TITAN
ANTEA CEMENT SH. A.

ANTEA CEMENT SH. A
INTERNATIONAL FINANCIAL REPORTING STANDARDS
CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Contents

GENERAL INFORMATION

CORPORATE INFORMATION

ANTEA Cement SH.A. is an investment with the highest standards applied in terms of construction and operation in Albania and a total value exceeding 200 million Euro. The company is controlled by ALVACIM LTD, which has 100% shareholding in the Company. The Company's ultimate parent is Titan Cement International S.A. (hereinafter referred as **TITAN Group)**

Antea Cement was awarded the right for land usage and mining exploitation by the Albanian Government for 99 years effective from October 2007. The plant was constructed by CBMI Construction Co, a Chinese construction company, under the supervision of TITAN Group which implemented the highest safety standards applicable, the project was completed on time, within the forecasted budget and with zero accidents.

ANTEA Cement has an annual production capacity of 1.4 million ton of cement and 3,300 ton of clinker per day. The plant is located at "Boka e Kuqe", Borizanë which is 50 km away from Tirana, capital city of Albania.

Antea Cement SH.A. (hereinafter referred as the "Company" or "Antea") and its subsidiaries (hereinafter collectively referred as the "Group" or "Antea Consolidated")

The Company has two fully owned (100%) subsidiaries as follows:

ALBA CEMENTO SH.P.K.

Alba Cemento SH.P.K. owns and operates a cement terminal operating in Tirana. The company prepares and submits its financial statements in according to respective legislation in Albania. Alba cement's operation is closely related to Antea Cement and most of its revenue and working capital balances are therefore eliminated on consolidation.

CEMENTI ANTEA SRL – Italy

The main activity of the subsidiary is trading cement exported from Antea Cement through a rented terminal in Ortona, Italy. The company sells the cement exported from Albania to the Italian market and its main revenues are derived from this activity.

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The following information is provided in compliance with the previsions of and requirements of the law "On Accounting and Financial Statements" No 25/2018 Dated 10.05.2018.

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Beside the information provided in this document Antea Cement prepares and publishes in its website an Integrated Annual report which provides more detailed information about its integrated operations.

BUSINESS DESCRIPTION

The Group is one of the biggest cement producers in Albania, with a plant capable to complete the entire technological process of transformation from raw materials to the final finished product. The Company through the technology installed in its plant can produce both clinker and cement.

Clinker is a semi-product produced by the Company which can further be utilized by Antea Cement in the cement production, or can be sold to other companies for production of cement, whereas the final finished product is cement of different types.

The company sells its product in the domestic market as well as exports it internationally.

REPORT ON THE CONSOLIDATED ECONOMIC AND OTHER ACTIVITIES OF THE COMPANY

Antea Cement

On a consolidated level Antea Cement delivered a solid result in 2022 despite the rising energy costs. The performance of Antea and its subsidiaries was supported by resilient sales volumes across both domestic and export markets and capitalized its result on such demand.

At the same time, the Group remained focused on the enduring objective of balanced, responsible, and sustainable long-term growth, embracing change as an organization, and innovating at an accelerated pace.

Some of the key financial indicators by comparing the current reporting period to the previous reporting period are presented below.

At a glance below you may find some of the main Economic Indicators of the company.

REPORT ON THE CONSOLIDATED ECONOMIC AND OTHER ACTIVITIES OF THE COMPANY (CONTINUED)

Financial Performance Highlights	Antea Cement - Consolidated	
Amounts in 000 ALL	2022	2021
Consolidated Revenue	12,280,125	9,174,096
Consolidated Operating profit	1,939,027	1,553,758
Consolidated EBITDA	2,930,214	2,550,738
Consolidated Profit before tax	1,818,269	1,237,790
Consolidated Profit for the year	1,489,933	1,079,789

Antea's consolidated revenues for the year increased by 34% or **ALL 3,106,029 thousand** compared to the previous year, mainly due to high demand of the company's products and increase in prices to offset the electricity and fuel cost increase emboldened by the Company's capability of fully meeting market needs not only domestically but also internationally.

A detailed breakdown of the company's consolidated revenues is available on the **Note 7** to the Consolidated Financial Statements.

The Company's export activities decreased compared to prior years consisting of 26% of total sales against 34% in 2021 because of the larger increase in domestic sales. Main international markets in which the Company is exporting its products consist of Albania's neighboring countries and in other countries in the Mediterranean region.

Consolidated Operating Profit before interest and taxes increased by **25%** or **ALL 385,269 thousand** against prior year, attributed mainly to the significant increase in domestic sales. Similarly, the company's Consolidated EBITDA increased by 5% or **ALL 148,748 thousand vs prior year.** The Company's Consolidated EBITDA reconciliation to the statement of profit or loss and other comprehensive income is shown in **Note 35** to the consolidated financial statements.

Consolidated Profit Before Tax For the year was higher than previous year by **ALL 580,479 thousand**, mainly affected by the decreased financing costs and favorable exchange rate gains (appreciation of Albanian Lek against Euro – Company's borrowings are mainly denominated in Euro).

The above consolidated operation results, coupled with the movement in the company's consolidated working capital led to a Consolidated Net Cash Flow from Operating activities in the amount of **ALL 1,335,522 thousand** which was lower by **ALL 687,408 thousand** compared to prior year. The company utilized the consolidated generated cashflow to invest in new capex amounting to **ALL 570,731 thousand** as well as utilized its consolidated free cash flow in repaying borrowings in the net amount of **ALL 1,142,354 thousand** during the period. The company closed the financial year with ample liquidity position.

In terms of technical performance, the operation of the production line during 2022 followed the demand pattern for the company's product while focusing on optimization of stocks and working capital through the year. The production line has been performing at very high reliability levels ensuring proper delivery of products, both to domestic and export markets especially during periods of high demand, adequately capturing all the opportunities available.

In terms of Health and Safety (H&S) the company has ensured that both legal requirements as well as all the guidelines provided from TITAN Group are followed by implementing best practices to further develop the overall H&S performance. To this end, training is an important and effective tool as they serve to educate the employees on proper workplace procedures, practices, and behaviour to prevent possible injuries and illness or contamination from improper hygiene. Every year the company has a proper H&S training schedule to raise awareness and communicate H&S updated practices to employees. In 2022 our employees and sub-contractors received 4,451 hours of training in Health and Safety topics/issues only. Despite the third year regarding the pandemic situation, H&S performance has been rigid in implementing Covid-19 rules and wakeful to manage and isolate possible cases affected with Covid-19 between employees and sub-contractors.

ANTEA has donated cement for various municipalities in Albania to help them in their civil projects on deteriorated infrastructure and rehabilitations of roads, restorations/constructions of local houses and schools. The Company continues to engage in promoting CSR standards and best practices in the country by organizing conferences and meetings with local authorities, institutions, universities, organizations and NGOs and leading the CSR approach by boosting SDGs in the country.

The environmental performance of the Company is monitored and reviewed throughout the year. The review addresses accordingly and timely all the material issues of our operations. Since the beginning of its operation, the Company has been exerting its activity in accordance with ISO 14001 environmental management system certified by an independent third party. The certification covers the quality and the adequacy of all applicable systems enforced to control and reduce air emissions, quarry rehabilitation and landscape aspects, groundwater, wells and wastewater aspects, liquid and solid waste, natural resources and energy consumption, noise and other environmental aspects. To this respect, the Company is fully compliant with the applicable laws and legislations. The Company is constantly improving environmental performance, focusing its efforts on tackling climate change, using natural resources responsibly, improving energy efficiency and contributing to the circular economy.

REPORT ON THE CONSOLIDATED ECONOMIC AND OTHER ACTIVITIES OF THE COMPANY (CONTINUED)

People are central to everything the Company does. The priority of the Company is to maintain a strong employer-employee relationship based on mutual trust and consistency in our corporate values and principles. We provide a comprehensive, decent working environment that respects health and safety standards as well as human rights.

TITAN Health and Wellbeing framework was developed covering four dimensions of Health and Wellbeing – physical, mental, social, and financial. To help enhance its people's mental and emotional health and wellbeing, TITAN extended the Employee Assistance Program (EAP), a consulting support service offered to all employees and their families, making available expert advice on personal, family, or work-related issues. The Company, as part of the TITAN Group, took part in the Mental Health campaign, which aimed to raise awareness and promote good mental health among employees. The campaign included relevant resources such as articles, videos, and self-assessment questionnaires, as well as promotion of TITAN Group's consulting support service. The company continues to provide Medical, Life Insurance & Work accident Plan for all its employees.

The Company demonstrates its commitment towards promotions and enhancement of good accountability processes, manifested through open and direct communication with our employees and decision-making processes. The Company has a successful implementation of the Social Accountability 8000:2014 Standard (SA8000:2014) by developing, maintaining, and applying social practices in the workplace, offering equal opportunities, values diversity that contributes to effectiveness and making big efforts on recruiting qualified candidates, by not permitting any form of discrimination related to gender, races, nationality, religion, and family. Required mechanisms are kept in place to ensure compliance to these requirements.

In 2022, the headcount of ANTEA at the end of the year reached 188 people (excluding internships and expats). During 2022 the Consolidated Employee Benefit Expenses amounted to **ALL 440,280 thousand** as explained in the **Note 13** to the Consolidated Financial Statements.

Our people's development is a responsibility that helps us retain highly qualified employees. We are committed to a higher level of individual growth. The Company is committed to providing its employees with the skills, competencies, and mindset required for success in a diverse and inclusive environment. Antea's Leadership Academy is a comprehensive, innovative leadership training curriculum. It enables Antea employees to learn and improve their leadership and management skills, as well as how these concepts impact their overall performance and success. During 2022, we continued to contribute to the development of our employees, by shifting from traditional methods to online training or hybrid ones respecting the COVID-19 protocol. The total training hours for 2022 were 7,620

Business risks

The major financial liabilities of the Company and its subsidiaries include interest bearing loans, other liabilities, and trade payables. The primary target of these financial instruments is that financing of the activity of the Company and its subsidiaries to be secured. The Company and its subsidiaries possess financial assets, such as trade and other receivables, cash, and cash equivalents, which origin derives from the core operations of the Company and its subsidiaries. The major risks, that occur from the financial instruments of the Company and its subsidiaries are interest bearing risk, liquidity risk, currency risk and credit risk. The policy applied by the Management of the Company, for management of all these risks is summarized in **Note 33** of the Consolidated Financial Statements.

a) Research and Development activity of the Company

The Company did not perform any activity, related to research and development in 2022.

b) Disclosure for acquisition of own shares

The Company owns no shares of the Company and had no such transactions in 2022.

c) Branches of the Company

The Company has two fully owned subsidiaries as explained above. There are no other branches or subsidiaries apart of those.

d) Policies and Objective of managing financial risk, Exposure of the company towards Financial Risks & Risk Quantifications

Policies and Objectives for managing financial risks as well as the respective quantifications are included in the **note 33** to the Consolidated Financial Statements.

e) Objectives of the Company and its subsidiaries for 2023

The company and its subsidiaries are set to achieve the following objectives for 2023:
• Increase effectiveness of industrial performance.
• Continue serving its customers in the domestic and export markets as well as be able to satisfy any additional demand in the markets.
• Sustain the current financial results and seek areas at potential growth and on the same time contain fixed costs.

REPORT ON INTERNAL CORPORATE GOVERNANCE

a) Corporate Governance

The Company is constituted as a joint stock company in compliance with the Commercial Law of the Republic of Albania and has governance system as follows:

- The supervisory council
- The Administrator/General Manager

The supervisory board as at 31 Dec 2022 is comprised as follows:

- Chairman of the supervisory council, Mr. Ioannis Paniaras
- Member of the supervisory council, Mr. Fokion Tasoulas
- Member of the supervisory council, Mr. Christos Panagopoulos
- Member of the supervisory council, Mr. Loukas Petkidis
- Member of the supervisory council, Mr Grigorios Dikaios

The supervisory council members are appointed from the shareholders General Assembly. The members of the supervisory board bring on board a valuable experience of different areas comprising expertise on industrial, commercial, and financial areas.

The Supervisory Boards appoint the administrator/ General manager of the company. The General Manager of the company is Mr. Mario Bracci.

b) Managing risks and opportunities

ANTEA Cement has in place an Integrated Management System (IMS) which is comprised of three management systems and one standard being:

- ISO 45001 for Occupational Health and Safety
- ISO 14001:2015 for Environment
- ISO 9001 for Quality
- SA 8000:2014 for Social Accountability

The management team of ANTEA Cement assesses the social, environmental, managerial, and financial risks that the company can face in the framework of the challenges that are coming from the country, the region and further. The company manages the risks through:

- Internal audits and Systems to keep in consistency with Management Systems requirements in place.
- Creation of various committees in the company to address various challenges and issues.

At ANTEA Cement, the following Boards and Committees are created to address various challenges and issues:

Quality Board:

The company's management is involved in the Quality System through the Quality Board. The responsibilities of the Quality Board are the following:

- Establishing the Company's Quality Policy
- Adopting the Quality System's documents
- Conducting the internal quality audits
- Conducting reviews of the Quality System
- Setting quality targets

Environment Board:

It is responsible to identify the environmental aspects, to determine the emergency situations and the need for preparation of emergency plans, to review on annual basis the Environmental Management System etc.

Health & Safety Central Committee:

ANTEA H&S Central Committee provides strategic and tactical guidance for the improvement of initiatives regarding safety and health at ANTEA plant. It establishes effective business processes to promote the full implementation of the TITAN's Group Health & Safety Policy. The Central Committee's Members must demonstrate visible leadership, personal commitment, active support, actions' accountability, and timely follow-through for all safety programs.

REPORT ON INTERNAL CORPORATE GOVERNANCE (CONTINUED)

The Social Accountability Board:

The Plant has also appointed a Social Accountability Board responsible to identify the social accountability issues, determine the required preventive or corrective actions, and review on annual basis the Social Accountability Management System etc.

The Company's employees have been extensively trained in the most sensitive areas as Anti-bribery, Anti-corruption and Sanctions and it has widely incorporated relevant provisions to avoid illegal implications in its contractual relations with suppliers, customers, and partners. Moreover, a conflict-of-interest policy has been adopted and a committee responsible for clearing cases of possible conflict of interest has been established with the attendance of the Company's top management.
Following up with the latest changes in the local legislation, the Company has elected and formalized the Responsible Unit in accordance with the Albanian Law on Whistleblowing which has carried a series of trainings and has distributed the necessary materials to the employees aiming at making them aware of their rights and obligations in the event a corruption case comes to their attention.

Nonetheless, some more action has followed as the Company extends its tools and policies through to its employees by introducing the:

- Ethic Point platform
- The TITAN Employee Assistance Program (EAP), part of TITAN "Health and Wellbeing" that aims to further support the health & wellbeing of TITAN employees and family members, wherever and whenever needed.

c) ANTEA Values

ANTEA's values stem directly from the principles, beliefs, and vision from its establishment back in 2006. They are the core elements in compliance with TITAN's culture and family spirit, providing the foundations of the Group's operations and growth. The Company is committed to create value for its employees, the local community, its suppliers, and clients through strengthening the core values, applying ethical business practices, maintaining an open and continuous communication with all stakeholders and addressing their most material issues in a timely and proper manner. Although the environment where the Company operates has its own challenges, the Company strives to lead by example as a responsible company through identifying the impact on the society and taking action to create value for its stakeholders by minimizing the adverse effects while increasing welfare and wellbeing of its employees, local communities, and business partners.

- ***Integrity*** | Ethical business practices; Transparency; Open communication; Good Governance
- ***Know-how*** | Enhancement of knowledge base; Proficiency in every function; Excellence in core competencies
- ***Value to the customer*** | Anticipation of customer needs; Innovative solutions; High quality of products and services
- **Delivering results |** Shareholder value; Clear objectives; High standards
- ***Continuous improvement*** | Learning organization; Willingness to change; Rise to challenges.
- ***Corporate Social Responsibility*** | Safety first; Sustainable development; Stakeholder engagement

Operating in the same line with Titan Group aiming to grow as a multiregional, vertically integrated cement producer, combining entrepreneurial spirit and operational excellence with respect to its people, society and the environment, ANTEA follows the Titan Group objectives translated into four strategic priorities:

- **Geographic diversification:** Expanding business through acquisitions and greenfield developments into attractive new markets, to diversify earnings base and mitigate the effect of the volatility inherent in our industry.
- **Vertical integration |** Extending our business into other product areas in the cement value chain, serving our customers better and accessing new profit opportunities.
- **Continuous competitive improvement |** Delivering new efficiencies throughout our business, to reduce costs and compete more effectively, by implementing digital solutions across our value chain.
- **Sustainability, with focus on the environment and society** | We reduce our environmental footprint, with focus on de-carbonization and biodiversity. We care for, develop our employees, and foster constructive collaborations with our neighbouring communities and other stakeholders.

REPORT ON INTERNAL CORPORATE GOVERNANCE (CONTINUED)

ANTEA Material Issues with horizon 2025

According to the ANTEA Materiality Assessment outcomes, the Company will address ten material issues in alignment with the United Nation's SDGs 2030, all supported by good governance, transparency, and business ethics.

Through this process, we aim at further building our trusted relationships and creating shared value. Clear targets are set in the 2020 materiality assessment, following the process designed by the Titan Group.

Employee engagement; Continuous Development and Wellbeing; Safe and Healthy working environment for employees and business partners; Customer Satisfaction; Good Governance, Transparency and Business Ethics, Environmental Management material issues remained at the top of the list of the identified material issues.

ANTEA Material Issues with horizon 2025	
1	Safe and healthy working environment for our employees and business partners.
2	Employee engagement, continuous development and wellbeing.
3	Customer satisfaction.
4	Good governance, transparency, and business ethics.
5	Supporting our local community's wellbeing.
6	Environmental Management.
7	Responsible, reliable, and sustainable supply chain.
8	Stakeholder relations and engagement.
9	Climate Change and Energy.
10	Business model innovation.

d) Internal controls and risk management systems regarding financial reporting

The key elements of the system of internal controls utilized to avoid errors in the preparation of the financial statements and to provide reliable financial information are the following:

- The assurance mechanism regarding the integrity of the Company's financial statements consists of a combination of the embedded risk management processes, the applied financial control activities, the relevant information technology utilized, and the financial information prepared, communicated, and monitored. The company prepares and reviews monthly financial and non-financial data which is reviewed by the company's management on a periodical basis.
- The company utilizes a full package SAP solution for monitoring its operational and bookkeeping transactions. Such software solution provides for the most secure and advanced way of recording and reporting all the company's activities in an accurate and correct way.
- The Company engaged external auditors to review the mid-year financial statements of the Company and audit the full-year financial statements of the aforementioned.

All the above ensure that the financial statements of the company provide reliable and accurate information.

PAYMENTS MADE TO GOVERNMENTAL INSTITUTIONS

The below report is prepared in compliance with article 21 of the Law on Accounting and Financial Statements No 25/2018 Dated 10.05.2018.

The table below indicates the actual cash payments made by Antea Cement (standing alone) to the authorities in Albania for the indicated type of taxes or categories as below:

Amounts are in 000'ALL

Payment type	2022	2021
• Production Rights	-	-
• Payment of Taxes as per the Applicable Tax Legislation		
- Corporate income tax	297,744	273,534
- VAT	-	145,083
- Social and health insurance	63,096	59,269
- Personal income tax	34,331	34,932
- Carbon & Excise Tax	332,271	366,486
- Local Taxes and Tariffs to Local Authorities	34,294	33,756
• Royalties	52,363	59,359
• Dividends	-	-
• Payments for Subscriptions, Research and Production	-	-
• Tax and Tariffs and other payments linked with Licenses and Concessions	-	-
• Payments for Infrastructure Improvements.	-	-
TOTAL	**796,099**	**972,419**

The above amounts represent the actual cash payments made by the company during the calendar year ending 31 December 2022.

Independent Auditor's Report

To the Shareholder of Antea Cement SH.A.:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Antea Cement SH.A. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 consolidated 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 Group in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises Business Activity Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial

statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Statutory Auditor

Jonid Lamllari

PricewaterhouseCoopers Assurance Services SH.P.K.

17 May 2023

Tirana, Albania

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Amounts in ALL thousand unless otherwise stated)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Revenue	7	12,280,125	9,174,096
Cost of sales	8	(9,661,229)	(6,975,496)
Gross profit		**2,618,896**	**2,198,600**
Other operating income	9	103,473	63,723
Other operating expenses	10	(48,558)	(25,064)
Selling and marketing expenses	11	(82,861)	(77,923)
Administrative expenses	12	(651,923)	(605,578)
Operating profit		**1,939,027**	**1,553,758**
Finance costs	14	(120,758)	(315,968)
Profit before tax		**1,818,269**	**1,237,790**
Income tax expense	15	(328,336)	(158,001)
Profit for the year		**1,489,933**	**1,079,789**
Other Comprehensive income			
Exchange difference on translation of foreign operations	31	(14,593)	(4,620)
Total Comprehensive Income for the year		**1,475,340**	**1,075,169**
Net Profit attributable to:			
Owner of the parent		1,475,340	1,075,169
Non-controlling interest		-	-
		1,475,340	**1,075,169**
Total comprehensive income attributable to:			
Owners of the parent		1,475,340	1,075,169
Non-controlling interest		-	-
Total comprehensive income for the year		**1,475,340**	**1,075,169**

The notes on pages 6 to 44 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Amounts in ALL thousand unless otherwise stated)

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant, and equipment	16	16,022,826	16,368,210
Intangible assets	17	24,191	33,725
Right-of-use assets	18	170,597	242,025
Other non-current assets	19	9,537	9,537
Deferred tax asset		17,602	47,295
Total Non-Current Assets		16,244,753	16,700,792
Current assets			
Inventories	20	2,817,011	2,185,085
Trade receivables	21	686,549	541,854
Other receivables	22	288,102	251,524
Receivables from related parties	32	47,473	12,064
Cash and cash equivalents	23	570,512	1,070,950
Total Current Assets		4,409,647	4,061,477
TOTAL ASSETS		20,654,400	20,762,269
EQUITY AND LIABILITIES			
Equity			
Share capital	24	10,686,510	10,686,510
Share-based options	25	11,371	6,215
Accumulated deficit		(909,049)	(2,398,982)
Translation reserve	31	(28,720)	(14,127)
TOTAL EQUITY		9,760,112	8,279,616
Non-current liabilities			
Interest bearing loans and borrowings	26	5,781,676	7,129,644
Lease liabilities	18	111,603	182,819
Deferred income tax liabilities, net	15	1,071,907	1,115,012
Total Non-Current Liabilities		6,965,186	8,427,475
Current liabilities			
Trade payables	28	1,254,267	1,608,071
Derivative financial instruments	29	17,447	-
Other payables	30	153,373	159,824
Income tax payable		72,560	17,496
Interest bearing loans and borrowings	26	1,829,295	1,918,497
Lease Liabilities	18	58,268	63,554
Payables to related parties	32	543,892	287,736
Total Current Liabilities		3,929,102	4,055,178
TOTAL LIABILITIES		10,894,288	12,482,653
TOTAL EQUITY AND LIABILITIES		20,654,400	20,762,269

These consolidated financial statements have been approved by management of the group on 03 April 2023 and signed on its behalf by:

Mario Bracci

General Manager

ANTEA CEMENT SH.A. ALBANIA

Kostika Mihallari

Finance Manager

The notes on pages 6 to 44 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in ALL thousand unless otherwise stated)

	Share capital	Share based options	Accumulated deficit	Translation reserve	Non-controlling interests	Total equity
As of 1 January 2021,	**10,686,510**	**1,826**	**(3,478,771)**	**(9,507)**	**-**	**7,200,058**
Net profit for the year	-	-	1,079,789	-	-	**1,079,789**
Other comprehensive loss	-	-	-	(4,620)	-	**(4,620)**
Total comprehensive income for the year	-	-	**1,079,789**	**(4,620)**	-	**1,075,169**
Share Based Options **(note 25)**	-	**4,389**	-	-	-	**4,389**
As of 31 December 2021,	**10,686,510**	**6,215**	**(2,398,982)**	**(14,127)**	**-**	**8,279,616**
Net profit for the year	-	-	1,489,933	-	-	**1,489,933**
Other comprehensive loss	-	-	-	(14,593)	-	**(14,593)**
Total comprehensive income for the year	-	-	1,489,933	(14,593)	-	**1,475,340**
Share Based Options **(note 25)**	-	5,156	-	-	-	**5,156**
As of 31 December 2022,	**10,686,510**	**11,371**	**(909,049)**	**(28,720)**	**-**	**9,760,112**

The notes on pages 6 to 44 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in ALL thousand unless otherwise stated)

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Cash flows from operating activities			
Profit before taxes		**1,818,269**	**1,237,790**
Adjustments for:			
Depreciation of property, plant, and equipment	16/18	970,622	972,594
Amortization of intangible assets	17	20,565	24,386
Derivative financial instruments	29	17,447	-
Gain on disposal of property, plant, and equipment	16,18	(903)	(327)
Movement in bad debt provision		11,778	9,679
Shared Bases options	25	5,156	4,389
Interest income		(13)	(11)
Interest expense		366,596	414,697
Deferred tax	15	29,693	(47,295)
Foreign exchange loss/(gains)		(263,916)	(117,673)
Working Capital Adjustments			
(Increase) in inventories	20	(631,926)	(659,216)
(Increase) in trade and other receivables	21,22	(321,501)	(40,853)
(Decrease)/ Increase in trade and other payables	28,30	(88,902)	880,422
Cash generated from operations		**1,932,965**	**2,678,582**
Interest paid		(323,922)	(382,129)
Income tax paid		(273,534)	(273,534)
Interest received		13	11
Net cash flows from operating activities		**1,335,522**	**2,022,930**
Cash flows from investing activities			
Acquisition of property, plant, and equipment	16	(570,731)	(170,740)
Acquisition of intangible assets	17	-	-
Proceeds from sales of property, plant, and equipment		14,791	5,788
Net cash flows used in investing activities		**(555,940)**	**(164,952)**
Cash flows from financing activities			
Proceeds of borrowings		317,756	1,097,564
Repayment of borrowings		(1,460,110)	(2,602,844)
Principal elements of lease payments		(78,999)	(79,661)
Payment of Fees		-	(59,024)
Net cash flows used in financing activities		**(1,221,353)**	**(1,643,965)**
Net increase in cash and cash equivalents		**(441,771)**	**214,013**
Cash and cash equivalents on 1 January	23	1,070,950	884,463
Translation effect of foreign exchange currency		(58,667)	(27,526)
Cash and cash equivalents on 31 December	**23**	**570,512**	**1,070,950**

The notes on pages 6 to 44 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

These are the consolidated financial statements prepared in accordance with International Financial Reporting Standards of Antea Cement SH.A. (hereinafter referred as the **"Company"** or **"Antea"**) and its subsidiaries (hereinafter collectively referred as the **"Group"** or **"Antea Consolidated"**).

The Group's main activity is the production and trading of cement.

The company is incorporated in the Republic of Albania, with registered address at "Rruga e Durresit, Pallati prapa RING Center, Kati 1, 1001, PO Box 1746, Tirana, Albania." The Company has the following subsidiaries:

Subsidiaries	% of shares owned	Location
Alba Cemento sh.p.k.	100	Tirane, Albania
Cementi Antea SRL	100	Marghera, Italy

The Group's immediate parent is ALVACIM Ltd registered in Cyprus, which has 100% shareholding in the Group. (31 December 2021; Alvacim Ltd had 100% shareholding in the Group).

The Group's ultimate parent is **Titan Cement International S.A** (hereinafter referred as **"TITAN Group"**).

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

2. OPERATING ENVIRONMENT

During 2022 considering the global pandemic, Antea Cement and its subsidiaries resumed to take precautionary measures to keep its people healthy, to ensure that the workplace was safe and to preserve good liquidity levels to support its operations. For 2022 the impact of Covid-19 to the Antea's Consolidated performance resulted to be minor. Antea's Consolidated operational and financial performance in 2022 surpassed that of 2021. In 2022, there is still some uncertainty around the evolution of the pandemic and consequently the impact it may have to Antea Cement and its subsidiaries. Antea Cement and its subsidiaries continue to monitor the situation, end the relevant uncertainties have been estimated and incorporated into its budgets by considering macroeconomic expectations, stimulus initiatives and vaccine developments. Antea Cement and its subsidiaries continue to make its best efforts in keeping its people healthy, ensuring the workplace is safe and preserving ample liquidity to support its operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Antea Cement and its subsidiaries, in the preparation of the consolidated financial statements, are in accordance with International Financial Reporting Standards ("IFRS").

A. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention the principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The preparation of consolidated 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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in **Note 4**.

B. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (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 Group has power over another entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Consolidation (continued)

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 Group 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 Group 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 Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction-by-transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued, and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances, and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity. ANTEA CEMENT SH.A., fully owns its subsidiaries, and there are no non-controlling interests.

C. Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Group and its subsidiaries (except for ***Cementi Antea S.r.l.***), and the Group's presentation currency, is the Albanian Lek ("ALL"). The consolidated financial statements are presented in Albanian Lek ("ALL"), which is the Group's presentation currency.

Transactions and balances. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of Albania ("BoA") 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 each entity's functional currency at year-end official exchange rates of the BoA are recognised in profit or loss as finance income or costs. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within '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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Foreign currency translation (continued)

Functional currencies of different entities of the Group. Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations. This determination, of what the specific underlying economic conditions are, requires judgement. In making this judgement, the Group evaluates among other factors, the location of activities, the sources of revenue, risks associated with activities and denomination of currencies of operations of different entities. Specifically, in determination of the functional currencies of ***Cementi Antea Srl***, the Group based its judgement on the fact that the companies operate internationally on markets mainly influenced by the European Economic Zone Currency ("EUR") and their major activities include the provision of services to foreign investors. Moreover, the majority of their operations are denominated in EUR and also, the EUR is the currency in which their business risks and exposures are managed, and the performance of their business is measured.

D. 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 Group 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 is 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. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred. 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.

Infrastructure intervention that increases the useful life of property, plant, and equipment, improves operations or cost optimization, are capitalized into the cost of land and building and depreciated over the useful life applicable to such category.

Spare Parts are recognized as part of Property plant and equipment if the following criteria 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.

Depreciation

Land is not depreciated. Land Improvements represent internal roads and other infrastructure investments of the Group near its main facilities. 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	up to 40 years
Buildings	up to 40 years
Plant and machinery	up to 40 years
Vehicles	up to 15 years
Furniture and fitting, and electronic equipment.	up to 10 years

The residual value of an asset is the estimated amount that the Group 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 profit or loss and other comprehensive income when the asset is derecognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Right of Use assets

The Group leases various lands, offices, equipment and vehicles. Contracts may contain both lease and non-lease components. If that's the case, the Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets arising from a lease are initially measured on a present value basis.
Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land*	up to 40
Buildings	up to 40
Machinery	up to 20
Motor vehicles	up to 10

* Right-of-use of land is to be depreciated as although land has an unlimited useful life, useful life of right-of-use of land is limited by contract terms.

The Group presents ROU assets that do not meet the definition of investment property in the account "property, plant and equipment", the same line item as it presents underlying assets of the same nature that it owns. ROU assets that meet the definition of investment property are presented with investment property.

F. Intangible assets other than goodwill

The Group's intangible assets have definite useful lives and primarily include capitalized computer software, licenses, and works in progress.
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use.

Useful lives in years	
Computer software	up to 10 years
Licences	up to 10 years

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal. Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortization and are tested annually for impairment.

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill), if any, are reviewed for possible reversal at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Impairment on non-financial assets

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating units (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 groups 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. 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 considered, 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 Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group'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 Group estimates the assets or cash-generating units 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.

H. Financial instruments

Key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to **Note 34**.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Financial instruments (Continued)

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any, are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial Instruments - Initial recognition Financial instruments at fair value through profit or loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for 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. After the initial recognition, an expected credit loss ("ECL") allowance is recognized for financial assets measured at amortized cost ("AC") and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss. The Group does not have any FVTPL or FVOCI financial assets at the reporting date.

Financial assets Classification and subsequent measurement – measurement categories The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets Classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL. The current Group's business model is "Hold to collect".

Financial assets Classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset, and it is not subsequently reassessed. The Group's financial assets include cash and short-term deposits, trade and other receivables, and short-term loans, which meet the SPPI criteria.

Financial assets – reclassification
Financial instruments are reclassified only when the business model for managing the portfolio as a whole, changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting

period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

H. Financial instruments (continued)

Financial assets - Impairment of financial assets – credit loss allowance for ECL. The Company assesses the ECL for debt instruments measured at AC. The Company measures ECL and recognizes net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions, and forecasts of future conditions.

Credit loss allowance is recognized using a simplified approach at lifetime ECL. The ECL is recognized through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates.

Financial assets - Write-off
Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - Derecognition
The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial liabilities Classification and subsequent measurement – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments. The Group's financial liabilities include trade and other payables, loans, and borrowings.

Financial liabilities Derecognition Financial liabilities are derecognized when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled, or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch-up method, with any gain or loss recognized in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

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. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

I. Cash and short-term deposits

Cash and cash equivalents include cash in hand, current accounts and 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.

J. Trade and other receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by considering 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 income in the statement of profit or loss. The losses arising from impairment are recognized in the income statement in profit or loss.

K. Trade and other 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.

L. 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 profit or loss when the liabilities are derecognized as well as through the effective interest rate method ('EIR') amortization process.

Amortized cost is calculated by considering 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 profit or loss.

Capitalisation of borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009. The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

M. Lease liabilities.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments.

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Lease liabilities (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- uses incremental borrowing rate as received from the group

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items with value of ALL 500 thousand or less.

To optimize lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. The Group initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability.

Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees. At the end of each reporting period, the expected residual values are reviewed, and adjusted if appropriate, to reflect actual residual values achieved on comparable assets and expectations about future prices.

Operating lease. Where the Company is a lessor in a lease which does not transfers substantially all the risks and rewards incidental to ownership to the lessee (i.e. operating lease), lease payments from operating leases are recognised as other income on a straight-line basis. Modification of a lease is accounted for by the lessor as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

N. Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorized prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilized.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

N. Income taxes (continued)

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognize deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group'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. Adjustments for uncertain income tax positions are recorded within the income tax charge.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the net amount of the debtor, excluding VAT. Based on the tax legislation, following fulfilment of certain criteria VAT can be recovered/offset, as a result such amounts have been taken into account for the impairment loss calculation.

O. Inventories

Inventories are stated 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.

P. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.
Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorized for issue are disclosed in the subsequent events note. The statutory accounting reports of the Group are the basis for profit distribution and other appropriations.

Q. Share-based compensation benefits

Share-based compensation benefits are provided to members of senior management via TITAN Group share schemes that cover several subsidiaries. The participants of the plan (i.e. the counterparty) were informed for the program on 14.5.2021 (i.e. the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement), being the grant date.

Currently, TITAN Group has the following schemes: 1) the share options plans (2014 and 2017) and 2) the long-term incentive plan introduced in 2021 and 2022, which concerns share awards and link to the disclosure **note 25.** The Group was not subject to the first scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Share-based compensation benefits (Continued)

A TITAN Group share-based payment transaction is classified from the perspective of each reporting company, rather than by making a single classification determination that is applicable to all TITAN group companies. The Antea Cement SH.A. participates in the 2021 & 2022 long-term incentive plan, which is classified as cash-settled in the financial statements of the TITAN Group, but it is classified as equity-settled in the Antea Cement SH.A. consolidated financial statements as Antea Cement SH.A. has no obligation to settle the award. Consequently, it recognizes the fair value of the awards as an employee benefits expense in profit or loss, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the awards granted, which is based on the parent's share price on grant date. The total expense is recognized over the vesting period, which is the period over which the specified service conditions are to be satisfied. At the end of each period, the Antea Cement SH.A. revises its estimates of the number of awards that are expected to vest based on the specified vesting conditions and forfeiture rate. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

R. Dividends

Revenue is recognized when the Group's right to receive the payment is established.

S. Provisions for liabilities and charges

Provisions are recognized when the Group 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. Provisions are not recognized for future operating losses.
Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

T. Revenue Recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue comprises the invoiced amount for the sale of goods and services net of value-added tax, and discounts.

Sale of goods (cement in bulk or bags) Sales are recognized when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 to 120 days, which is consistent with market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the Group provides any additional services to the customer after control over goods has passed, revenue from such services is considered to be a separate performance obligation and is recognized over the time of the service rendering.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Revenue Recognition (Continued)

Sales of services (transportation) The Group provides services under fixed-price contracts. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices.
In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized. If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced for transportation costs as a separate performance obligation.

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.

U. Employee benefits

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the statutory defined contribution schemes.

V. 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 consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

I. 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.

Measurement of ECLs is a significant estimate that involves determination of a methodology, models, and data inputs. The Group assesses individually all court cases and receivables due more than 365 days. The expected credit loss is the product of the exposure of default, loss given default and probability of default. WACC of 6.7% is used for discounting.

All other trade receivables are assessed collectively by using a simplified approach at lifetime ECL. Loss ratios per categories are calculated based on a provisioning matrix which considers exposure at default, historical default rates, customer credit worthiness and changes in customer payment terms.

II. 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 3 (d), (f) and Note 16 and 17.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

III. Taxes

The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium-term business plan prepared by management and extrapolated results thereafter.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The business plan is based on management expectations that are believed to be reasonable under the circumstances.

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 Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties 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 Group's domicile. As the Group assesses the probability for a litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

IV. Environmental restoration costs - Provisions for Forestation

The Group performs restoration work of the utilized areas on an ongoing basis based on the annual exploitation plana agreed with relevant authorities. The costs are expensed as incurred as they consist of re-forestation on a real time basis on quarries and processing sites. There is no re-forestation which is deferred for periods longer than a year. The liability arises as the Group utilizes the planed levels of the quarries area.

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 at estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are described in the following notes:

- Note 15 – Income tax expense.
- Note 21 – Accounts receivable.
- Note 30 – Provisions.
- Note 36 – Commitments and contingencies.

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards and interpretations effective as of 1 January 2022.

The following amended standards became effective from 1 January 2022, but did not have a material impact on the Group:

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

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognized in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
- The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognized some liabilities in a business combination that it would not recognize under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognize such liabilities and recognize a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognize contingent assets, as defined in IAS 37, at the acquisition date.
- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). *In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. The Group is currently assessing the impact of the amendments on its financial statements.*

The Group is not affected by the amendments in the reform.

6. NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Group has not early adopted.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's consolidated financial statements.

- 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 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction.
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).

The Group is currently assessing the impact of the amendments on its financial statements.

7. REVENUES

The revenues reflected in the consolidated statement of profit or loss and other comprehensive income are analysed as follows:

	2022	2021
Sales of own cement	11,505,506	8,184,479
Sales of clinker	419,527	352,688
Sales of imported cement	65,890	83,853
Revenue from freight	214,150	388,033
Revenue from other materials	24,252	96,311
Revenue from services	50,800	68,732
Total	**12,280,125**	**9,174,096**

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

	2022	2021
Domestic market	9,070,851	6,047,728
Foreign market	3,209,274	3,126,368
Total	**12,280,125**	**9,174,096**
Domestic market		
Sales of own cement	8,845,621	5,911,517
Sales of clinker	417,485	319,159
Sales of imported cement	35,262	46,104
Revenues from freight	196,601	107,159
Revenues from other materials	24,252	71,709
Revenues from services	50,800	68,732
Discounts	(499,170)	(476,652)
Total	**9,070,851**	**6,047,728**
Foreign market		
Sales of own cement	3,166,984	2,751,447
Sales of clinker	2,042	33,529
Sales of imported cement	30,628	37,749
Revenues from freight	17,549	280,874
Revenues from other materials	-	24,602
Discounts	(7,929)	(1,833)
Total	**3,209,274**	**3,126,368**

The Group derives revenue from the transfer of goods at a point in time. For domestic sales, the control is transferred at the moment that goods are made available (ex-works) and when taken in charge by a carrier (CPT). For export sales, the control is transferred at the moment that goods are loaded in the vessel and ready for shipment.

Contracts with customers do not contain a significant financing component as the payment terms are on short-term market commercial terms.

8. COST OF SALES

The Cost of sales in the consolidated statement of profit and loss and other comprehensive income are analysed as follows:

	2022	2021
Variable costs:	**8,093,894**	**5,439,623**
Freight and logistic costs	718,869	895,630
Kiln fuel	2,343,479	1,608,204
Electricity	3,453,805	1,588,459
Raw materials and additives	913,005	711,588
Refractories	113,950	62,838
Fuel and oil	13,120	15,814
Royalty	52,756	58,735
Packing expenses	356,813	348,821
Cost of imported Cement	77,404	74,214
Cost of materials sold	27,097	70,550
Electricity – Change in FV of derivatives	17,447	-
Other variable costs	6,149	4,770
Fixed costs:	**1,567,335**	**1,535,873**
Plant salaries and related expenses	287,483	274,846
Repair and maintenance – spare parts	152,278	111,399
Services from third parties	308,253	231,273
Rent expenses	300	308
Plant utilities	16,756	18,913
Other fixed cost	57,319	49,344
Depreciation charges	816,206	812,621
Depreciation Right of use Assets	56,651	58,705
Inventory variation	(127,911)	(21,536)
Total	**9,661,229**	**6,975,496**

Freight costs are further broken down as follows:

	2022	2021
Freight costs related to domestic sales	340,404	294,162
Freight and logistic costs related to exports sales	147,803	243,549
Freight related to overseas transportation	230,662	357,919
Total	**718,869**	**895,630**

9. OTHER OPERATING INCOME

Other income in the consolidated statement of profit or loss and other comprehensive income are analysed as follows:

	2022	2021
Income from sales of fixed assets	14,791	5,788
Surplus of Inventory	-	92
Reimbursement of excise duties	56,078	39,823
Other income	32,604	18,020
Total	**103,473**	**63,723**

10. OTHER OPERATING EXPENSES

An analysis of other operating expenses is presented in the table below:

	2022	2021
Losses from Sales and/or Disposal of fixed assets	13,888	5,461
Impairment for Trade Receivables	11,778	9,679
Other provisions	2,696	4,793
Losses of inventory	15,308	-
Other expenses	4,888	5,131
Total	**48,558**	**25,064**

2022: Included in Other provision, the amount of ALL 2,696 thousand relates to additional personnel costs **(Note 30).**
Included in Net book value of disposed assets/sold assets, the amount of ALL 13,888 thousand relates to net book value of fixed assets sold.
Included in Losses of inventory, the amount of ALL 10,967 thousand relates to write-off of trading goods and the amount of ALL 4,341 thousand relates to write-offl of raw materials, disposed during the year due to the damage of these inventory items.
2021: Included in Other provision, the amount of ALL 788 thousand relates to provision for inventories **(note 20)** and the amount of ALL 4,005 thousand relates to additional personnel costs **(Note 30).**
Included in Net book value of disposed assets/sold assets, the amount of ALL 5,461 thousand relates to net book value of fixed assets sold.

11. SELLING AND MARKETING EXPENSES

These expenses relate to costs incurred during the main activities of the Group companies for selling and marketing of the primary products.

	2022	2021
Salaries and related expenses **(Note 13)**	55,189	55,867
Utilities	13,158	11,850
Depreciation Right of use Assets	4,339	4,124
Other expenses	10,175	6,082
Total	**82,861**	**77,923**

12. ADMINISTRATIVE EXPENSES

An analysis of general and administrative expenses is presented in the table below:

	2022	2021
Consultancy fees	252,087	208,803
Salaries and related expenses **(Note 13)**	97,608	96,895
Supplies	76,479	78,087
Depreciation charge	74,990	77,874
Other expenses	51,179	41,289
Insurance and taxes	36,790	36,380
Amortization	20,565	24,386
Depreciation Right of Use Assets	18,436	19,270
Repairs and maintenance	12,303	15,888
Utilities	7,072	5,318
Travel – entertainment	4,414	1,388
Total	**651,923**	**605,578**

Other expenses include donations and other professional expenses.
Allocation of expenses between departments its done based on respective cost centers.

13. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses represent costs for salaries and wages incurred during the year.

	2022	2021
Gross salaries	301,672	297,548
Social security and health contributions	39,662	39,416
Other employee expenses	98,946	90,644
Total Employee Expenses	**440,280**	**427,608**
Allocated to:		
Cost of sales **(Note 8)**	287,483	274,846
Selling and marketing expenses **(Note 11)**	55,189	55,867
Administrative expenses **(Note 12)**	97,608	96,895

14. FINANCE COSTS

Finance income and costs is related to the profit and losses during the year from exchange rate differences (realized and unrealized), bank charges, commissions and fees, interest expenses and income and other financial costs related to the outstanding borrowings.

	2022	2021
Interest income	13	11
Foreign exchange gain	621,905	311,630
Finance Income	**621,918**	**311,641**
Interest expenses	(366,596)	(414,697)
Interest expenses – leases	(4,752)	(5,157)
Bank Charges	(13,339)	(13,798)
Foreign exchange losses	(357,989)	(193,957)
Finance cost	**(742,676)**	**(627,609)**
Total finance cost	**(120,758)**	**(315,968)**

15. INCOME TAX

The income tax expense comprises of the following:

	2022	2021
Current income tax	(341,748)	(241,775)
Deferred income tax	13,412	83,774
Income tax expense	**(328,336)**	**(158,001)**

A reconciliation of current income tax for the year ended 31 December 2022 and 31 December 2021 is provided as follows:

	2022	2021
Profit before tax	**1,818,269**	**1,237,790**
Tax Calculated at domestic rates applicable to profits	283,103	188,946
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempt from taxation	(1,072)	(1,872)
- Non-deductible expenses	44,838	23,378
- Effects of different tax rates in other countries	(2,278)	751
- Deferred tax	30,025	(47,295)
- Unrecognised other potential deferred tax assets	2,738	1,259
- Utilisation of previously unrecognised tax loss carry forwards	(29,018)	(7,166)
Income tax expense/(credit) for the year	**328,336**	**158,001**

15. INCOME TAX (CONTINUED)

Up to 31 December 2022 Cementi Antea SRL, a subsidiary of the Group located in Italy, has incurred taxable losses in the amount of ALL 226,120 thousand. During 2022 an amount of ALL 29,431 thousand was utilized against the profits for the year in Italy. Remaining un-utilized taxable losses are ALL 191,479 thousand.

Deferred taxes analysed by type of temporary difference

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

Deferred Income Taxes are calculated in full on temporary differences under the liability method using the principal tax rate that applies to the countries in which the companies of the Group operate.

On 31 December 2022 the Group has recognized deferred tax as follows:

	31 December 2020	Charged/ (credited) to profit of loss	**31 December 2021**	Charged/ (credited) to profit of loss	**31 December 2022**
Difference between tax and accounting value of PPE	(1,219,229)	37,054	(1,182,175)	46,392	(1,135,783)
Provisions for liabilities and charges	66,488	(1,572)	64,916	(3,127)	61,789
Right-of-use assets	1,251	996	2,247	(160)	2,087
Losses carried forward	-	47,295	47,295	(29,693)	17,602
Net deferred tax asset/(liability)	**(1,151,490)**	**83,773**	**(1,067,717)**	**13,412**	**(1,054,305)**

Deferred Income Tax Assets and Liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authorities.

	31 December 2022	**31 December 2021**
Analysis of Deferred Tax Liability before sett-off		
Difference between tax and accounting value of PPE	(1,135,783)	(1,182,175)
	(1,135,783)	**(1,182,175)**
Analysis of Deferred Tax Assets before sett-off		
Provisions for liabilities and charges	61,789	64,916
Right-of-use assets	2,087	2,247
Losses carried forward	17,602	47,295
	81,478	**114,458**
Net Deferred Tax Liability	**(1,054,305)**	**(1,067,717)**
Deferred Tax Assets (After Sett-off)	17,602	47,295
Deferred Tax Liabilities (After Sett-off)	(1,071,907)	(1,115,012)
Net Deferred Tax Liability	**(1,054,305)**	**(1,067,717)**

(Amounts in ALL thousand unless otherwise stated)

16. PROPERTY, PLANT AND EQUIPMENT

	Land and improvements	Buildings	Plant and machinery	Vehicles	Furniture and Fittings	Electronic Equipment	Assets under construction	Total
Cost								
At 1 January 2021	3,052,278	1,907,795	20,170,926	90,038	36,299	219,781	292,575	**25,769,692**
Additions	-	57	43,377	-	-	6,123	121,183	**170,740**
Disposals	-	-	-	(8,518)	-	(772)	(5,461)	**(14,751)**
Transfers	-	-	7,316	-	-	-	(7,316)	**-**
At 31 December 2021	**3,052,278**	**1,907,852**	**20,221,619**	**81,520**	**36,299**	**225,132**	**400,981**	**25,925,681**
Depreciation:								
At 1 January 2021	672,756	510,722	7,172,712	87,562	30,650	201,863	-	**8,676,265**
Depreciation charge for the year	69,655	55,463	753,312	1,858	1,348	8,859	-	**890,495**
Disposal	-	-	-	(8,517)	-	(772)	-	**(9,289)**
At 31 December 2021	**742,411**	**566,185**	**7,926,024**	**80,903**	**31,998**	**209,950**	**-**	**9,557,471**
Net book value at 1 January 2021	**2,379,522**	**1,397,073**	**12,998,214**	**2,476**	**5,649**	**17,918**	**292,575**	**17,093,427**
Net book value at 31 December 2021	**2,309,867**	**1,341,667**	**12,295,595**	**617**	**4,301**	**15,182**	**400,981**	**16,368,210**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and improvements	Buildings	Plant and machinery	Vehicles	Furniture and fittings	Electronic equipment	Assets under construction	Total
Cost								
At 1 January 2022	3,052,278	1,907,852	20,221,619	81,520	36,299	225,132	400,981	**25,925,682**
Additions	-	120	-	-	-	18,792	551,819	**570,731**
Disposals	-	-	-	-	-	(260)	(13,888)	**(14,148)**
Transfers	6,935	8,614	103,947	-	966	-	(131,493)	**(11,031)**
At 31 December 2022	**3,059,213**	**1,916,586**	**20,325,566**	**81,520**	**37,265**	**243,664**	**807,419**	**26,471,233**
Depreciation:								
At 1 January 2022	742,411	566,185	7,926,024	80,903	31,998	209,950	-	**9,557,471**
Depreciation charge for the year	70,333	55,997	756,409	100	1,270	7,087	-	**891,196**
Disposal	-	-	-	-	-	(260)	-	**(260)**
Transfers	-	-	-	-	-	-	-	**-**
At 31 December 2022	**812,744**	**622,182**	**8,682,433**	**81,003**	**33,268**	**216,777**	**-**	**10,448,407**
Net book value at 1 January 2022	**2,309,867**	**1,341,667**	**12,295,595**	**617**	**4,301**	**15,182**	**400,981**	**16,368,210**
Net book value at 31 December 2022	**2,246,469**	**1,294,404**	**11,643,133**	**517**	**3,997**	**26,887**	**807,419**	**16,022,826**

Included under assets under construction are strategic spare parts amounting to ALL 250,944 thousand (31 December 2021: ALL 260,297 thousand).

During the year, the Group has disposed assets with net book value of ALL 13,888 thousand (2021: ALL 5,461 thousand).

No property, plant and equipment have been pledged as a collateral as at 31 December 2022 (2021: Nil).

No finance costs qualified as borrowing costs to be capitalised as at 31 December 2022 (2021: Nil).

17. INTANGIBLE ASSETS

Group's movements in intangible assets are shown as follows:

	Computer software	Licences	Total
Cost:			
At 1 January 2021	**147,249**	**8,294**	**155,543**
Additions	-	-	-
Transfers	-	-	-
At 31 December 2021	**147,249**	**8,294**	**155,543**
Additions	-	-	-
Transfers	11,031	-	**11,031**
At 31 December 2022	**158,280**	**8,294**	**166,574**
Amortization:			
At 1 January 2021	**95,776**	**1,656**	**97,432**
Amortization charge for the year	23,603	783	**24,386**
Translation Reserve	-	-	-
At 31 December 2021	**119,379**	**2,439**	**121,818**
Amortization charge for the year	19,783	782	**20,565**
Translation Reserve	-	-	-
At 31 December 2022	**139,162**	**3,221**	**142,383**
Net book value:			
At 31 December 2021	**27,870**	**5,855**	**33,725**
At 31 December 2022	**19,118**	**5,073**	**24,191**

No intangible assets have been pledged as a collateral as at 31 December 2022 and 2021.

18. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The balance sheet shows the following amounts relating to leases:

Right of Use Assets	**Properties**	**Vehicles**	**Total**
Carrying amount at 1 January 2021	**257,996**	**38,345**	**296,341**
Additions	29,989	1,796	31,785
Disposals	(616)	-	(616)
Depreciation charge	(70,186)	(11,913)	(82,099)
Translation difference	(3,386)	-	(3,386)
Carrying amount at 31 December 2021	**213,797**	**28,228**	**242,025**

18. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Right of Use Assets	Properties	Vehicles	Total
Carrying amount at 1 January 2022	**213,797**	**28,228**	**242,025**
Additions	4,129	9,473	13,602
Disposals	-	(726)	(726)
Depreciation charge	(68,492)	(10,934)	(79,426)
Translation difference	(4,878)	-	(4,878)
Carrying amount at 31 December 2022	**144,556**	**26,041**	**170,597**

The Group recognised lease liabilities as follows:

Lease Liabilities	31 December 2022	31 December 2021
Current	58,268	63,554
Non-Current	111,603	182,819
Total	**169,871**	**246,373**

Interest expense included in finance costs of 2022 was ALL 4,752 thousand (2021: ALL 5,157 thousand).

Expenses relating to short-term leases and to leases of low-value assets that are not included in RoU:

	2022	2021
Expense relating to short-term leases	2,934	2,503
Expense relating to leases of low-value assets that are not shown above as short-term leases	275	308

Total cash outflow for leases in 2022 was ALL 79,661 thousand (2021: ALL 69,234 thousand).

19. OTHER NON-CURRENT ASSETS

	31 December 2022	31 December 2021
Other Non-current Assets	32,761	32,761
Provisions	(23,224)	(23,224)
Total	**9,537**	**9,537**

Movements in the provisions for other non-current assets are shown as follows:

	2022	2021
Balance at 1 January	23,224	23,224
Provision booked during the year	-	-
Balance as at 31 December	**23,224**	**23,224**

Other Non-Current Assets are assets, obtained by the group through the bailiff execution and enforcement procedure for non-performing customers which were part of these procedures.

The group expects to dispose/sell of the assets in the foreseeable future. These assets did not meet the criteria to be classified as assets held-for-sale (eg – can be sold within one year; readiness of a market, etc.). As at 31 December 2022 non-current assets recognized based on the bailiff enforcement procedure were ALL 32,761 thousand. In addition, the group has recognized a provision in the amount of ALL 23,224 thousand.

20. INVENTORIES

	31 December 2022	31 December 2021
Spare parts	916,341	809,781
Raw materials	1,295,978	950,578
Work in progress	108,876	118,357
Finished goods	244,507	107,115
Other materials	115,102	101,684
Packaging materials	135,880	118,082
Goods for resale	40,854	28,706
Goods in Transit	8,691	-
Provision for damaged goods	(49,218)	(49,218)
Balance as at 31 December	**2,817,011**	**2,185,085**

Movements in the provisions for inventory are shown as follows:

	2022	2021
Balance at 1 January	49,218	48,430
Provision booked during the year ***(Note 10)***	-	788
Balance as at 31 December	**49,218**	**49,218**

21. TRADE RECEIVABLES

As at 31 December 2021, trade receivables are composed of the following:

	31 December 2022	31 December 2021
Trade receivables	1,372,877	1,224,498
Less: Credit Loss Allowance	(686,328)	(682,644)
Trade Receivables, Net	**686,549**	**541,854**

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables provisioning matrix.

Movements in the allowance for doubtful receivables are illustrated below. The new model has not impacted the provision for impairment of the Group as the provisioning matrix was not substantially different:

	2022	2021
Balance at 1 January	**682,644**	**704,383**
Write Off	-	(27,413)
Impairment Charge	11,778	9,679
Translation difference	(5,308)	(4,005)
Forex Difference	(2,786)	-
Balance at 31 December	**686,328**	**682,644**

21. TRADE RECEIVABLES (CONTINUED)

The credit loss allowance for trade receivables as well as an aging of the trade receivables is determined according to provision matrix presented in the table below.

	31 December 2022			31 December 2021		
In % of gross value	**Loss rate**	**Gross carrying amount**	**Lifetime ECL**	**Loss rate**	**Gross carrying amount**	**Lifetime ECL**
- current	7.10%	394,012	(27,990)	6.80%	346,261	(23,555)
- less than 30 days overdue	3.09%	191,888	(5,932)	2.84%	119,252	(3,390)
- 31 to 60 days overdue	1.82%	35,229	(642)	1.93%	42,292	(814)
- 61 to 90 days overdue	2.86%	36,682	(1,050)	3.96%	3,128	(124)
- 91 to 180 days overdue	2.12%	41,512	(879)	4.82%	6,761	(326)
- 181 to 360 days overdue	68.94%	37,028	(25,527)	72.52%	19,963	(14,477)
- over 360 days overdue	98.08%	636,526	(624,308)	93.17%	686,841	(639,958)
Total trade receivables (gross carrying amount)		**1,372,877**			***1,224,498***	
Credit loss allowance		*(686,328)*			*(682,644)*	
Total trade receivables from customers (carrying amount)		***686,549***			***541,854***	

22. OTHER RECEIVABLES

Other receivables are composed of the following:

	31 December 2022	31 December 2021
VAT receivables	203,997	173,225
Deferred expenses	55,952	34,375
Sundry debtors	15,507	26,248
Prepayments for supplies	11,355	11,477
Other Tax Receivables	1,291	6,199
Total other receivables	**288,102**	**251,524**

- Deferred expenses represent consumables and/or prepaid expenses, which are deferred for a period and are expensed based on their respective consumption rates.
- Sundry debtors consist of other prepaid expenses.
- VAT receivables is increased because of increased inventories in the end of the year and is expected to be offset against VAT from sales in the next year.

23. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand in domestic currency	3	42
Cash on hand in foreign currency	271	200
Cash at bank in domestic currency	64,287	191,627
Cash at bank in foreign currency	505,951	879,081
Total cash and cash equivalents	**570,512**	**1,070,950**

Cash and cash equivalents consist of current accounts held with commercial banks and some of these banks are part of international banking groups. The others that are not part of international banking groups are local banks and are not rated by international credit rating agencies.

24. SHARE CAPITAL

	31 December 2022			31 December 2021		
Authorized, issued, and fully paid	***Number of shares***	***% Holding***	***Face Value in ALL' 000***	***Number of shares***	***% Holding***	***Face Value in ALL' 000***
ALVACIM ltd –ordinary shares of ALL 2,000 each	5,343,255	100%	10,686,510	5,343,255	100%	10,686,510
	5,343,255	**100%**	**10,686,510**	**5,343,255**	**100%**	**10,686,510**

25. LONG-TERM INCENTIVE PLAN

2020 Plan

On 13 May 2019, the Extraordinary General Meeting of Titan Cement International S.A. (TCI) approved a new long-term incentive plan. One year after, on 14 May 2020, the Annual General Meeting of TCI included it in the Remuneration Policy.

Participants of the plan are the executive members of the Board of Directors of TCI, the executives of TCI, as well as executives, in other companies of Titan Cement Group. The awards may also be granted selectively to a limited number of employees who stand out on a continuous basis for their outstanding performance and high potential for development.

Under the plan, participants are granted awards for nil consideration in the form of a conditional grant of TCI shadow shares in April (or later) of each year. The awards have no dividend or voting rights. The number of shadow shares granted to each participant is determined by the award amount and the value of the shadow share. The value of the shadow share is equal to the average TCI share closing price on Euronext Brussels during the last seven trading days of March of the grant year.

The vesting period of the awards is as follows:

- 50% at the completion of a three-year period, and
- 50% at the completion of a four-year period.

The awards vest at the designated dates, provided that the participants are still working in TCI or in any other employer company of the Group or are still serving as an executive Director in the Board of Directors of TCI.

Upon vesting, participants may select to receive their vested awards in TCI shares, or in contributions to a fund, or in cash. The parent of the Group (Titan Cement International S.A.) has the obligation to settle the awards. Thus, Antea Cement accounts for the plan as an equity-settled transaction by recognizing in equity the fair value of the services it receives from the participants.

On 31 December 2020, the number of the awards granted to the employees of Antea Cement was 6,370.

The fair value of the award was calculated based on the closing price of the TCI share on 14.5.2020, €10.82 in Euronext Brussels. The calculation of the un-forfeited awards resulted in the recognition of an expense of ALL 1,826 thousand with a corresponding increase in equity.

2021 Plan

On 14 May 2021, the Annual General Meeting of TCI, approved the following plan.

On 31 December 2021, the number of the awards granted to the employees of Antea Cement was 4,410. The fair value of the award was calculated based on the closing price of the TCI share on 13.5.2021, €17.14 in Euronext Brussels. The calculation of the un-forfeited awards resulted in the recognition of an expense of ALL 4,389 thousand with a corresponding increase in equity.

2022 Plan

On 12 May 2022, the Annual General Meeting of TCI, approved the following plan.

On 31 December 2022, the number of the awards granted to the employees of Antea Cement was 5,431. The fair value of the award was calculated based on the closing price of the TCI share on 13.5.2022, €11.90 in Euronext Brussels. The calculation of the un-forfeited awards resulted in the recognition of an expense of ALL 5,156 thousand with a corresponding increase in equity.

25. LONG-TERM INCENTIVE PLAN (CONTINUED)

Movements in the number of awards are as follows:

	2022 Plan	2021 Plan	2020 Plan
Balance on 31 December 2019	-	-	-
Granted	-	-	6,370
Balance on 31 December 2020	-	-	**6,370**
Granted	-	4,410	-
Balance on 31 December 2021	-	**4,410**	**6,370**
Granted	5,431	-	-
Cancelled	-	(460)	(680)
Balance on 31 December 2022	**5,431**	**3,950**	**5,690**

Awards outstanding at the end of the year have the following terms:

Exercise price nil	2022 LTIP	2021 LTIP	2020 LTIP
Expiration Date			
2023	-	-	2,845
2024	-	1,975	2,845
2025	2,715	1,975	-
2026	2,716	-	-
Total	**5,431**	**3,950**	**5,690**

26. BORROWINGS

The Group has received long-term loans from its shareholders and financing institutions as follows:

	31 December 2022	31 December 2021
Borrowings from related parties:		
Term Loans	5,350,817	6,133,651
Borrowings from Financial Institutions		
Term loans	1,559,331	2,436,926
Revolving	700,823	477,564
	2,260,154	**2,914,490**
Total non-current borrowings	**7,610,971**	**9,048,141**

The carrying amounts of borrowings approximate their fair values since all borrowings are priced at market rates. Further information on the borrowings from related parties / shareholders are disclosed in **note 32 (e).**

Borrowings from financial institutions are all term facilities ranging from are as follows:

	31 December 2022	31 December 2021
Raiffeisen Bank		
Term loan	1,052,867	1,523,425
Revolving credit	158,058	276,000
	1,210,925	**1,799,425**
Alpha Bank		
Term loan	535,000	957,569
Revolving credit	542,765	225,008
	1,077,765	**1,182,577**
Borrowings from banks	**2,288,690**	**2,982,002**

26. BORROWINGS (CONTINUED)

RAIFFEISEN BANK ALBANIA

1. On 11 February 2020 the Group agreed a new **Term Loan facility with Raiffeisen Bank Albania** (RBAL) amounting to the ALL equivalent of 17 million Euro, with maturity up to 2024. As of 31 December 2022, outstanding principal amounts to ALL 1,052,867 thousand of which ALL 676,809 thousand Long Term and ALL 376,058 thousand short term. (31 December 2021: ALL 1,523,425 thousand of which ALL 1,052,867 thousand Long Term and ALL 470,558 thousand Short Term)

2. On 25 May 2021 the Group extended the maturity of the existing **Revolving Credit Facility with Raiffeisen Bank** until February 2023. As of 31 December 2022, the Revolving line with Raiffeisen Bank in the amount of ALL 276,000 thousand is utilized for ALL 158,058 thousand and the remaining amount of ALL 117,942 thousand remains un-utilized and available to the company. (31 December 2021, the Revolving line with Raiffeisen Bank in the amount of ALL 276,000 thousand is utilized for the amount of ALL 252,556 thousand and the remaining amount of ALL 23,444 thousand remains un-utilized and available to the company).

ALPHA BANK ALBANIA

1. On 3 June 2021 the Group agreed a new Term Loan facility with Alpha Bank Albania amounting to the ALL 620 million, with maturity up to 2025. As of 31 December 2022, outstanding principal from term loans with the bank amounts to ALL 535,000 thousand, of which ALL 310,000 thousand Long Term and ALL 225,000 thousand short term. (31 December 2021: ALL 957,569 thousand of which ALL 535,000 thousand Long Term and ALL 422,569 thousand Short Term).

On 21 June 2022 the Group agreed with Alpha Bank to extend the maturity of the existing revolving loan facility until May 2024. As of 31 December 2022, the Revolving line with Alpha Bank is utilized for the amount of ALL 542,765 thousand and the remaining amount of ALL 15,915 thousand remains un-utilized and available to the company (31 December 2021 the limit is utilized for the amount of ALL 225,008 thousand and the remaining amount of ALL 231,923 thousand remains un-utilized and available to the company).

The maturities of term loans are as follows:

	31 December 2022	31 December 2021
Within one year	**1,829,295**	**1,918,497**
After one year but not more than two years	1,133,856	1,030,901
After two years but not more than five years	4,647,820	6,098,743
	5,781,676	**7,129,644**
Total	**7,610,971**	**9,048,141**

Further information on the borrowings from related parties / shareholders are disclosed in **note 32(e)**.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below sets out an analysis of liabilities from financing activities and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

	Year ended 31 December 2022			Year ended 31 December 2021		
	Borrowings	Lease Liabilities	Total	Borrowings	Lease Liabilities	Total
Liabilities from financing activities at 1 January	**9,048,141**	**246,373**	**9,294,514**	**10,763,819**	**301,135**	**11,064,954**
Cash Flows:						
Loan drawdowns	317,756	-	317,756	1,097,564	-	1,097,564
Principal repayments	(1,460,110)	-	(1,460,110)	(2,602,844)	-	(2,602,844)
Interest payments	(323,922)	-	(323,922)	(382,129)	-	(382,129)
Loan fees paid	-	-	-	(59,024)	-	(59,024)
Lease payments	-	(78,999)	(78,999)	-	(79,661)	(79,661)
Non-cash changes						
Interest accrual	366,596	-	366,596	414,697	-	414,697
New leases	-	13,602	13,602	-	31,785	31,785
Foreign exchange gains	(326,903)	(10,379)	(337,282)	(164,426)	(6,270)	(170,696)
Other	(10,587)	(726)	(11,313)	(19,516)	(616)	(20,132)
Liabilities from financing activities at 31 December	**7,610,971**	**169,871**	**7,780,842**	**9,048,141**	**246,373**	**9,294,514**

28. 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 2022	31 December 2021
Trade creditors third parties	1,233,826	1,594,976
Accruals for supplies	20,441	13,095
Total	**1,254,267**	**1,608,071**

29. DERIVATIVE FINANCIAL INSTRUMENTS

The balance of ALL 17,447 thousand as at 31 December 2022 (2021: nil). Represents the fair value of the derivative financial instrument (electricity swap agreement). This derivative is classified as trading derivative for accounting purposes and is accounted for a fair value through profit or loss.

30. OTHER CURRENT PAYABLES

Other payables are composed of the following balances.

	31 December 2022	31 December 2021
Contract liabilities - Customer advance payments	23,556	47,273
Provisions	27,195	25,431
Other taxes	72,192	63,962
Other payables	22,651	15,501
Social security	5,265	4,978
Payroll taxes	2,507	2,497
Due to employees	7	182
Total	**153,373**	**159,824**

30. OTHER CURRENT PAYABLES (CONTINUED)

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

	Staff Retention Plan	Annual Leaves	Total
Balance at 1 January 2021	**8,665**	**12,760**	**21,425**
Additions	2,269	1,737	4,006
Balance at 31 December 2021	**10,934**	**14,497**	**25,431**
Additions	2,267	2,231	4,498
Utilization	(932)	-	(932)
Reversal	(1,802)	-	(1,802)
Balance at 31 December 2022	**10,467**	**16,728**	**27,195**

31. TRANSLATION OF FOREIGN OPERATIONS

During 2010, the Group established a fully owned subsidiary Cementi Antea Srl, which is operating in Italy. Cementi Antea Srl has EURO as its functional currency. To be consolidated with Antea Group, the subsidiary's financial statements line items are translated into these consolidated financial statements presentation currency which is Albanian Lek. An amount of **ALL 28,720 thousand** loss (31 December 2021: **ALL 14,127 thousand** loss) has resulted from the translation and the difference between opening balance rates as well as profit or loss rates which is recognized as translation unrealised gains in other comprehensive income.

32. RELATED PARTY TRANSACTIONS

The Group is controlled by ALVACIM Ltd which is in turn a fully owned subsidiary of **Titan Group**. The Group considers as related parties all the **TITAN Group** companies that are controlled by **Titan Cement International S.A.**

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

a) Sales of goods

	2022	2021
TCK MONTENEGRO (Sales of Cement)	786,318	652,910
SHARRCEM (Sales of Clinker)	449,118	22,901
CEMENTARA KOSJERIC (Sales of Clinker)	41,189	12,302
CEMENT PLUS (Sales of Cement)	3,629	37,583
SHARRCEM (Other Sales)	2,042	8,132
TITAN CEMENT COMPANY SA (Other Sales)	3,202	2,193
CEMENTARICA USJE (Sales of Clinker)	-	-
Total	**1,285,498**	**736,021**

The major transactions during the year are related with TCK Montenegro for sales of cement. Outstanding balances arising from the transactions mentioned above are presented below:

b) Receivables from related parties

	31 December 2022	31 December 2021
TCK MONTENEGRO	11,304	3,898
SHARRCEM	26,135	6,833
TITAN CEMENT COMPANY SA	448	416
CEMENT PLUS	10	10
TITAN CEMENTARA KOSJERIC	9,576	907
Total	**47,473**	**12,064**

32. RELATED PARTY TRANSACTIONS (CONTINUED)

c) Purchases of goods and services.

	2022	2021
TITAN CEMENT COMPANY SA - SERVICES	460,856	547,061
TITAN CEMENT COMPANY SA - GOODS	5,414	16,786
CEMENTARNICA USJE AD	7,327	8,368
ADOCIM	109,338	-
FINTITAN	1,394	1,208
CEMENTARNICA USJE AD - CLINKER	67,904	-
ZLATNA PANEGA CEMENT	27	166
OPALIT	543	-
SHARRCEM	22,082	-
Total	**674,885**	**573,589**

d) Payables to related parties

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

	31 December 2022	31 December 2021
TITAN CEMENT COMPANY SA	447,977	279,787
CEMENTARNICA USJE AD	72,910	6,500
ZLATNA PANEGA CEMENT	26	-
FINTITAN SRL	1,394	1,449
SHARRCEM	21,585	-
Total	**543,892**	**287,736**

e) Loans from related parties/shareholders

Long-Term Borrowings

	31 December 2022	31 December 2021
Titan Global Finance plc	4,835,510	5,594,974
Total	**4,835,510**	**5,594,974**

During 2008, the Company entered into several loan agreements with its shareholders to finance the construction of a green field cement factory in Boka Kuqe Borizane.

Following the acquisition of the EBRD's share in the company from Alvacim ltd, effective on 20th of January 2015, Alvacim

During 2022 the company has repaid TGF loan principal in the amount of Euro 4,000 thousand or the equivalent of ALL 472,490 thousand (2021: loan principal in the amount of Euro 15,500 thousand or the equivalent of ALL 1,902,026 thousand) and the respective interests and related fees in the amount of Euro 1,904 thousand or the equivalent of ALL 227,186 thousand (2021: respective interests and related fees in the amount of Euro 2,303 thousand or the equivalent of ALL 282,609 thousand).

32. RELATED PARTY TRANSACTIONS (CONTINUED)

e) Loans from related parties/shareholders (continued)

Short Term portion of Borrowings

	31 December 2022	31 December 2021
Titan Global Finance plc Principal **(note 26/b)**	456,920	483,040
Titan Global Finance plc Accrued interest **(note 26/b)**	58,387	55,637
Total	**515,307**	**538,677**

Interest Expense

	2022	2021
Titan Global Finance plc	273,961	315,448
	273,961	**315,448**

Except for short-term employee benefits to key management personnel amounting to ALL 52,694 thousand (2021: ALL 49,156 thousand), no other compensations to key management were given by the Group.

Nature of relationship with related parties

The Group has entered these transactions with the above related parties at mutually agreed terms and exclusively for business reasons.

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 2022, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties (31 December 2021: 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.

33. FINANCIAL RISK MANAGEMENT

Policies and objectives

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies, and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements and in **note 31**.

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group consist of cash on hand and at banks, trade accounts receivable and payable, other receivables and liabilities.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and market risk which consists of foreign currency risk and interest rate risk as well as other price risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

a) Interest risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate. At 31 December 2022 no interest rate swaps were agreed, which makes 100% of the Group's borrowings to be at a variable rate of interest.

	31 December 2022	31 December 2021
Fixed rate instruments		
Financial assets	-	-
Financial Liabilities	-	-
Variable rate instruments	7,780,842	9,294,514
Financial assets		
Financial Liabilities	**7,780,842**	**9,294,514**

Cash flow sensitivity analysis for variable rate instruments

The effect that a change in interest rates on the Group's long-term debt might have on the Group's results is shown as follows:

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in interest rates applied at the end of the reporting period, with all other variables held constant:

	31 December 2022		31 December 2021	
In ALL'000	**Increase/ Decrease in Basis/Point**	**Effect on Profit Before Tax**	**Increase/ Decrease in Basis/Point**	**Effect on Profit Before Tax**
EURO	20	9,671	20	11,190
ALL	100	9,462	100	15,347
EURO	(20)	(9,671)	(20)	(11,190)
ALL	(100)	(9,462)	(100)	(15,347)

b) Foreign currency risk

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

	31 December 2022			
	Lekë	**USD**	**Euro**	**Total (Lekë)**
Financial assets				
Cash and cash equivalents	64,290	671	505,551	570,512
Trade and other receivables	285,437	-	736,687	1,022,124
Total financial assets	**349,727**	**671**	**1,242,238**	**1,592,636**
Financial liabilities				
Trade and other payables	(1,514,900)	(4,765)	(524,809)	(2,044,474)
Borrowings	(2,260,153)	-	(5,350,817)	(7,610,970)
Financial leases	-	-	(169,871)	(169,871)
Total financial liabilities	**(3,775,053)**	**(4,765)**	**(6,045,497)**	**(9,825,315)**
Net position	**(3,425,326)**	**(4,094)**	**(4,803,259)**	**(8,232,679)**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2021			
	Lekë	USD	Euro	Total (Lekë)
Financial assets				
Cash and cash equivalents	191,669	216,909	662,372	1,070,950
Trade and other receivables	234,187	-	571,255	805,442
Total financial assets	**425,856**	**216,909**	**1,233,627**	**1,876,392**
Financial liabilities				
Trade and other payables	(1,546,353)	(4,765)	(530,503)	(2,081,621)
Borrowings	(2,914,490)	-	(6,133,651)	(9,048,141)
Financial leases	-	-	(246,373)	(246,373)
Total financial liabilities	**(4,460,843)**	**(4,765)**	**(6,910,527)**	**(11,376,135)**
Net position	**(4,034,987)**	**212,144**	**(5,676,900)**	**(9,499,743)**

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following significant exchange rates applied during the year:

ALL	Reporting date spot rate		Average rate	
	2022	2021	2022	2021
EUR/ALL	118.97	122.52	114.23	120.76
USD/ALL	113.14	103.54	107.05	106.54

The Group's main exposure is toward Euro. A change of +/- 5% in depreciation of Euro towards ALL at the reporting date would have increased/(decreased) net equity and net profit by ALL 240,163 thousand (2021: ALL 283,845 thousand for the Group).

c) Other price risk
The Group has limited exposure to equity price risk. Transactions in equity products are monitored and authorised by the Titan Group's treasury.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the Finance function of the Group. Management monitors monthly rolling forecasts of the Group's cash flows. Prudent liquidity risk management implies maintaining enough cash and availability of funds through an adequate amount of committed credit facilities. The Group seeks to maintain a stable funding base primarily consisting of borrowings, trade and other payables.

The table below shows liabilities at 31 December 2022 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees.

Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount is based on discounted cash flows.

Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Year ended 31 December 2022 (in 000 ALL)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Long-term borrowings	-	-	-	6,074,100	-	**6,074,100**
Short-term borrowings	-	887,476	1,120,752	-	-	**2,008,228**
Trade and other payables and leases etc	-	1,490,247	592,114	67,792	43,811	**2,193,964**

Year ended 31 December 2021 (in 000 ALL)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Long-term borrowings	-	-	-	7,701,925	-	**7,701,925**
Short-term borrowings	-	419,088	1,743,268	-	-	**2,162,356**
Trade and other payables and leases etc	-	1,795,256	341,425	143,601	39,218	**2,319,500**

Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to sales of products so that they are made to customers with an appropriate credit history. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review. In addition, to reduce this risk the Group has required as collateral: bank guaranties and deposits.

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

	31 December 2022	31 December 2021
Trade and other receivables (refer to **notes 21,22**)	974,651	793,378
Cash and cash equivalents (refer to **note 23**)	570,512	1,070,950
	1,545,163	**1,864,328**

34. 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 Group's financial instruments that are carried in the consolidated financial statements.

in ALL'000	**Carrying amount**		**Fair Value**	
Financial assets	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Cash and banks	570,512	1,070,950	570,512	1,070,950
Trade receivables	686,549	541,854	686,549	541,854
Related parties	47,473	12,064	47,473	12,064
Other receivables	288,102	251,524	288,102	251,524
Total	**1,592,636**	**1,876,392**	**1,592,636**	**1,876,392**

in ALL'000	**Carrying amount**		**Fair Value**	
Financial Liabilities	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Trade accounts payable	1,254,267	1,608,071	1,254,267	1,608,071
Payables to related parties	543,892	287,736	543,892	287,736
Bank loan/short-term loans	1,829,295	1,918,497	1,829,295	1,918,497
Lease Liability	169,871	246,373	169,871	246,373
Other payables	170,820	159,824	170,820	159,824
Income tax payable	72,560	17,496	72,560	17,496
Long-term debts	5,781,676	7,129,644	5,781,676	7,129,644
Total	**9,822,381**	**11,367,641**	**9,822,381**	**11,367,641**

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 largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Group 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 2022, the carrying amounts of such receivables / borrowings, net of allowances, are not materially different from their calculated fair values.

Fair Value Hierarchy

As the fair value of the group financial assets and liabilities approximates it's carrying value and no valuation techniques are applied in order to determine the fair value of Group's financial instruments.

35. CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base 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. The Group is not subject to externally imposed capital requirements.

The Group's principal financial instruments comprise bank loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group 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.

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

The Group manages its capital structure and adjusts it, considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following shareholders' approval. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021. The Group monitors its economic performance using earnings before interest, tax, depreciation, and amortization (EBITDA) for the year to be calculated as follows:

	31 December 2022	31 December 2021
Operating profit	1,939,027	1,553,758
Depreciation and amortization	991,187	996,980
EBITDA	**2,930,214**	**2,550,738**

Below table presents a reconciliation of Depreciation and amortization expense:

	31 December 2022	31 December 2021
Depreciation charges **(note 8)**	816,206	812,621
Depreciation charges **(note 12)**	20,565	24,386
Depreciation of right of use assets **(note 8)**	56,651	58,705
Depreciation of right of use assets **(note 11)**	4,339	4,124
Depreciation of right of use assets **(note 12)**	74,990	77,874
Amortization **(note 12)**	18,436	19,270
Depreciation and amortization	**991,187**	**946,980**

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

36. COMMITMENTS AND CONTINGENCIES

A. Taxation

The Group'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.

B. Litigation

The Group is involved in different litigation cases in the course of its business activities. On 31 December 2022, the Group was involved in litigation proceedings as a defendant with a third-party raising claim in relation to the costs of an entry road utilized by the Group, constructed in 2010. The case was filed 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 Group amounted to ALL 68,000 thousand. The Group appealed the decision in front of the Tirana Appeal Court which during 2017 dismissed the Judgement of the Kruja District Court and ruled for a new trial in the Kruja District Court. Against this judgement the Group filed an appeal to Supreme Court. Based on its own estimates and both external legal advice, management is of the opinion that no material losses will be incurred in respect of this claim and accordingly no provision has been booked in these Consolidated Financial statements.

37. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The Group has participation in the following subsidiaries, which are fully consolidated in these consolidated financial statements. The Group has no participation in associates and join-venture.

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Subsidiaries:				
Alba Cemento SH.P.K.	Cement Handling Terminal	100%	100%	Albania
Cementi Antea SRL	Cement Handling Terminal	100%	100%	Italy

38. EVENTS AFTER THE REPORTING PERIOD

There are no other events after the reporting date that would require adjustments or additional disclosure in these consolidated financial statements.