions	51,628	10,907
Other payables	-	330
Total	171,933	101,184

Other provisions relate to provisions for unused days of vacation, additional personnel costs as well as other operational items. The movements in the provisions are shown as follows:

	31 December 2017	31 December 2016
Balance as at 1 January	10,907	16,975
Provision for un-used days of vacations (Note 10)	4,741	650
Provision for additional personnel costs (Note 10/9)	1,494	(2,941)
Forestation Provision (Note 10)	16,140	-
Other Operational Provision (Note 10/9)	18,346	(3,777)
Balance as at 31 December	51,628	10,907

27. RELATED PARTY TRANSACTIONS

The Company is controlled by Alvacim Ltd which is in turn a fully owned subsidiary of Titan Cement S.A. The Company considers as related parties all the group companies that are controlled by Titan Cement S.A.

The following tables provide the total amount of transactions that have been entered into with the related parties for the relevant financial year.

A) Sales of goods and services

	Year ended 31 December 2017	Year ended 31 December 2016
TCK Montenegro – (Sales of cement)	286,530	213,113
Cementi Antea srl (Sales of cement)	325,196	303,096
Fintitan – (Sales of Cement)	902,417	-
Cementi Crotone – (Sales of Cement)	28,127	-
Sharr Cem- (Sales of Clinker)	24,663	99,136
Sharr Cem- (raw materials, fixed assets)	1,425	245
Alba Cemento Shpk (Sales of Assets)	-	335
Cementarnica Usje	568	-
Total	1,568,926	615,925

The major transactions are related with Fintitan, Cementi Antea srl and TCK Montenegro for sales of cement, (2016: The major transactions are related with Cementi Antea and TCK Montenegro for sales of cement). Outstanding balances arising from the transactions mentioned above are presented below:

ANTEA CEMENT SH.A.**NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousands unless otherwise stated)***27. RELATED PARTY TRANSACTIONS (CONTINUED)*****B) Receivables from related parties***

	31 December 2017	31 December 2016
TCK Montenegro	42,906	55,102
Fintitan	216,154	-
Cementi Antea SRL	110,320	122,697
Sharrcem	22,108	244
Total	391,488	178,043

The major receivable is due from Fintitan and Cementi Antea srl for cement sold.

C) Purchases of goods and services

	Year ended 31 December 2017	Year ended 31 December 2016
Titan Cement S.A. –(Purchase of Goods)	15,768	16,703
Titan Cement S.A. – (Services)	515,629	205,180
Alba Cemento shpk	24,138	24,708
Albacem	-	3,144
Sharrcem	-	242
Fintitan	334	-
Total	555,869	249,977

The major purchases during the year are from Titan Cement S.A. for various services and goods (2016: Major purchases during the year are from Titan Cement S.A. for various services and goods).

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

D) Payables to related parties

	31 December 2017	31 December 2016
Titan Cement S.A.	140,059	35,829
Albacemento shpk	48,261	39,460
Albacem S.A.	49,219	56,311
Total	237,539	131,600

E) Loans from related parties/shareholders***Long-term Borrowings***

	31 December 2017	31 December 2016
Alvacim Ltd	9,726,875	9,780,077
IFC	2,431,821	2,445,019
Total	12,158,696	12,225,096

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

27. RELATED PARTY TRANSACTIONS (CONTINUED)

During 2008, the Company entered into several loan agreements for a total amount of Euro 84 million (the "Loan") to finance the construction of a green field cement factory in Boka Kuqe Borizane. There are no undrawn loan amounts at 31 December 2017 and 31 December 2016, respectively.

The loan agreements are as follows:

INTERNATIONAL FINANCE CORPORATION ("IFC")

The IFC provided a loan amounting to Euro 16.8 million in accordance with the Loan Agreement dated 20 November 2008. The loan bears interest of Euribor + a Margin. Interest payment dates are 15 March and 15 September of each year. The loan is repayable in 12 equal annual instalments on 15 March in each year commencing on the date falling five (5) years after the first disbursement of the loan and after the agreed conditions for repayment have been fulfilled. The lender charged to the Company a front end fee of 1% of the total loan. The further relations between the Company and the lender are subject to the respective Facility Agreements.

During 2017 the company repaid to IFC the principal amount of Euro 115 thousand or the equivalent of ALL 15,492 thousand. (2016 the company repaid to IFC the principal amount of Euro 399 thousand or the equivalent of ALL 55,097 thousand).

ALVACIM LTD (PARENT)

The parent company provided a loan amounting to Euro 50.4 million in accordance with the Loan Agreement dated 20 November 2008. The loan bears interest of Euribor + a Margin. Interest payment dates are 15 March and 15 September of each year. The loan is repayable in 12 equal annual instalments on 15 March in each year commencing on the date falling five (5) years after the first disbursement of the loan and after the agreed conditions for repayment have been fulfilled. The lender charged to the Company a front end fee of 1% on the total loan. The further relations between the Company and the lender are subject to the respective Facility Agreements. Following the acquisition of the EBRD's Share in the company, Alvacim ltd re-financed the shareholder loan provided by EBRD under the same terms and conditions.

During 2017 the Company repaid to Alvacim the principal amount of Euro 458 thousand or the equivalent of ALL 62,003 thousand. (2016 the Company repaid to Alvacim the principal amount of Euro 1,595 thousand or the equivalent of ALL 220,612 thousand).

According to the Loan Facility Agreement on 15th September 2017, the Company deferred the accrued interest on Long term loans from ALVACIM, and IFC amounting to Euro 1,624 thousand or the equivalent of ALL 217,066 thousand, whereas on 15th of March 2017 the amount of Euro 594 thousand or the equivalent of ALL 80,382 thousand was paid to ALVACIM and IFC (15th September 2016: the Company deferred the accrued interest on Long term loans from ALVACIM, and IFC amounting to Euro 2,063 thousand or the equivalent of ALL 283,312 thousand, whereas on 15th of March 2016 the amount of Euro 702 thousand or the equivalent of ALL 97,015 thousand was paid to ALVACIM and IFC).

Short-term Borrowings

	31 December 2017	31 December 2016
Alvacim accrued interest	35,502	38,172
IFC Accrued interest	8,876	9,543
Total	44,378	47,715

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

27. RELATED PARTY TRANSACTIONS (CONTINUED)

Interest Expense

	31 December 2017	31 December 2016
Alvacim interest expense	245,960	310,958
IFC interest expense	58,664	74,187
Total	304,624	385,145

Except for short-term employee benefits to key management personnel amounting to ALL 53,686 thousand (2016: ALL 44,346 thousand), no other compensations to key management were given by the Company.

Nature of relationship with related parties

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

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Company has not made any allowance for doubtful debts relating to amounts owed by related parties (2016: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise bank loans and short-term loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company's investment and operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations risk management is carried out under policies approved by the management committee.

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

a) Interest risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's long-term debt obligations with a floating interest rate. At 31 December 2017 (31 December 2016: Nil) no interest rate swaps were agreed, which makes 100% of the Company's borrowings to be at a variable rate of interest.

ANTEA CEMENT SH.A.
NOTES TO THE FINANCIAL STATEMENTS
(Amounts in ALL thousands unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	31 December 2017	31 December 2016
Fixed rate interest		
Financial assets	-	-
Financial liabilities	-	-
Variable rate interest	15,354,226	16,375,530
Financial assets	-	-
Financial liabilities	15,354,226	16,375,530

The Company's Income and operating cash flows are substantially independent of changes on market interest rates, nevertheless the effect that a change in interest rates on the company's Long Term Debt might have on the Company results is shown as follows:

	31 December 2017		31 December 2016	
	Increase/Decrease in Basis/Point	Effect on Profit Before Tax	Increase/Decrease in Basis/Point	Effect on Profit Before Tax
EUR	20	24,317	20	24,450
ALL	100	17,280	100	29,084
EUR	(20)	(24,317)	(20)	(24,450)
ALL	(100)	(17,280)	(100)	(29,084)

b) Foreign exchange risk

The Company enters into transactions denominated in foreign currencies related to the sales of its products and purchase of fixed assets and purchases of trade goods from related parties. The Company does not use any financial instrument to hedge against these risks, since no such instruments are in common use in the Republic of Albania. Therefore, the Company is potentially exposed to market risk related to possible foreign currency fluctuations.

<i>In thousands</i> ALL	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Albanian Lek	214,651	(3,600,894)	(3,386,243)
Euro	1,182,235	(12,687,290)	(11,505,055)
USD	37,443	(12,920)	24,523
Total 2017	1,434,329	(16,301,104)	(14,866,775)

<i>In thousands of</i> ALL	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Albanian Lek	85,552	(4,531,743)	(4,446,191)
Euro	1,286,741	(12,683,555)	(11,396,814)
USD	283,655	(2,669)	280,986
Total 2016	1,655,948	(17,217,967)	(15,562,019)

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
EUR/ALL	134.13	137.36	132.95	135.23

The company's main exposure is toward the Euro as such a change of +/- 5% in exchange rate of Euro to ALL at the reporting date would have increased/(decreased) equity and profit /(loss) by ALL 575,253 thousand (2016 – ALL 569,841 thousand).

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2017 and 2016, based on contractual undiscounted payments.

Year ended 31 December 2017

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Long-term borrowings	-	-	-	2,546,094	12,304,958	14,851,052
Short-term borrowings	-	398,011	1,257,151	-	-	1,655,162
Trade and other payables	-	709,340	237,539	-	-	946,879

Year ended 31 December 2016

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Long-term borrowings	-	-	-	4,182,702	12,280,276	16,642,978
Short-term borrowings	-	462,380	1,134,081	-	-	1,596,461
Trade and other payables	-	710,841	131,596	-	-	842,437

d) Credit risk

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

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and short-term borrowing receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

ANTEA CEMENT SH.A.**NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousands unless otherwise stated)***28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****d) Credit risk (continued)**

	31 December 2017	31 December 2016
Trade and other receivables (Note 20, 21)	440,163	501,908
Cash and cash equivalents (Note 22)	602,678	975,997
Total	1,042,841	1,477,905

29. FAIR VALUES

The fair values of current assets and current liabilities approximate their carrying value due to their short-term nature. The fair value of non-current interest bearing loans and borrowings also approximate their carrying value due to variable interest rate on the loans.

Set out as a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements.

Financial assets	Carrying amount		Fair Value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Cash and Banks	602,678	975,997	602,678	975,997
Trade receivables	300,014	459,462	300,014	459,462
Related Parties	391,488	178,043	391,488	178,043
Other receivables	140,149	42,446	140,149	42,446
Total	1,434,329	1,655,948	1,434,329	1,655,948

Financial Liabilities	Carrying amount		Fair Value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Trade accounts payable	537,407	609,653	537,407	609,653
Related parties	237,539	131,600	237,539	131,596
Bank loan/short-term loans	1,467,560	1,242,015	1,467,560	1,242,015
Other payables	171,933	101,184	171,933	101,188
Long-term debts	13,886,666	15,133,515	13,886,666	15,133,515
Total	16,301,105	17,217,967	16,301,105	17,217,967

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2016, the carrying amounts of such receivables / borrowings, net of allowances, are not materially different from their calculated fair values.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

29. FAIR VALUES (CONTINUED)

Fair Value Hierarchy

Management has estimated that the fair value of the Company financial assets and liabilities approximates its carrying value and no valuation techniques are applied in order to determine the fair value of Company's financial instruments. Such estimates would fall under Level 3 hierarchy since there are no significant observable inputs involved.

30. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following shareholders' approval.

No changes were made in the objectives, policies or processes during the year ended 31 December 2016 and the current year 2017.

The Company monitors its economic performance using profit before interest, taxes, depreciation, amortisation and impairment (EBITDA). EBITDA for the years ending 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Operating profit before interest, taxes and impairment	822,336	478,770
Depreciation and amortization expense	822,868	794,761
EBITDA	1,645,204	1,273,531

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

31. COMMITMENTS AND CONTINGENCIES

A) COMMITMENTS

	31 December 2017	31 December 2016
No later than 1 year	38,818	23,287
Later than 1 but no later than 5 years	32,854	30,846
More than 5 years	57,434	63,446
Total	129,106	117,579

Commitments relate to operational leases for vehicles, terminals and plots of lands used by the Company in course of its business.

As of 31 December 2011 the Company is committed to an operational lease contract which grants to the Company land use rights against an annual rent amounting to Euro 24 thousand. The Company may terminate the contract at any time if the land will not be used. The rent period is for 30 years.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

31. COMMITMENTS AND CONTINGENCIES (CONTINUED)

B) TAXATION

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

C) LITIGATIONS

The company is involved in different litigations in course of its business activities. The material litigations the company is involved is as follows:

At 31 December 2017, the Company was involved in litigation proceedings as a defendant with a third party raising claims in relation to the costs of an entry road utilised by the Company, constructed in 2010 (Case 1). The case was lodged in front of the District Court of Kruja which ruled to partially accept the claim. The total amount of liabilities to be paid by the Company amounted to ALL 68,000 thousand. At the same time the Company in a separate court proceeding claimed from the above plaintiff an un-settled obligation of Euro 58 thousand for supply of cement (Case 2). The defendant, as a response, presented in court the counter claim related to the cost of the construction of the entry road utilised by the Company subject of the above litigation. The Kruja district court ruled in favour of both parties, thus recognizing the debt of the defendant toward the Company for Euro 58 thousand equivalent in ALL 7,965 thousand and the counterclaim of the defendant toward the Company for the amount of ALL 58,022 thousand. Management of the Company has vigorously defended the Company's position in both court cases thus with regards to the Case 2 it applied to Tirana Court of Appeal who after considering the case decided to uphold the decision of the District Court of Kruja, as a result the company following the court sentence was forced to pay, and expense the amount of ALL 59,877 thousand as well as collect the amount of ALL 8,523 thousand, and further progress with the next legal steps, while, with regards to Case 1, during 2016 the Court of Appeal dismissed the Judgement of the Kruja District Court and ruled for a new trial in the Kruja District Court. Against this judgement the Company filed an appeal to Supreme Court. On the basis of its own estimates and both external legal advice, management is of the opinion that no material losses will be incurred in respect of claims of the Case 1, and accordingly no provision has been booked in these financial statements.

32. EVENTS AFTER THE REPORTING PERIOD

No events after the reporting period have been identified that would need either adjustment or disclosure in these financial statements.