



**Titan Cement S.A. and its Subsidiaries  
Condensed Financial Statements  
for the period ended 30 September 2006**

**Titan Cement Company S.A.**  
Company's No 6013/06/B/86/90 in the register  
of Societes Anonymes  
22A Halkidos Str. - 111 43 Athens

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The Interim Condensed Financial Statements presented through pages 2 to 31, both for the Group and the Parent Company, have been approved by the Board of Directors on 31.10.2006.

Chairman of the Board of Directors

ANDREAS L. CANELLOPOULOS  
I.D. No AB500997

Managing Director

DIMITRIOS TH. PAPALEXOPOULOS  
I.D. No Ε163588

Chief Financial Officer

HOWARD PRINCE-WRIGHT  
PASS No P60090793

## Titan Cement Company S.A.

### Condensed Balance Sheet

(Amounts in € thousand)

	Group		Company	
	30/9/2006	31/12/2005	30/9/2006	31/12/2005
<b>ASSETS</b>				
Property, plant & equipment	1,170,078	1,149,845	258,373	248,293
Intangible assets	150,128	94,990	-	-
Investment properties	68	-	7,248	7,226
Investment in associates	8,313	-	-	-
Investment in subsidiaries	-	-	513,424	512,615
Available for sale financial assets	3,069	4,277	107	107
Non current receivables	12,175	8,146	1,602	1,603
Deferred income tax assets	419	746	-	-
<b>Non current assets</b>	<b>1,344,250</b>	<b>1,258,004</b>	<b>780,754</b>	<b>769,844</b>
Inventories	190,819	175,954	68,679	64,685
Trade receivables	272,256	240,321	132,364	115,816
Other receivables and prepayments	38,264	32,097	10,760	15,659
Available for sale financial assets	5,390	2,346	814	942
Cash and cash equivalents	121,122	95,142	18	17
<b>Current assets</b>	<b>627,851</b>	<b>545,860</b>	<b>212,635</b>	<b>197,119</b>
<b>TOTAL ASSETS</b>	<b>1,972,101</b>	<b>1,803,864</b>	<b>993,389</b>	<b>966,963</b>
<b>LIABILITIES</b>				
Long-term borrowings	373,899	425,025	49,399	62,203
Deferred income tax liabilities	133,668	143,509	29,316	30,458
Retirement benefit obligations	37,513	38,937	21,932	23,293
Non current provisions	20,863	14,136	4,918	3,418
Other non-current liabilities	10,820	9,601	7,149	7,450
<b>Non current liabilities</b>	<b>576,763</b>	<b>631,208</b>	<b>112,714</b>	<b>126,822</b>
Short-term borrowings	139,089	64,538	50,067	48,996
Trade and other payables	168,713	136,259	54,017	51,805
Current income tax liabilities	14,995	27,600	11,219	17,786
Current provisions	2,791	4,477	-	-
Dividends payable	304	51,012	280	51,012
<b>Current liabilities</b>	<b>325,892</b>	<b>283,886</b>	<b>115,583</b>	<b>169,599</b>
<b>Total liabilities</b>	<b>902,655</b>	<b>915,094</b>	<b>228,297</b>	<b>296,421</b>
Share capital (84.330.124 shares of €2,00)	168,660	168,660	168,660	168,660
Treasury shares	-502	-	-502	-
Share Premium	22,133	22,133	22,133	22,133
Share options	2,717	731	2,717	731
Reserves	347,320	389,923	461,601	458,573
Retained earnings	509,871	290,943	110,483	20,445
<b>Share capital &amp; reserves</b>	<b>1,050,199</b>	<b>872,390</b>	<b>765,092</b>	<b>670,542</b>
Minority interests	19,247	16,380	-	-
<b>Total equity</b>	<b>1,069,446</b>	<b>888,770</b>	<b>765,092</b>	<b>670,542</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>1,972,101</b>	<b>1,803,864</b>	<b>993,389</b>	<b>966,963</b>

## Titan Cement Company S.A.

### Condensed Income Statement for the Third Quarter

(Amounts in € thousand)

	Group		Company	
	1/7 -30/9/2006	1/7-30/9/2005	1/7 -30/9/2006	1/7-30/9/2005
Turnover	423,476	381,779	134,716	116,341
Cost of sales	-249,281	-228,552	-72,251	-65,435
<b>Gross profit before depreciation &amp; amortization</b>	174,195	153,227	62,465	50,906
Other operating income/ (expense)	6,749	-3,925	813	1,822
Administrative expenses	-23,720	-20,512	-9,673	-7,705
Selling and marketing expenses	-5,512	-4,510	-912	-842
<b>Earnings before interest, taxes and depreciation</b>	151,712	124,280	52,693	44,181
Depreciation & amortization	-19,401	-17,835	-2,590	-2,639
<b>Earnings before interest and taxes</b>	132,311	106,445	50,103	41,542
Income from participations & investments	14	7,324	496	460
Finance costs - net	-6,587	-7,679	-1,766	-2,144
Gains / (losses) from financial instruments	-608	-1,025	65	-
Exchange differences gains/(losses)	301	644	-54	-482
<b>Profit before taxes</b>	125,431	105,709	48,844	39,376
Current income tax	-31,236	-20,218	-12,738	-8,703
Deferred income tax	655	-6,324	-1,031	-2,147
<b>Profit after taxes</b>	94,850	79,167	35,075	28,526
<b>Attributable to:</b>				
<b>Shareholders of Parent Company</b>	93,129	77,618	35,075	28,526
<b>Minority interest</b>	1,721	1,549	-	-
<b>Earnings per share - basic (in €)</b>	1.10	0.92	0.42	0.34
<b>Earnings per share - diluted (in €)</b>	1.10	0.92	0.41	0.33

## Titan Cement Company S.A.

### Condensed Income Statement for the nine months

(Amounts in € thousand)

	Group		Company	
	1/1 -30/9/2006	1/1-30/9/2005	1/1 -30/9/2006	1/1-30/9/2005
Turnover	1,188,191	994,697	383,997	325,536
Cost of sales	-730,955	-628,922	-222,417	-198,879
<b>Gross profit before depreciation &amp; amortization</b>	457,236	365,775	161,580	126,657
Other operating income/ (expense)	-4,849	-2,340	-2,595	4,612
Administrative expenses	-70,259	-63,574	-28,565	-24,482
Selling and marketing expenses	-15,847	-13,928	-2,652	-2,783
<b>Earnings before interest, taxes and depreciation</b>	366,281	285,933	127,768	104,004
Depreciation & amortization	-57,411	-51,897	-7,894	-7,855
<b>Earnings before interest and taxes</b>	308,870	234,036	119,874	96,149
Income from participations & investments	2,791	7,970	5,598	29,104
Finance costs - net	-19,013	-21,264	-4,176	-4,691
Gains / (losses) from financial instruments	-169	-7,340	65	709
Exchange differences gains/(losses)	3,155	4,810	3,828	-8,200
<b>Profit before taxes</b>	295,634	218,212	125,189	113,071
Current income tax	-82,995	-44,766	-34,051	-27,486
Deferred income tax	3,415	-16,283	-1,100	-1,693
<b>Profit after taxes</b>	216,054	157,163	90,038	83,892
<b>Attributable to:</b>				
<b>Shareholders of Parent Company</b>	213,475	156,042	90,038	83,892
<b>Minority interest</b>	2,579	1,121	-	-
<b>Earnings per share - basic (in €)</b>	2.53	1.85	1.07	1.00
<b>Earnings per share - diluted (in €)</b>	2.52	1.85	1.06	0.99

**Condensed Statement of Changes in Equity for the nine months***(all amounts in € thousands)*

<b>Group</b>	<b>Ordinary shares</b>	<b>Treasury shares</b>	<b>Share Premium</b>	<b>Preferred Ordinary shares</b>	<b>Share Options</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Minority interest</b>	<b>Total</b>
<b>Balance at 1 January 2005</b>	<b>153,121</b>	-	<b>19,585</b>	<b>15,138</b>	-	<b>274,552</b>	<b>188,123</b>	<b>25,467</b>	<b>675,986</b>
Exchange gains / (losses) on translation of financial statements of foreign operation	-	-	-	-	-	35,794	1,636	-1,842	35,588
Movement on investment hedge net of deferred tax	-	-	-	-	-	-5,117	-	-	-5,117
Deferred tax on movement on investment hedge	-	-	-	-	-	1,637	-	-	1,637
Dividends paid to minority	-	-	-	-	-	-	-	-1,007	-1,007
Net profit per income statement	-	-	-	-	-	-	156,042	1,121	157,163
Gains / (losses) charged directly to equity	-	-	-	-	-	3,420	-	-	3,420
Additional consideration for subsidiary acquisition	-	-	-	-	-	-	-2,140	76	-2,064
Share Capital increase due to share options exercised	-	-	-	-	978	-	-	-	978
Transfer to reserves	-	-	-	-	-	2,993	-2,993	-	-
<b>Balance at 30 September 2005</b>	<b>153,121</b>	-	<b>19,585</b>	<b>15,138</b>	<b>978</b>	<b>313,279</b>	<b>340,668</b>	<b>23,815</b>	<b>866,584</b>
-	-	-	-	-	-	-	-	-	-
<b>Balance at 1 January 2006</b>	<b>153,522</b>	-	<b>22,133</b>	<b>15,138</b>	<b>731</b>	<b>389,923</b>	<b>290,943</b>	<b>16,380</b>	<b>888,770</b>
Exchange gains / (losses) on translation of financial statements of foreign operation	-	-	-	-	-	-45,893	7,554	535	-37,804
Movement on investment hedge net of deferred tax	-	-	-	-	-	785	-	-	785
Deferred tax on movement on investment hedge	-	-	-	-	-	2,243	-	-	2,243
Dividends paid to minority	-	-	-	-	-	-	-	-315	-315
Treasury shares purchased	-	-502	-	-	-	-	-	-	-502
Net profit per income statement	-	-	-	-	-	-	213,475	2,579	216,054
Gains / (losses) charged directly to equity	-	-	-	-	-	-769	-	-40	-809
Additional consideration for subsidiary acquisition	-	-	-	-	-	-	-1,070	-	-1,070
Minority interests	-	-	-	-	-	-	-	108	108
Share Capital increase due to share options exercised	-	-	-	-	1,986	-	-	-	1,986
Transfer to reserves	-	-	-	-	-	1,031	-1,031	-	-
<b>Balance at 30 September 2006</b>	<b>153,522</b>	<b>-502</b>	<b>22,133</b>	<b>15,138</b>	<b>2,717</b>	<b>347,320</b>	<b>509,871</b>	<b>19,247</b>	<b>1,069,446</b>
-	-	-	-	-	-	-	-	-	-
<b>Company</b>	<b>Ordinary shares</b>	<b>Treasury shares</b>	<b>Share Premium</b>	<b>Preferred Ordinary shares</b>	<b>Share Options</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total</b>	
<b>Balance at 1 January 2005</b>	<b>153,121</b>	-	<b>19,585</b>	<b>15,138</b>	-	<b>392,667</b>	<b>20,445</b>	<b>600,956</b>	
Movement on investment hedge net of deferred tax	-	-	-	-	-	-5,117	-	-5,117	
Deferred tax on movement on investment hedge	-	-	-	-	-	1,637	-	1,637	
Net profit per income statement	-	-	-	-	-	-	83,892	83,892	
Share Capital increase due to share options exercised	-	-	-	-	978	-	-	978	
<b>Balance at 30 September 2005</b>	<b>153,121</b>	-	<b>19,585</b>	<b>15,138</b>	<b>978</b>	<b>389,187</b>	<b>104,337</b>	<b>682,346</b>	
-	-	-	-	-	-	-	-	-	
<b>Balance at 1 January 2006</b>	<b>153,522</b>	-	<b>22,133</b>	<b>15,138</b>	<b>731</b>	<b>458,573</b>	<b>20,445</b>	<b>670,542</b>	
Movement on investment hedge net of deferred tax	-	-	-	-	-	785	-	785	
Deferred tax on movement on investment hedge	-	-	-	-	-	2,243	-	2,243	
Treasury shares purchased	-	-502	-	-	-	-	-	-502	
Net profit per income statement	-	-	-	-	-	-	90,038	90,038	
Share Capital increase due to share options exercised	-	-	-	-	1,986	-	-	1,986	
<b>Balance at 30 September 2006</b>	<b>153,522</b>	<b>-502</b>	<b>22,133</b>	<b>15,138</b>	<b>2,717</b>	<b>461,601</b>	<b>110,483</b>	<b>765,092</b>	

## Titan Cement Company S.A.

### Condensed Cash Flow Statement for the nine months

(Amounts in € thousand)

	Group		Company	
	1/1 -30/9/2006	1/1-30/9/2005	1/1 -30/9/2006	1/1-30/9/2005
<b>Cash flows from operating activities</b>				
Profits before taxes	295,634	218,212	125,189	113,071
<i>Adjustments for:</i>				
Depreciation	57,411	51,897	7,894	7,855
Provisions	9,314	8,878	4,369	-302
Exchange differences	-3,155	-4,810	-3,828	8,200
Income from participations & investments	-2,791	-7,970	-5,598	-29,104
Interest expense	19,687	21,718	4,790	5,061
Other non cash flow items	3,820	7,489	650	213
Operating profit before changes in working capital	379,920	295,414	133,466	104,994
Increase in inventories	-19,094	-22,863	-4,616	-2,495
Increase in trade and other receivables	-35,012	-60,718	-16,889	-20,804
(Decrease)/increase in trade payables (excluding banks)	22,665	10,800	-2,193	-16,833
Cash generated from operations	348,479	222,633	109,768	64,862
Interest received	2,540	2,389	140	139
Taxation paid	-94,471	-26,198	-40,004	-24,194
<i>Net cash flows from operating activities</i>	256,548	198,824	69,904	40,807
<b>Cash flows from investing activities</b>				
Acquisition of subsidiaries, net of cash	-84,051	-2,508	-172	-
Purchase of tangible and intangible assets	-106,111	-90,731	-18,113	-17,327
Proceeds from the sale of property, plant and equipment	1,409	1,699	458	150
Proceeds from dividends	191	129	11,350	12,387
Proceeds from disposal of available-for-sale financial assets	8,982	9,663	193	-
Purchase of available-for-sale financial assets	-9,212	-134	-	-84
Increase/(decrease) in long-term receivables	-1,702	-2,893	1	296
<i>Net cash flows from investing activities</i>	-190,494	-84,775	-6,283	-4,578
<b>Net cash flows after investing activities</b>	<b>66,054</b>	<b>114,049</b>	<b>63,621</b>	<b>36,229</b>
<b>Cash flows from financing activities</b>				
Interest paid	-22,860	-24,380	-4,931	-5,200
Treasury shares purchased	-502	-	-502	-
Dividends paid	-51,023	-44,662	-50,731	-43,656
Proceeds from borrowings	266,405	121,631	86,706	31,401
Payments of borrowings	-230,570	-135,349	-94,162	-18,748
<i>Net cash flows from financing activities</i>	-38,550	-82,760	-63,620	-36,203
<b>Net increase in cash and cash equivalents</b>	27,504	31,289	1	26
Cash and cash equivalents at beginning of the period	95,142	78,408	17	21
Effects of exchange rate changes	-1,524	4,844	-	-
<b>Cash and cash equivalents at end of the period</b>	<b>121,122</b>	<b>114,541</b>	<b>18</b>	<b>47</b>

# **Titan Cement Company S.A.**

## *Notes to the Interim Condensed Financial Statements*

### **1. Accounting Policies**

#### **General information**

TITAN CEMENT S.A. (the Company) and, its subsidiaries, joint ventures and associates (collectively the Group) are engaged in the production, trade and distribution of a wide range of construction materials, from aggregates, cement, concrete, cement blocks, dry mortars and fly ash, as well as porcelain ware. The Group operates primarily in Greece, the Balkans, Egypt and the United States of America.

The Company is a limited liability company incorporated and domiciled in Greece and is listed on the Athens Stock Exchange.

These interim condensed financial statements have been approved for issue by the Board of Directors on 31 October, 2006.

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

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

#### **A Basis of preparation**

These interim condensed financial statements have been prepared by management in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2005.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except for the adoption of the amendments mandatory, mentioned on page 9, for the annual periods beginning on or after 1 January 2006.

#### **New standards, interpretations and amendments to published standards**

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's current and subsequent accounting periods. Managements estimation of the impact of these new standards, interpretations and amendments is as follows:

*Notes to the Interim Condensed Financial Statements*

- **IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006).**

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It imposes additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and as sufficient information exists that allows the application of defined benefit accounting, with respect to a multi-employer plan in which certain employees of the Group's subsidiaries in the USA participate, adoption of this amendment will only impact the format and extent of disclosures presented in the annual accounts.

- **IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006).**

This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group and the Company believes that this amendment does not have a significant impact on the classification of financial instruments. The Group and the Company applies this amendment from annual periods beginning 1 January 2006.

**B Consolidation**

(1) Subsidiaries

Subsidiaries, are entities (including special purpose entities) in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the sum of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquired plus any costs directly attributable to the acquisition. The acquired identifiable assets, liabilities and contingent liabilities are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Where the cost of the acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Note F outlines the accounting policy on goodwill.

## **Titan Cement Company S.A.**

### ***Notes to the Interim Condensed Financial Statements***

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **(2) Joint ventures (Jointly controlled entities)**

A joint venture is an entity jointly controlled by the Group and one or more other ventures in terms of a contractual arrangement. The Group's interest in jointly controlled entities is accounted for by the proportional consolidation method of accounting. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures.

The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **(3) Associates**

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any cumulative impairments losses) identified in acquisition.

Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

*Notes to the Interim Condensed Financial Statements*

**C Foreign currency translation**

(1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured in the functional currency, which is the currency of the primary economic environment in which each Group entity operates. The financial statements are presented in Euros, which is the functional and presentation currency of the Company and of the Group.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates (i.e. spot rates) prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

Translation differences on non-monetary items, such as equity investments held at fair value through the profit and loss are included as part of the fair value gain or loss in the income statement.

(3) Group companies

The operating results and financial position of all group entities (none of which operate in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange differences are recognised as a separate component of equity.
- On the disposal of a foreign operation, the cumulative exchange differences relating to that particular foreign operation, deferred in the separate component of equity, are recognised in the income statement as part of the gain or loss on sale.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

*Notes to the Interim Condensed Financial Statements*

**D Property, plant and equipment**

Property, plant and equipment is stated at historical cost less subsequent depreciation and impairment, except for land (excluding quarries), which is shown at cost less impairment.

Cost includes expenditure that is directly attributable to the acquisition of the items and any environmental rehabilitation costs to the extent that they have been recognised as a provision (refer to note S – Environmental rehabilitation costs.) Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Subsequent costs are depreciated over the remaining useful life of the related asset or to the date of the net major subsequent cost whichever is the sooner.

Depreciation, with the exception of quarries, is calculated on the straight-line method to write off the assets to their residual values over their estimated useful lives as follows:

Buildings	Up to 50 years
Plant and machinery	Up to 40 years
Motor vehicles	5 to 15 years
Office equipment (incl. computer equipment and software) furniture and fittings	3 to 10 years
Minor value assets	Up to 2 years

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

Where an item of plant and machinery comprises major components with different useful lives, the components are accounted for as separate items of plant and machinery.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. (Refer to note G – Impairment of assets)

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

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

*Notes to the Interim Condensed Financial Statements*

**E Investment properties**

Investment properties are held to earn rental income and appreciate capital value. Owner-occupied properties are held for production and administrative purposes. This distinguishes owner-occupied properties from investment properties.

Investment properties are treated as long-term investments and carried at fair value, representing open market value determined internally on an annual basis, by management. Changes in fair values are recorded in net income and are included in other operating income.

**F Intangible assets**

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, joint venture and associate at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures are included in intangible assets. Goodwill on acquisitions of associates occurring is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each territory of operation by each primary reporting segment.

Negative goodwill is recognised where the fair value of the Group's interest in the net assets of the acquired entity exceeds the cost of acquisition and is taken to income immediately.

(2) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as part of office equipment, in property, plant and equipment. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 2 years.

*Notes to the Interim Condensed Financial Statements*

(3) Other intangible assets

Patents, trademarks and licences are shown at historical cost. These intangible assets have a definite useful life, and their cost is amortised using the straight-line method over their useful lives, not exceeding 20 years.

**G Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised, as an expense immediately, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**H Investments**

Equity investments in subsidiaries, joint ventures and associates are measured at cost less impairment (See note B above – Consolidation). Trading investments are classified as available-for-sale current assets and are measured at fair value, with fair value gains and losses recognised in equity unless realised, in which case these are recognised in the income statement.

**I Leases** – where a Group entity is the lessee

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

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

*Notes to the Interim Condensed Financial Statements*

**J Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

**K Trade receivables**

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

**L Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

**M Share capital**

- (1) Ordinary shares and non-redeemable non-voting preferred shares with minimum statutory non-discretionary dividend features are classified as equity.
- (2) Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.
- (3) Where the Company or its subsidiaries purchases the Company's own equity share capital, the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

*Notes to the Interim Condensed Financial Statements*

**N Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group entity has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

**O Deferred income taxes**

Deferred income tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss, it is not accounted for.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income taxation is determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

*Notes to the Interim Condensed Financial Statements*

**P Employee benefits**

(1) Pension and other retirement obligations

Certain Group companies have various pension and other retirement schemes in accordance with the local conditions and practices in the countries in which they operate. These schemes are both funded and unfunded. The funded scheme is funded through payments to a trustee-administered fund as determined by periodic actuarial calculations. A defined benefit plan is a pension or a similar retirement plan that defines an amount of pension or retirement benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The liability in respect of defined benefit pension or retirement plans, including certain unfunded termination indemnity benefit plans, is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets (where funded) together with adjustments for actuarial gains/ losses and past service cost. The defined benefit obligation is calculated at periodic intervals by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates applicable to high quality corporate bonds or government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average remaining service lives of the related employees.

For defined contribution plans, the company will pay contributions into a separate fund on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

(2) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated, before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. Where the employee's employment is terminated at the normal retirement date, the entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans.

*Notes to the Interim Condensed Financial Statements*

These obligations are valued every two years by independent qualified actuaries. As regards termination before the normal retirement date or voluntary redundancy, the Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Any such benefits falling due more than 12 months after balance sheet date are discounted to present value.

(3) Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus/ profit sharing and the amount can be determined before the time of issuing the financial statements.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(4) Equity compensation benefits

Share options are granted to certain members of senior management. Options are granted at a discount to the market price of the shares at the time the scheme was put into force (in respect of the old scheme) and at par value (in respect of the new scheme) on the respective dates of the grants and are exercisable at those prices. Options are exercisable beginning six months from the date of grant, in respect of the old scheme, and as regards the new scheme each option must be exercised within twelve months of its respective vesting period. Both schemes have a contractual option term of three years.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable and recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

*Notes to the Interim Condensed Financial Statements*

**Q Government grants relating to purchase of property, plant and equipment**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

**R Provisions**

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

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Group are not provided in advance.

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

**S Environmental rehabilitation costs**

Group companies are generally required to restore quarries at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the Group's environmental policies and standards.

In the USA, costs associated with such rehabilitation activities are measured at the present value of future cash outflows expected to be incurred and are recognised as an asset, within property, plant and equipment, and a corresponding liability. The capitalised cost is depreciated over the useful life of the asset and any change in the net present value of the expected liability is included with finance costs. In Greece, costs associated with the rehabilitation of quarries and mines are expensed on an annual basis. However, a provision is established for any shortfall in restoration costs in any given year.

*Notes to the Interim Condensed Financial Statements*

**T Revenue recognition**

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

Revenue arising from services is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Dividend income is recognised when the right to receive payment is established.

**U Dividends**

Dividends are recorded in the financial statements when declared.

**V Segment reporting**

Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments.

**X CO<sub>2</sub> Emission rights**

Emission rights are accounted under the net liability method, based on which the Company recognizes a liability for emissions when the emissions are made and are in excess of the allowances allocated. Emission rights acquired in excess of those required to cover its shortages are recognized as an asset, at cost.

**2. Financial Risk Management**

**A Financial risk factors**

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group as a whole.

***Notes to the Interim Condensed Financial Statements***

Risk management is carried out by a central treasury department (The Corporate Treasury Department) which operates as a service department that provides services to all businesses within the Group, co-ordinates access to both domestic and international financial markets and manages the financial risks relating to the Group's operations. This includes identifying, evaluating and if necessary, hedging financial risks in close co-operation with the various entities within the Group. The Corporate Treasury Department does not undertake any transactions of a speculative nature or which are unrelated to the Group's trading activities.

The Group's financial instruments consist mainly of deposits with banks, bank overdrafts, money market instruments, trade accounts receivable and payable, loans to and from subsidiaries, associates, joint ventures, equity investments, dividends payable and lease obligations.

**(1) Foreign exchange risk**

The Group operates internationally and undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts. The Group has potential currency exposures in respect of items denominated in foreign currencies comprising transactional exposure in terms of imports and exports incurred in currencies other than the Euro and in respect of investments in overseas operations.

Exposures are managed through the use of natural hedges as well as forward exchange contracts. It is the policy of the Group to use as natural hedges any material foreign currency loans against underlying investments in foreign subsidiaries whose net assets are exposed to currency translation risk, when possible. Hence currency exposure to the net assets of the Group's subsidiaries in the United States of America is managed primarily through borrowings denominated in US Dollars. In other markets where the Group operates, such as Egypt and certain Balkan countries the Group assesses the financing needs of the business and where possible matches the currency of financing with the underlying asset exposure. The exception to this is Egypt where the Group has an asset exposure in Egyptian pounds and a financing obligation in Japanese Yen. The Group has determined that the cost of refinancing the Yen obligation to Egyptian pounds is prohibitive. To more effectively manage this exposure, the Yen obligation has been switched to US Dollars through forward exchange contracts.

**(2) Interest rate risk**

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Exposure to interest rate risk on liabilities and investments is monitored on a proactive basis. In order to mitigate interest rate risk, the financing of the Group is structured on a pre-determined combination of fixed and floating interest rates. Interest rate derivatives may occasionally be used, if deemed necessary, to change the abovementioned combination.

*Notes to the Interim Condensed Financial Statements*

It is the policy of the Group to continuously review interest rate trends and the tenure of financing needs. In this respect, decisions are made on an individual basis as to the term and fixed versus floating cost of a loan.

Consequently, all short term borrowings are entered into at floating rates. Medium and long-term facilities are normally entered into at fixed interest rates. This provides the Group the ability to avoid significant fluctuation in interest rate movements.

**(3) Credit risk**

The Group has no significant concentrations of credit risk. Trade accounts receivable consist mainly of a large, widespread customer base. All Group companies monitor the financial position of their debtors on an ongoing basis.

Where considered appropriate, credit guarantee insurance cover is purchased. The granting of credit is controlled by application and account limits. Appropriate provision for impairment losses is made for specific credit risks and at the year-end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee insurance or a doubtful debt provision.

The Group also has potential risk exposure on cash and cash equivalents, investments and derivative contracts. The Group minimises its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The Group has policies in place that limit the amount of credit exposure to any one financial institution.

**(4) Liquidity risk**

Prudent liquidity risk management implies the availability of funding through adequate amounts of committed credit facilities, cash and marketable securities and the ability to close out those positions as and when required by the business.

The Group manages liquidity risk by proper management of working capital and cash flows. This is done by monitoring forecast cash flows and ensuring that adequate banking facilities and reserve borrowing facilities are maintained. The Group has sufficient undrawn call/demand borrowing facilities that could be utilised to fund any potential shortfall in cash resources.

*Notes to the Interim Condensed Financial Statements*

**B Accounting for derivative financial instruments and hedging activities**

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are measured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge), or (2) a hedge of a forecast transaction or of a firm commitment (cash flow hedge), or (3) a hedge of a net investment in a foreign entity on the date a derivative contract is entered into. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IFRS.

*Gains and losses on subsequent measurement*

Gains and losses on subsequent measurement are recognised as follows:

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in the net profit or loss for the period in which it arises.

Gains and losses from measuring fair value hedging instruments, including fair value hedges for foreign currency denominated transactions, are recognised immediately in net profit or loss.

Gains and losses from measuring cash flow hedging instruments, including cash flow hedges for forecasted foreign currency denominated transactions and for interest rate swaps, are initially recognised directly in equity. Should the hedged firm commitment or forecasted transaction result in the recognition of an asset or a liability, then the cumulative amount recognised in equity is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss in the period when the commitment or forecasted transaction affects profit or loss.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss is recognised in the income statement immediately.

Hedges of net investments in foreign entities are accounted for similarly to cash flow hedges. Where the hedging instrument is a derivative, any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. However, where the hedging instrument is not a derivative (for example, a foreign currency borrowing), all foreign exchange gains and losses arising on the translation of a borrowing that hedges such an investment (including any ineffective portion of the hedge) are recognised in equity.

***Notes to the Interim Condensed Financial Statements***

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

*Offset*

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

**C Fair value estimation**

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. When use is made of interest rate swaps, the fair value is calculated as the present value of the estimated future cash flows.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

**3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

*Notes to the Interim Condensed Financial Statements*

**A Estimated impairment of goodwill**

Management tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1.F. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates refer below.

If the actual gross margin had been higher or the pre-tax discounted rate lower than management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

**B Income taxes**

Group entities are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Management recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**C Reclassification**

Certain prior year/period amounts have been reclassified for presentation purposes.

## 4. Segment information

*(Amounts in € thousand)*

	Greece and the European Union		North America		South Eastern Europe		Eastern Mediterranean		Total Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>For the Period 1/1 - 30/9</b>										
Turnover	441,802	387,918	559,001	447,824	139,382	120,249	48,006	38,706	1,188,191	994,697
Gross profit before depreciation & amortization	189,725	158,764	179,807	132,184	58,290	52,553	29,414	22,274	457,236	365,775
Earnings before interest, taxes, and depreciation	140,174	119,513	144,162	105,274	55,150	40,791	26,795	20,355	366,281	285,933
Earnings before interest and taxes	129,669	109,320	110,606	75,938	48,323	34,926	20,272	13,852	308,870	234,036
	Greece and the European Union		North America		South Eastern Europe		Eastern Mediterranean		Total Group	
	30/9/06	31/12/05	30/9/06	31/12/05	30/9/06	31/12/05	30/9/06	31/12/05	30/9/06	31/12/05
Capital expenditure <sup>(1)</sup>	27,954	39,473	55,800	89,941	20,930	14,118	1,427	2,203	106,111	145,735
Total assets	578,622	552,164	918,176	831,690	324,930	266,184	150,373	153,826	1,972,101	1,803,864
Total liabilities	259,209	336,300	537,696	470,744	29,128	22,197	76,622	85,853	902,655	915,094

<sup>(1)</sup> Capital expenditure for the 9months to 30.9.06 compared to expenditure for the 12month to 31.12.05

## Titan Cement Company S.A.

### Notes to the Interim Condensed Financial Statements

## 5. Principal subsidiaries and joint ventures

Subsidiary and joint venture name	Country of incorporation	Nature of business	% of direct investment	% of indirect investment
<b>Full consolidation method</b>				
Titan Cement S.A.	Greece	Cement Producer		Parent company
Albacem S.A.	Greece	Import & Distribution of Cement	99.996	0.004
Interbeton Construction Materials S.A.	Greece	Ready Mix & Aggregates	99.679	0.321
Intercement S.A.	Greece	Trading Company	99.950	0.050
Intertitan Trading International S.A.	Greece	Trading Company	99.995	0.005
Ionia S.A.	Greece	Porcelain	100.000	-
Lakmos S.A.	Greece	Trading Company	99.950	0.050
Quarries Gourmon S.A.	Greece	Quarries & Aggregates	54.930	45.070
Tagarades Community Quarries S.A.	Greece	Quarries & Aggregates	-	79.928
Quarries Corinthias S.A.	Greece	Quarries & Aggregates	-	100.000
Leros Quarries S.A.	Greece	Quarries & Aggregates	-	100.000
Dodekanesos Quarries S.A.	Greece	Quarries & Aggregates	-	100.000
Leecem S.A.	Greece	Trading Company	3.193	96.807
Titan Cement International Trading S.A.	Greece	Trading Company	99.800	0.200
Titan Atlantic Cement Industrial and Commercial S.A.	Greece	Investment Holding Company	99.817	0.183
Aeolian Maritime Company	Greece	Shipping	100.000	-
Achaiki Maritime Company	Greece	Shipping	100.000	-
Kimolos Maritime Company*	Greece	Shipping	100.000	-
Naftitan S.A.	Greece	Shipping	99.900	0.100
Polikos Maritime Company	Greece	Shipping	100.000	-
Granitoid AD	Bulgaria	Trading Company	-	99.668
Zlatna Panega Beton EOOD	Bulgaria	Ready Mix	-	99.989
Zlatna Panega Cement AD	Bulgaria	Cement Producer	-	99.989
Gravel & Sand PIT AD	Bulgaria	Investment Holding Company	-	99.989
Fintitan SRL	Italy	Import & Distribution of Cement	100.000	-
Separation Technologies Canada Ltd	Canada	Converter of waste material into fly ash	-	100.000
Aemos Cement Ltd	Cyprus	Investment Holding Company	100.000	-
Alvacim Ltd	Cyprus	Investment Holding Company	-	100.000
Balkcem Ltd	Cyprus	Investment Holding Company	-	100.000
Iapetos Ltd	Cyprus	Investment Holding Company	100.000	-
Rea Cement Ltd	Cyprus	Investment Holding Company	-	100.000
Themis Holdings Ltd	Cyprus	Investment Holding Company	-	51.006
Tithys Ltd	Cyprus	Investment Holding Company	-	100.000
Separation Technologies U.K. Ltd	U.K.	Converter of waste material into fly ash	-	100.000
Titan Cement U.K. Ltd	U.K.	Import & Distribution of Cement	100.000	-
Essex Cement Co. LLC	U.S.A.	Trading Company	-	100.000
Markfield America LLC	U.S.A.	Insurance Company	-	100.000
Miami Valley Ready Mix of Florida LLC	U.S.A.	Ready Mix	-	100.000
Metro Redi-Mix LLC	U.S.A.	Ready Mix	-	100.000
Central Concrete Supermix Inc.	U.S.A.	Ready Mix	-	100.000
Pennsuco Cement Co. LLC	U.S.A.	Cement Producer	-	100.000
Roanoke Cement Co. LLC	U.S.A.	Cement Producer	-	100.000
Separation Technologies LLC	U.S.A.	Converter of waste material into fly ash	-	100.000
Standard Concrete LLC	U.S.A.	Trading Company	-	100.000
Summit Ready-Mix LLC	U.S.A.	Ready Mix	-	100.000
Tarmac America LLC	U.S.A.	Cement Producer	-	100.000
Titan Virginia Ready Mix LLC	U.S.A.	Ready Mix	-	100.000
Titan America LLC	U.S.A.	Investment Holding Company	-	100.000
Cementara Kosjeric AD	Serbia & Montenegro	Cement Producer	-	74.280
Usje Cementarnica AD	F.Y.R.O.M	Cement Producer	-	94.835
Cement Plus LLC	F.Y.R.O.M	Trading Company	-	61.643
<b>Proportionate consolidation method</b>				
Alexandria Portland Cement Co. S.A.E	Egypt	Cement Producer	-	48.640
Beni Suef Cement Co.S.A.E.	Egypt	Cement Producer	-	49.932
Blue Circle Cement Egypt S.A.E.	Egypt	Cement Producer	-	48.490
Four M Titan Silo Co. LLC	Egypt	Cement Silo Operations	-	49.322
Misrieen Titan Trade & Distribution	Egypt	Cement Silo Operations	-	49.470
East Cement Trade Ltd	Cyprus	Investment Holding Company	-	50.000
Balkan Cement Enterprises Ltd	Cyprus	Investment Holding Company	-	51.006
Alexandria Development Co.Ltd	U.K. (Channel Islands)	Investment Holding Company	-	50.000
Lafarge Titan Egyptian Inv. Ltd	U.K. (Channel Islands)	Investment Holding Company	-	50.000
<b>Equity consolidation method</b>				
Karierni Materiali AD	Bulgaria	Quarries & Aggregates	-	48.764
Karierni AD	Bulgaria	Quarries & Aggregates	-	48.711
Mechanicsville Concrete INC.	U.S.A.	Ready Mix	-	25.000

\* Under liquidation

## Titan Cement Company S.A.

### Notes to the Interim Condensed Financial Statements

#### 6. Fiscal years unaudited by the tax authorities

Titan Cement S.A	2002-2005	Titan Virginia Ready Mix LLC	2001-2005
Albacem S.A.	2003-2005	Markfield America LLC	2001-2005
Interbeton Construction Materials S.A.	2002-2005	Separation Technologies LLC	2001-2005
Intertitan Trading International S.A.	2000-2005	Pennsuco Cement Co LLC	2001-2005
Ionia S.A.	2002-2005	Tarmac America LLC	2001-2005
Intercement S.A.	2003-2005	Standard Concrete LLC	2001-2005
Quarries Gournon S.A.	2000-2005	Essex Cement Co. LLC	2001-2005
Tagarades Community Quarries S.A.	2003-2005	Metro Redi-Mix LLC	-
Quarries Corinthias S.A.	2005	Summit Ready-Mix LLC	-
Leros Quarries S.A.	-	Miami Valley Ready Mix of Florida LLC	-
Dodekanesos Quarries S.A.	-	Central Concrete Supermix Inc.	-
Lakmos S.A.	2003-2005	Mechanicsville Concrete, Inc.	-
Leecem S.A.	2003-2005	Separation Technologies Canada Ltd	2004-2005
Titan Cement International Trading S.A.	2001-2005	Cementara Kosjeric AD	2000-2005
Titan Atlantic Cement Industrial and Commercial S.A.	2001-2005	Zlatna Panega Beton EOOD	2002-2005
Naftitan S.A.	2003-2005	Zlatna Panega Cement AD	2005
Aeolian Maritime Company	2000-2005	Gravel & Sand PIT AD	2002-2005
Achaiki Maritime Company	2000-2005	Granitoid AD	2005
Kimolos Maritime Company*	2000-2005	Usje Cementarnica AD	-
Polikos Maritime Company	2000-2005	Cement Plus LLC	-
Aemos Cement Ltd	2000,03-05	Karieri AD	-
Alvacim Ltd	-	Karierni Materiali AD	-
Balkcem Ltd	2002-2005	Alexandria Portland Cement Co. S.A.E	2004-2005
Iapetos Ltd	2000,03-05	Beni Suef Cement Co.S.A.E.	2003-2005
Rea Cement Ltd	2004-2005	Blue Circle Cement Egypt S.A.E.	(a)
Tithys Ltd	2003-2005	Four M Titan Silo Co. LLC	1997-2005
Themis Holdings Ltd	2004-2005	Misrieen Titan Trade & Distribution	(a)
Fintitan SRL	(a)	East Cement Trade Ltd	2003-2005
Separation Technologies U.K. Ltd	(a)	Balkan Cement Enterprises Ltd	2003-2005
Titan Cement U.K. Ltd	(a)	Alexandria Development Co.Ltd	(a)
Titan America LLC	2001-2005	Lafarge Titan Egyptian Inv. Ltd	(a)
Roanoke Cement Co. LLC	2001-2005		

(a) Under special tax status

\* Under liquidation

## **Titan Cement Company S.A.**

### *Notes to the Interim Condensed Financial Statements*

#### **7. Changes in Accounting Policies**

The accounting policies applied in preparing these Financial statements are the same as those applied for the Financial statements at 31.12.2005.

#### **8. Pledge of Assets**

The assets of the Group and the Company have not been pledged.

#### **9. Number of employees**

Number of employees at the end of the reporting period : Group 5,905 (30.9.2005 5,591), Parent Company 1,103 (30.9.2005 1,142).

#### **10. Capital expenditure and disposals**

Capital expenditure for the first nine months 2006, not including fixed assets acquired through a business combination, amounted to: Group €106,1 m (30.9.2005 €90,9 m), Parent Company €18,1 m (30.9.2005 €17,3 m). Assets with a net book value of €1,5 m have been disposed of by the Group during the nine months ended 30 September 2006 (2005: €1,4 m), resulting in a net loss €0,1m (2005: gain €0,3 m).

#### **11. Earnings per share**

Earnings per share have been calculated on the total weighted average number of shares (i.e. ordinary and preferred).

#### **12. Related Party Transactions**

Intercompany transactions for the first nine months of 2006 and intercompany balances as of 30 September 2006, according to I.A.S. 24 are as follows

Amounts in €thousand	Group	Company
a) Sales of goods and services	-	98,023
b) Purchases of goods and services	678	20,641
c) Receivables from related parties	-	45,635
c) Payables to related parties	58	4,114
e) Key management compensations	4,195	3,871
f) Receivables from key management	29	29
g) Payables to key management included in above	282	282

#### **13. Share-based payment**

In April 2006, 142,440 share options were granted, under certain performance criteria, to certain senior executives under the new share option plan. The exercised price was determined at the nominal value of the share price at € 2.00.

The fair value of the options granted under the new scheme, determined using the Black-Scholes valuation model, was €37.27 per option. The significant inputs into the valuation model were share price at grant date of €40.74, expected volatility of share price 22.03% , dividend yield of 1.56% and an annual risk free rate of 3,67% .

#### **14. Reclassifications**

Previous period figures have been reclassified in order to be comparable for presentation purposes are as follows:

a) an amount of €3,761 thousand has been transferred from deferred tax assets to deferred tax liabilities as of 31.12.05, b) €4,453 thousand has been transferred from cost of sales to administrative expenses and c) an amount of €7,841 thousand has been transferred from net finance costs to income from participations & investments in the consolidated income statement as of 30.9.2005.

## Titan Cement Company S.A.

### Notes to the Interim Condensed Financial Statements

#### 15. Treasury shares purchased

According to article 16 of Greek Law 2190/1920 and the resolution approved by the Annual General Meeting of May 23, 2006 the Company acquired 14.000 of its own common shares during the period 17-19.7.2006. The total consideration was €502.120. The shares are held as treasury shares and have been deducted from the Shareholder Equity.

#### 16. Principal exchange rates

Balance sheet	30/9/2006	31/12/2005	30/9/2006 vs 31/12/2005
€ = USD	1.23	1.18	-3.9%
€ = EGP	7.27	6.77	-7.3%
1USD=EGP	5.74	5.74	0.0%
€ = CSD	82.00	85.50	4.1%
1USD = JPY	117.96	117.74	-0.2%

  

Profit and loss	Ave 9M 06	Ave 9M 05	Ave 9M 06 vs 9M 05
€ = USD	1.25	1.25	0.4%
€ = EGP	7.18	7.27	1.2%
1USD=EGP	5.75	5.79	0.8%
€ = CSD	85.55	82.31	-3.9%
1USD = JPY	115.75	108.49	-6.7%

#### 17. Significant movements in consolidated balance sheet and profit and loss items

The following significant movements have occurred between the periods presented in these financial statements.

Non current assets have increased by € 86,2m due to capital expenditure and goodwill recorded from the acquisition of new subsidiaries in U.S.A. (note 18).

The increase of trade receivables is in line with the increase of Group turnover.

The variance in available for sale investments of €3,0m is due to the purchase of treasury bills by foreign subsidiaries of the Group.

The increase of borrowings by €23,4m it relates to the financing of new acquisitions.

Non current provisions increased by € 6,7m due to provisions for quarries rehabilitation costs and litigation provisions.

Gross profit has increased in line with the growth of sales.

Other operating expenses increased by €2,5m due to provisions for quarry rehabilitation costs and staff leaving indemnities.

The variance in income from participations and investments is due to the disposal of available for sale investments in 2005.

## Titan Cement Company S.A.

### Notes to the Interim Condensed Financial Statements

#### 18. Contingencies

Contingencies <i>(all amounts in € thousands)</i>	Group		Company	
	30/9/2006	30/9/2005	30/9/2006	30/9/2005
Guarantees to third parties on behalf of subsidiaries	97,920	108,476	420,349	416,138
Bank guarantee letters	2,697	4,192	1,736	3,485
Guarantees given in respect of government grants relating to property, plant and equipment	11,022	6,680	11,022	6,680
Other guarantees	14,098	14,098	12,202	12,795
	<b>125,737</b>	<b>133,446</b>	<b>445,309</b>	<b>439,098</b>

A Court in Florida has issued a decision that ordered the review of all mining permits issued in the Lake Belt region. This includes the mining permit for the quarry of our Company's affiliate in Florida by the U.S. Army Corps of Engineers, which is the competent authority for the issuance of mining permits.

The impact of the above court decision cannot be assessed as it is not yet known whether the mining in the region will be interrupted. However, a potential cancellation of all mining permits in the region, might adversely effect the market due to insufficient supply of the necessary quantities of aggregates and cement to meet the demand of construction industry for planned public and private projects. The Group is developing contingency plans that ensure supply of its local plant in case of a negative outcome.

As part of the Kyoto Protocol, the European Union has committed itself to reduce greenhouse gas emissions. Within this context a Community Directive was issued that foresees the commercialisation of CO<sub>2</sub> emission licences. The directive has been transposed to Greek Legislation, impacting amongst other industries the cement industry. The Company has been made aware of its allocation, from 1 January 2005 through 31 December 2007, in terms of the National Allocation Plan for CO<sub>2</sub> emissions. In the event that the allocated amount will be lower than the Company's present emissions, the Company will incur costs for either having to acquire emission rights or via an investment in equipment that reduces the emission of the gas. Presently the Company believes that it will not incur such an obligation.

The European Commission ruled that all untaxed reserves of law 3220/2004 constitute unlawful state aid. The Greek ministry of Finance at this time has not issued an interpretation of this ruling. The maximum amount of taxes and interest that the Group may be required to pay for the untaxed reserves created in the financial years 2003 and 2004 is estimated to be approximately €16 million.

The financial years, referred to in note 6, have not been audited by the tax authorities and therefore the tax obligations of the Company and its subsidiaries for those years have not yet been finalized.

## Titan Cement Company S.A.

### Notes to the Interim Condensed Financial Statements

#### 19. Acquisitions of subsidiaries

At 30.3.2006 the Group announced the acquisition of the 100% of Metro Ready-Mix LLC and Summit Ready Mix LLC (or Elbrecht Concrete Inc.), which were fully incorporated in the consolidated financial statements as of 1.4.2006. At 28.4.2006, the Group acquired 100% of Miami Valley Ready Mix of Florida LLC. At 28.6.2006 the Group acquired 80% of Leros Quarries S.A. and 100% of Dodekanesos Quarries S.A.. At 3.7.2006, the remaining 20% of Leros Quarries S.A was acquired. At 28.7.2006, the Group acquired 100% of Central Concrete Supermix Inc. These companies were fully incorporated in the consolidated financial statements at their acquisition date. The assets and liabilities of the above mentioned companies, as they were preliminary recorded at the date of acquisition, are as follows:

<i>(Amount in € 000s)</i>	<b>Total</b>
<b><u>Assets</u></b>	
Property, plant and equipment	40,476
Inventories	806
Receivables and Prepayments	6,740
Cash & cash equivalents	2,036
<b>Total assets</b>	<b><u>50,058</u></b>
<b><u>Liabilities</u></b>	
Long term liabilities	4,424
Other liabilities and taxes	6,619
<b>Total liabilities</b>	<b><u>11,043</u></b>
<b>Fair value of net assets (before minority interest)</b>	<b>39,015</b>
Minority Interest	-
Fair value of net assets	<b>39,015</b>
Goodwill arising on acquisition	41,337
<b>Total acquisition cost</b>	<b><u>80,352</u></b>
<b>Cash outflow on acquisition :</b>	
Net cash acquired with the subsidiary	2,036
Cash paid	-80,352
<b>Net cash outflow</b>	<b>-78,316</b>
<b>Plus cash paid for acquisition of associated companies</b>	<b>-5,735</b>
<b>Total cash outflow</b>	<b><u>-84,051</u></b>

At 1.8.2006, the Group acquired 48.76% and 48.71% of the equity of Karierni materiali A.D. and Karierni A.D. which were incorporated in the consolidated financial statements with the equity method. At 27.7.2006, the Group acquired 25% of Mechanicsville Concrete Inc, which was also incorporated in the consolidated financial statements with the equity method. For the above mentioned companies the amount paid was €5,735 thousand and the negative goodwill which arose from these acquisition amount to €2.578 thousand.

Purchase price allocation of the acquired companies will be completed within twelve months from acquisition date.