

ANNUAL SUSTAINABILITY REPORT

2018



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About the report

In 2018, TITAN Group launched a robust approach of re-structuring the entire range of Key Performance Indicators, in the areas of: Environmental Performance, Social Performance, and Value Creation. These KPIs cover the disclosures for adherence of the Group with the UNGC Ten Principles, and the established standards of reporting according to TITAN's Sectoral commitments (WBCSD/CSI). The KPIs are the recommended disclosures for the review on performance for Sustainability, also on BU level. TITAN have published the Group Integrated Annual Report 2018 with including the KPIs in the form of an "Index System", and implementing the above in principle and in practice.

The opportunity to align was also grasped by Cementarnica USJE in the publication of the Sustainability Report of 2018:

By introducing the Index System for KPIs at the local level within this year's Report, USJE actively implements TITAN Group reporting standards in line with a sector-based approach to the Cement Sustainability Initiative (CSI), which also complies with specific indicators within the framework of UN Global Compact Sustainable Development Goals. This step is important in the direction of strengthening our reporting principles and standards, providing consistent time history of 3 years for the Environmental and Social Performance, and making best of Group standards for the disclosures on BU level.

2018 Performance highlights

In 2018, we made further progress toward our key priorities of balancing profitability and growth, building operational excellence and nurturing the long-term sustainability of our business. Continuous improvement remains a key driver for everyone at TITAN, with a number of ongoing initiatives at both Group and local level.

This Report presents information on our 2018 financial and non-financial performance and our enduring commitment towards sustainability.

To this end, we are committed to supporting the 2030 Agenda for Sustainable Development¹, engaging in global and local partnerships towards the achievement of the Sustainable Development Goals (SDGs).

TURNOVER

€ 4,269 mil MKD

EBITDA

1,288 mil MKD

NET PROFIT AFTER TAX

€ 1,048 mil MKD

TOTAL ASSETS

4,773 mil MKD

CAPITAL EXPENDITURE

277 mil MKD

EMPLOYEES (on 31.12.2018)

258

On environment direct

51 mil MKD

1) The 2030 Agenda for Sustainable Development was launched by a UN Summit in New York on 25-27 September 2015 and is aimed at ending poverty in all its forms. The UN 2030 Agenda envisages "a world of universal respect for human rights and human dignity, the rule of law, justice, equality and non-discrimination". With these countries commit to mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind.

Message from the CED



Dear stakeholders,

Our company has been successfully operating for over six decades and remains a stable business entity, trusted partner and contributor to the national economy and community. This was confirmed during 2018, another year of stable performance both financially and with regard to environmental and societal aspects, in which we stayed true to our commitment to create value for all stakeholders.

In 2018 the company's turnover increased by 1% compared to 2017 to 4,269 mil MKD. We achieved slight increase in sales volumes of cement and aggregates and continued our efforts to strengthen the level of services and provide convenience to our customers in order to meet their needs and remain their preferred supplier of high-quality products. We continued to invest in our operations with capital expenditures increase of 20 mil MKD compared to 2017, totalling 277 mil MKD.

Environment protection and undertaking initiatives that improve our performance in minimizing the impact of our operations to the environment remained an important goal throughout 2018. In this regard, by introducing and implementing state-of-the-art technologies available in our industry we continued our activities in decreasing emissions, increasing energy efficiency and preserving natural resources, thus contributing to reduction of global warming. As part of these efforts, we started using alternative fuels as replacement for fossil fuels, with up to 15% replacement rate. This is an important step in the right direction in the process of combating climate change as one of the greatest global challenges of our time.

Our people remain our biggest asset and investments in their knowledge and skills, as well as health and safety were also among our highest priorities in 2018. We implemented numerous activities in furthering their professional development, attracting and developing talents and maintaining a safe working environment. The efforts in the area of professional development and health and safety are extended to our suppliers and subcontractors through various trainings and application of policies and tools for near miss reporting and hazard identification.

Cementarnica USJE has been working relentlessly to build and maintain its position of a socially responsible company by engaging with the local community. In 2018 we continued implementing initiatives for fostering employability of young people and our cooperation with local schools and universities in realization of various activities in the area of quality education and environment protection. We hosted many stakeholders at our premises, provided internships and worked with environmental NGOs, while our employees were part of community actions for planting trees, waste cleaning and use of alternative means of transportation.

Our commitment to doing business in a financially, socially and environmentally responsible way is reflected in our ongoing participation in the UN Global Compact and the endorsement of its principles. In 2018 we demonstrated progress across all major areas of sustainability: economic, environmental and social, and also aligned our sustainability targets for 2030 with UN's 2030 Agenda for Sustainable Development and the defined Sustainability Development Goals.

USJE remains focused on identifying ways to face the challenges of the economy and the society we work in, adapting to changes without compromising our values in this process and ensuring that all decisions and actions comply to our commitment for achieving sustainable future.

Boris Hrisafov
Chief Executive Director



Strategic overview

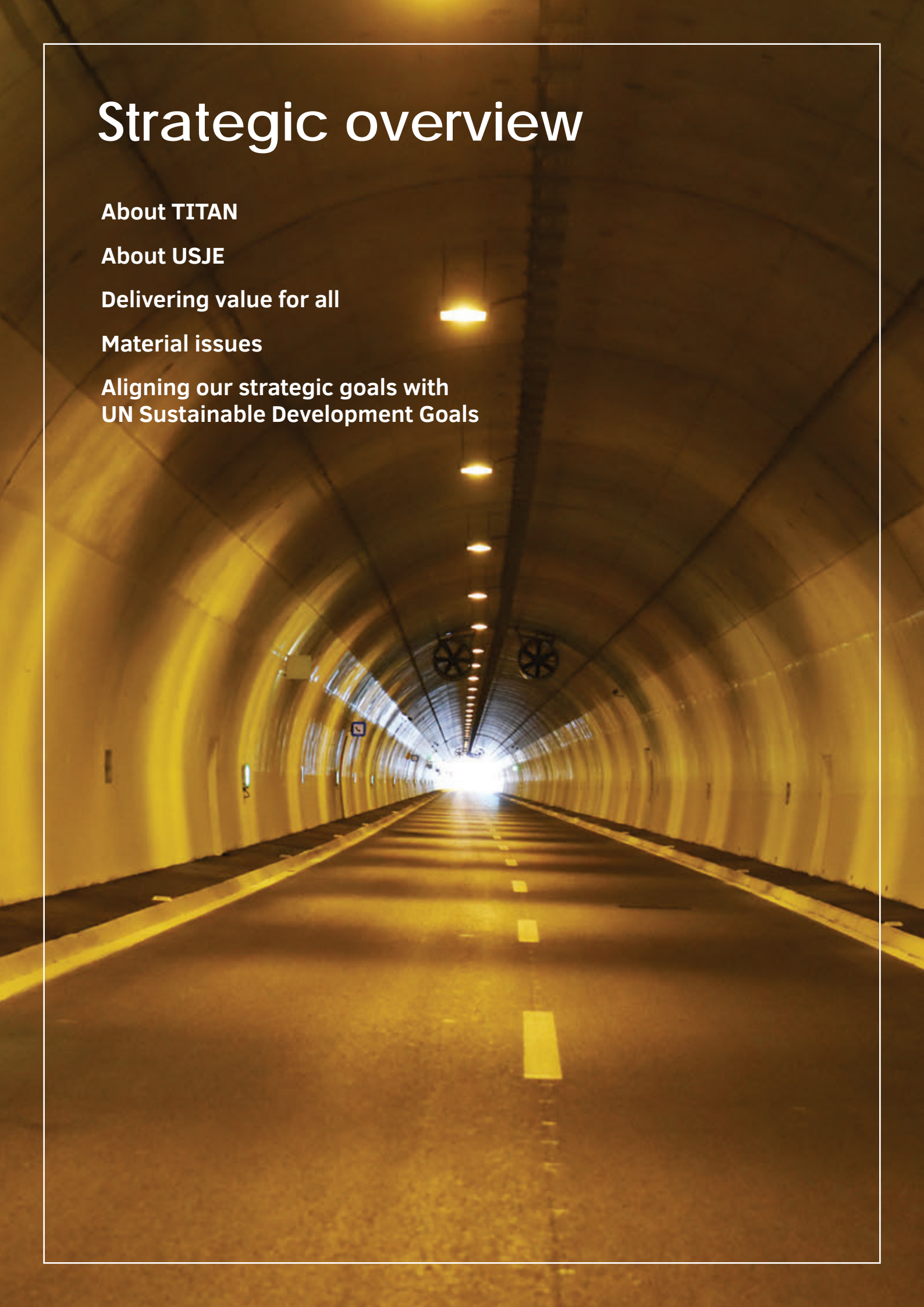
About TITAN

About USJE

Delivering value for all

Material issues

**Aligning our strategic goals with
UN Sustainable Development Goals**



About TITAN Group

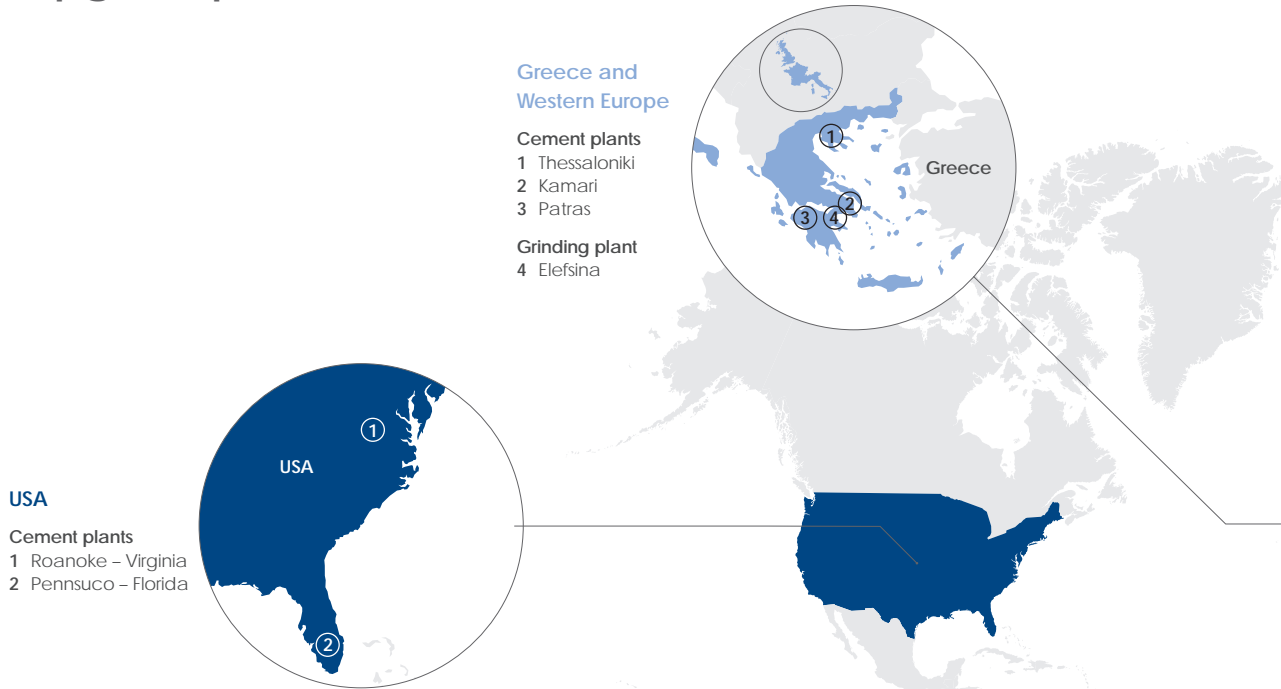
Founded in 1902, TITAN Group has expanded beyond its Greek roots to become an international, vertically integrated building materials company that is committed to serving society's most fundamental needs, while contributing to sustainable growth with responsibility and integrity. TITAN Group provides the materials to build the structures and physical infrastructures which, in turn, provide shelter, enable commerce and foster connectivity. The business activities are carried out by

both fully owned companies and joint ventures with well-established partners; they cover the production, transportation and distribution of cement, concrete, aggregates, fly ash, mortars and other building materials. Our success depends on employing the best available techniques, our systematic research and constantly updated know-how. Above all, TITAN Group relies on our highly skilled and experienced people who live the values of the Group.

TITAN's four-pronged Strategy

Geographical Diversification	Continuous Competitiveness Improvement	Vertical Integration	Focus on Human Capital and CSR
<p>We extend our business through acquisition and greenfield development into attractive new markets, to build production scale and spread the risk of overreliance on too few markets.</p>	<p>We implement new efficiencies throughout our business to reduce costs and compete more effectively.</p>	<p>We extend our business into other product areas in the cement value chain, gaining greater control over our markets and accessing new profit opportunities.</p>	<p>We develop and continuously improve our good relationships with all internal and external stakeholders for mutual respect and understanding.</p>

TITAN Group global presence



USA	
2 Cement plants	8 Quarries
78 Ready-mix plants	14 Distribution terminals
10 Concrete block plants	6 Fly ash processing plants
Principal products/activities	
Turnover	
<p>€860m 58%*</p>	
EBITDA	
<p>€178m 68%</p>	
Assets	
<p>€1,055m 37%</p>	

Greece and Western Europe	
3 Cement plants	26 Quarries
27 Ready-mix plants	8 Distribution terminals
1 Grinding plant	1 Dry mortar plant
Principal products/activities	
Turnover	
<p>€237m 16%</p>	
EBITDA	
<p>€11m 4%</p>	
Assets	
<p>€564m 20%</p>	



Principal products/activities key:

Cement
 Ready-mix concrete
 Aggregates
 Dry mortars
 Building blocks
 Fly ash
 Waste management and alternative fuels

Number of operational units as calculated for non-financial performance reporting purposes at Group level.

*All percentages indicate the percentage of the Group total.



Southeastern Europe

Cement plants

- 1 Kosjeric – Serbia
- 2 Zlatna – Bulgaria
- 3 Sharr – Kosovo
- 4 Usje – North Macedonia
- 5 Antea – Albania



Eastern Mediterranean

Cement plant

- 1 Tokat

Grinding plants

- 2 Marmara
- 3 Antalya*

*Part of TITAN Group until the end of September 2018



Eastern Mediterranean

Cement plants

- 1 Alexandria
- 2 Beni Suef

Southeastern Europe	Eastern Mediterranean	Brazil (Joint venture)**
<p>5 Cement plants</p> <p>20 Quarries</p> <p>6 Ready-mix plants</p> <p>1 Distribution terminal</p> <p>1 Processed engineered fuel plant</p> <p>Principal products/activities</p>	<p>3 Cement plants</p> <p>16 Quarries</p> <p>7 Ready-mix plants</p> <p>1 Distribution terminal</p> <p>2 Processed engineered fuel plants</p> <p>2 Grinding plants</p> <p>Principal products/activities</p>	<p>1 Cement plant</p> <p>3 Quarries</p> <p>5 Ready-mix plants</p> <p>10 Distribution terminals</p> <p>1 Grinding plant</p> <p>Principal products/activities</p>
<p>Turnover</p> <p>€239m 16%</p>	<p>Turnover</p> <p>€154m 10%</p>	
<p>EBITDA</p> <p>€60m 23%</p>	<p>EBITDA</p> <p>€11m 5%</p>	
<p>Assets</p> <p>€493m 17%</p>	<p>Assets</p> <p>€651m 23%</p>	

**The joint venture in Brazil is incorporated in the financial statements using the equity method of consolidation.

About USJE

Cementarnica USJE AD Skopje was founded in 1955 near the Usje village in the southeast part of the city of Skopje. In 1998, USJE was acquired by the TITAN Group by which the company gained opportunities for technological know-how, financial, human and other resources. The company employs an average of 264 direct employees

and 219 indirect employees. USJE operates 3 quarries, the marl quarry Usje, the limestone quarry Govrlevo and a sand quarry. In addition to the cement production, USJE operates a Ready Mix plant producing different types of concrete.

Our values

Our values are at the core of who we are: they guide our strategy and provide the foundation for all our operations. They have given our people a strong bond and supported the growth that has sustained us, stemming directly from the principles, beliefs and vision of our founders.

Our governing objective

We aim to grow as a multiregional, vertically integrated cement producer, combining an entrepreneurial spirit and operational excellence with respect for people, society and the environment.

Integrity

- Ethical business practices
- Transparency
- Open communication



Value to customers

- Anticipation of customer needs
- Innovative solutions
- High quality of products and services



Continuous improvement

- Learning organization
- Willingness to change
- Rise to challenges



Know-how

- Enhancement of knowledge base
- Proficiency in every function
- Excellence in core competencies



Delivering results

- Shareholder value
- Clear objectives
- High standards



Corporate social responsibility

- Safety first
- Sustainable development
- Stakeholder engagement



Our products

Types of cement we produce in USJE:

CEM I 52,5N

(introduced in December 2018 as a substitute of CEM I 42,5R)

CEM II/A-V 42,5R

CEM II/A-L 42,5R

CEM II/A-L 42,5N

CEM II/B-M (V-L) 42,5N

USJEMAL

CEMENT

Cement is a binding substance and the main component in ready-mix concrete. It is made by grinding clinker, gypsum and other cementitious materials to a fine powder.



READY-MIX CONCRETE

Ready-mix concrete is made from cement, aggregates and water to produce a durable product that can be set in a variety of formats. It is typically mixed at the production plants to specification and then transported to construction sites.

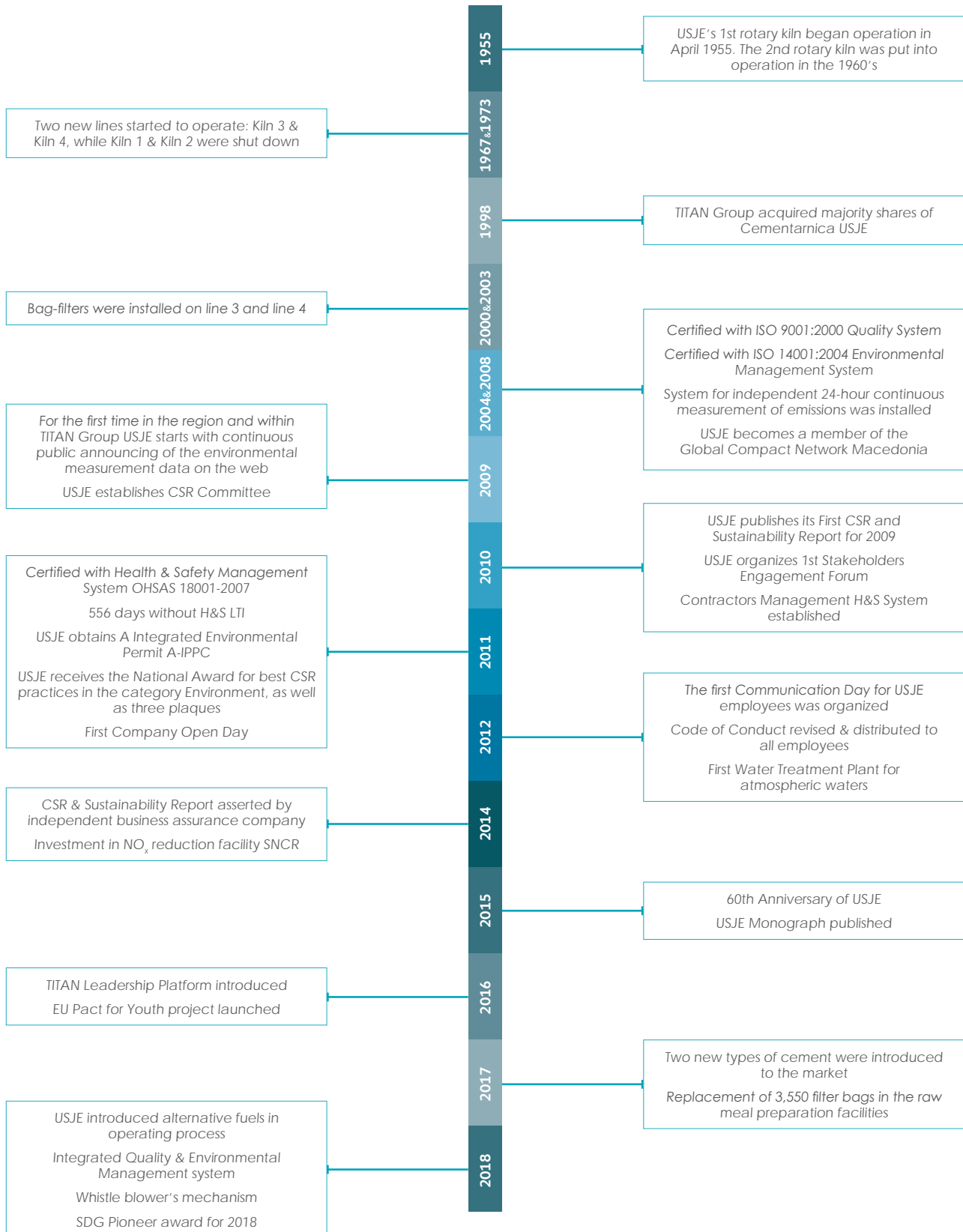


AGGREGATES

Aggregates are coarse materials such as sand, gravel, crushed stone and recycled concrete used in construction. They are the most mined materials in the world and are used as a raw material in cement and as a strengthening agent, for example, in asphalt and concrete. They can also be used in foundations for roads and railways.



USJE milestones



Delivering value for all

We believe that company sustainability cannot be accomplished without paying attention to social and environmental engagement. We use our unique strengths, resources and relationships to create sustainable value for a wide range of stakeholders, by doing less harm and more good.

We extract the materials we need to make our products and turn them into cement and concrete, with a strong focus on quality control and operational improvement. The main raw materials used include marl, limestone, gypsum, mineral aggregates, energy and water. Our use of alternative raw materials offers considerable benefits to the environment through the conservation of natural resources and has the potential to reduce our CO₂ footprint and the waste we generate.

This way we relate with our stakeholders through transfer of our know-how and expertise maintaining

collaborations with employees, customers, business partners, local communities and academia.

Our products and services are used in various activities ranging from major infrastructure projects (roads, airports, hospitals, schools, etc.) to housing, commercial buildings and social projects. We actively promote new products that will improve quality and durability for our customers, as well as methods and materials that will make construction easier or contribute to a reduced environmental impact.

We provide a safe and healthy environment for our employees and promote their lifelong learning.

Moreover, we focus on delivering social value through our commitment to support the sustainable development of communities near our operations.



Material issues

Our enduring commitment to continuous engagement with our stakeholders throughout the years helps us build

trust, improves our understanding of their concerns and empowers our collaboration.

Our approach to stakeholder engagement and materiality

We issue reports on annual basis, focusing on the issues material to us and our stakeholders. The materiality assessment cycle covers a two-year period.

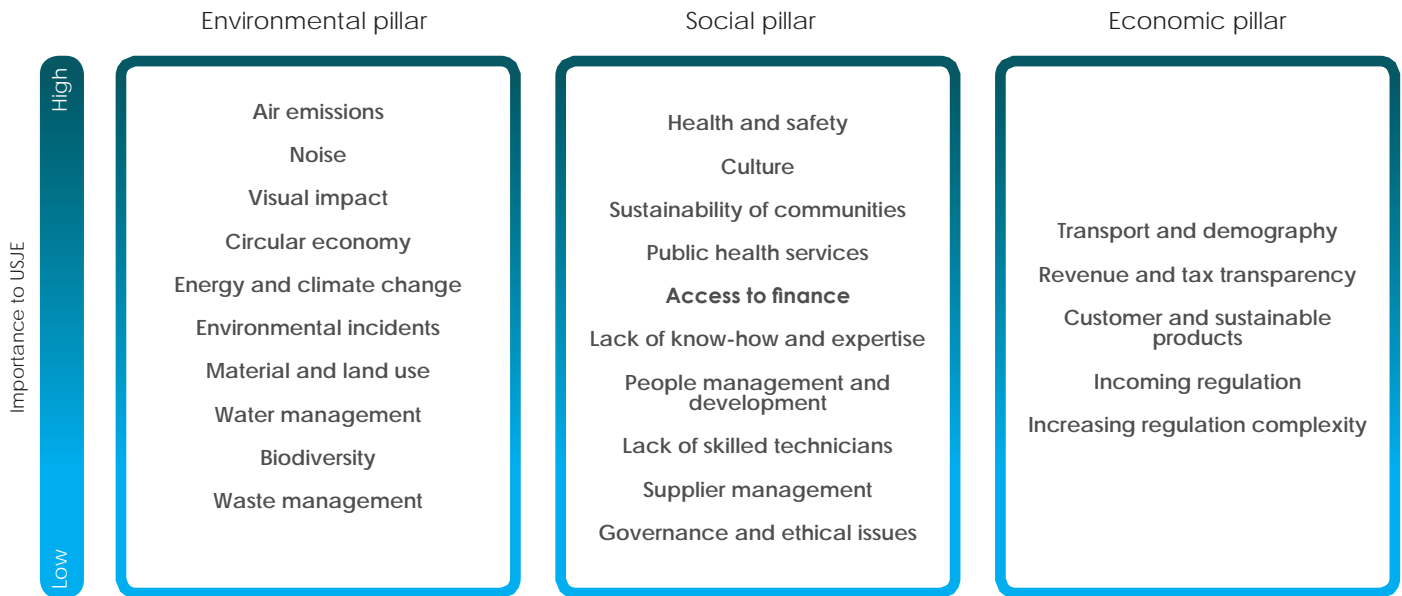
In 2018 we followed the same approach as TITAN Group and we voluntarily adopted the UN 2030 Agenda for Sustainable Development.

USJE materiality assessment 2016-2018

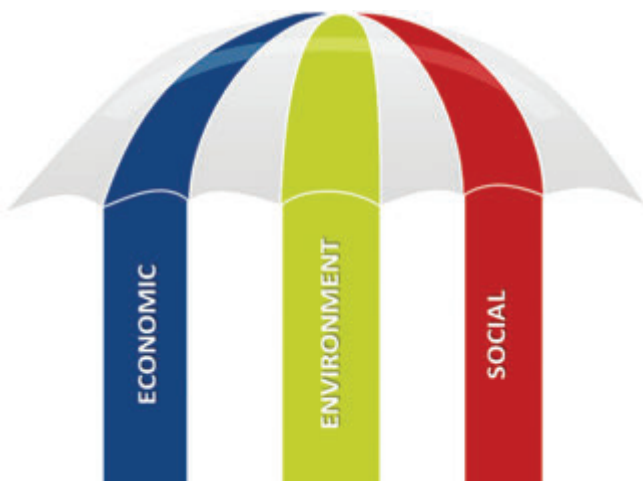


Material issues 2018-2020

Taking into consideration the stakeholders needs, in 2018 the CSR Committee, the Central Management Committee and the Group CSR Director revised materiality issues and set the 2018-2020 material issues:



Main pillars of our business:



Social pillar

'We are striving to further develop our distinctive approach to social engagement inside and outside of our organization. Our engagement is meant to be humble and authentic; it is mainly addressed to the local communities where we operate and it is driven by the enthusiasm, energy and competences of our people.'

In 2018, we demonstrated progress across all three major areas of sustainability: economic, environmental and social. While proud of our achievements, we recognize that there is still work to be done, and we are committed to continuing to set stretch targets that will drive further improvement.



Aligning our strategic goals with UN Sustainable Development Goals

We extended our sustainability targets for 2030 and that reflects our ambition to be in line with our mother company, at the same time corresponding to the local needs aimed at building our distinctive approach to social engagement. Our SDGs underline our commitment to maintain and advance our level of performance on minimizing SO_x, NO_x and dust emissions (EP31L & EP32L & EP33L), while continuing to focus on further reducing CO₂ emissions (EP18L & EP19L & EP20L).

Since 2015, we have aligned our sustainability strategy with the UN Sustainable Development Goals. By developing and delivering solutions for the achievement of

the SDGs, we discover new growth opportunities and lower our risk profiles. We use the SDGs as an overarching framework to shape, steer, communicate and report our strategies, goals and activities. In November 2018 the USJE CSR Committee, the CM Committee and the TITAN CSR team together established the material issues and priorities for the upcoming two-year period.


To support the Group's long-term commitment to the UN's 2030 Agenda for Sustainable Development, USJE directly links its 2030 targets and priorities with the SDGs that have been identified by the materiality assessment process as the most relevant to the business.

SDGs more relevant to our business



SDGs complementary to our main priorities

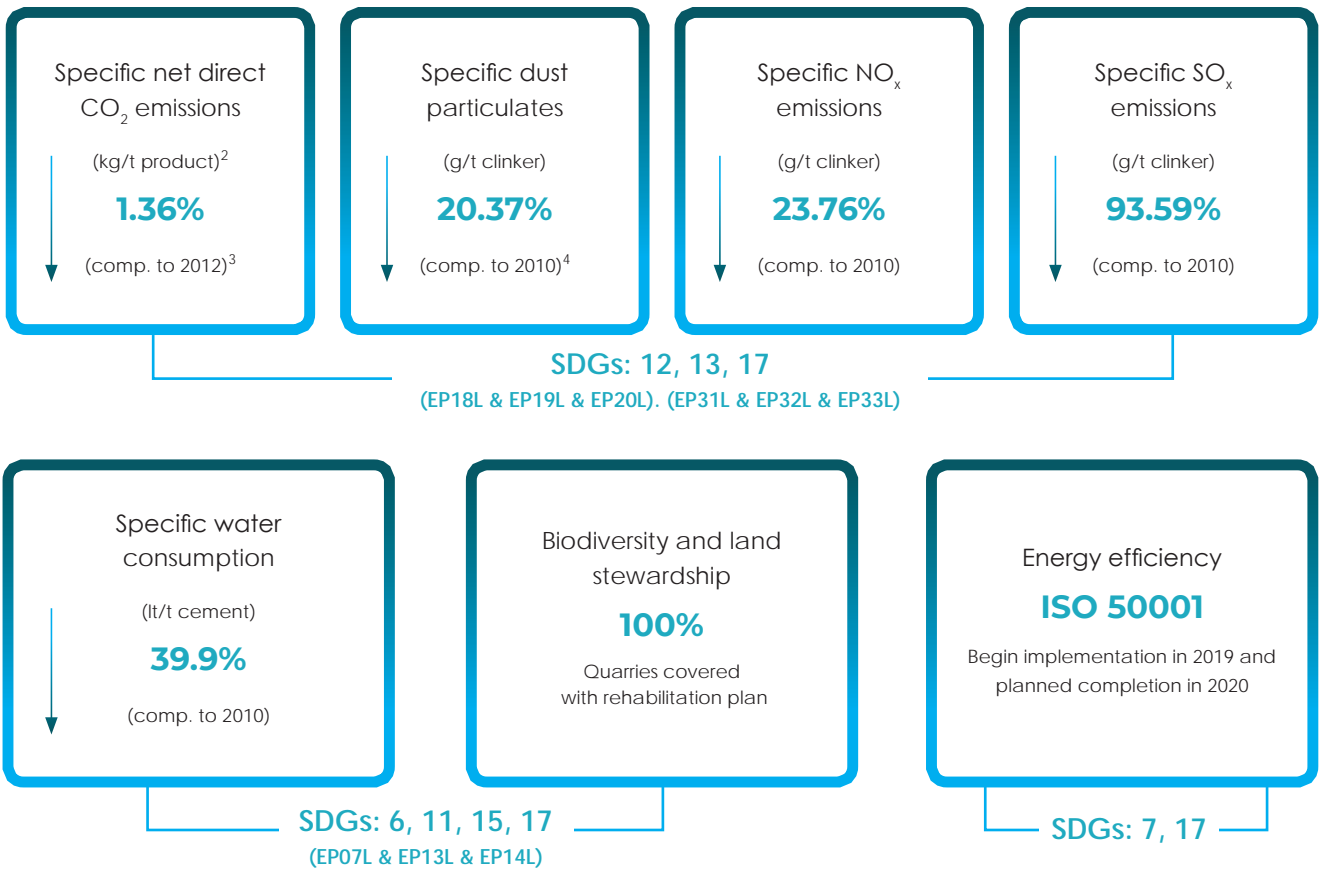


Material Issue	Priority Level	Who cares? (stakeholders)	What it means to USJE?	Correlation to SDG's
Health and Safety	1	Employees Business partners Government NGO	Well-being of our people and contractors. Continuous effort.	
Environmental Management	2	Employees Communities Business partners NGO Government	A way to improve performance and keep license to operate.	
People Management and Development	3	Employees Business partners Communities	Take care of people, training, development, succession planning, retention, employer brand.	
Sustainability of Communities	4	Communities Business partners Employees	Interaction with local communities, stakeholders' dialogue and engagement, collaborations, cooperation / partnerships.	
Customer Relations & Satisfaction	5	Employees Customers Business partners Investors	Competitiveness.	
Political & Social Instability	6	Employees Communities Investors	Political instability affects USJE's operations and sustainability.	
Governance and Transparency (incl. Ethics)	7	Employees Business partners Communities Society	The way USJE operates and governs its business.	
Supply Chain	8	Business partners Communities Employees Investors	Systems in place to ensure selecting and working with suppliers which are consistent with TITAN's values and standards. Need to ensure implementation.	
Climate Change & Energy	9	Employees Business partners Communities NGO Government	Minimize impact on climate change.	

Value creation core indicators index

SDGs 2030 and Targets	Value Creation Core indicators for Sustainability	TITAN's Global Sectorial Approach
	People Management and Development	
SDGs 3, 4, 5 and 17	Salaries, pensions, and social benefits, incl. additional benefits	TITAN Standards and IFRS
	Investments for Training of direct employees, as total expenditures	UNCTAD 4.3.1 and IFRS – connected with SP59, SP60 and SP61
	Environmental Sustainability	
SDGs 6, 7, 13, 15 and 17	Green investments	TITAN Standards and UNCTAD 7.b.1 – connected with EP74
	Sustainability of Communities	
SDGs 4, 9, 11 and 17	Total spending of Suppliers, local and international, for goods and services	TITAN Standards and IFRS
	Taxes to national and local authorities	TITAN Standards and IFRS
	Support to community projects, as Donations	UNCTAD 17.17.1 and IFRS – connected with SP70, SP71 and SP72
	Financial Sustainability	
SDGs 4, 8, 12 and 17	Payments in cash, to shareholders and minorities	TITAN Standards and IFRS
	Investments for R&D and innovation as total expenditures	TITAN Standards and UNCTAD 9.5.1
	Value added	UNCTAD 8.2.1, 9.4.1, 9.b, and IFRS
	Net value added	UNCTAD 8.2.1, 9.b, and IFRS

Sustainability performance 2030 targets



Cementarnica USJE was one of the companies that received the “Sustainable Development Goals Pioneer” award in the “SDG Pioneers Awards” launched by the local Global Compact Network, in cooperation with the EU Delegation and NGOs Konekt and Agora. Cementarnica USJE received the award for its activities in the implementation of the UN Global Compact principles in all of its business practices, and especially in the areas of good health and well-being, responsible consumption and production, environmental protection and partnership for the accomplishment of the Global Compact goals.

2) Product equals cementitious product as defined by WBCSD/CSI
 3) 2012 is the base year for CO₂ emissions
 4) 2010 is the base year for environmental data other than CO₂ emissions

Company performance

Financial performance

Non- financial performance

Health and safety

Our people

Our business partners – customers & suppliers

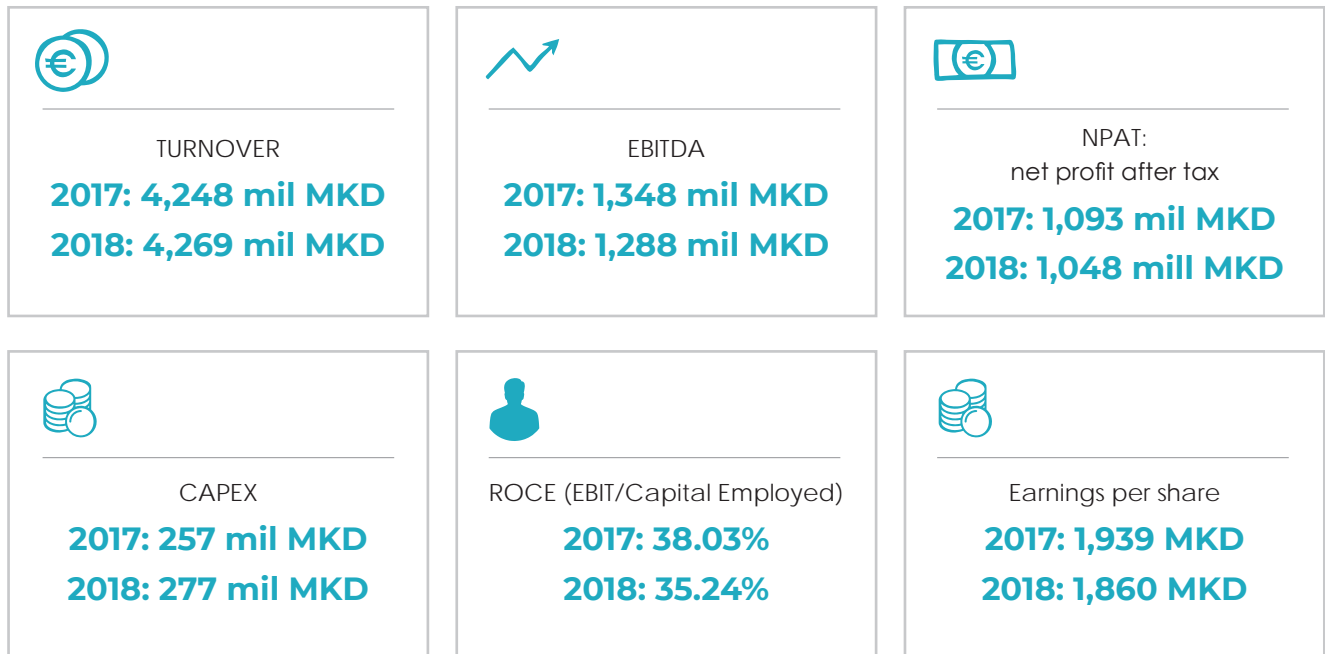
Environmental performance

Contributing to sustainable communities



Financial performance

In general, 2018 was characterized by a stable, solid performance for USJE. The company's turnover increased by 1% compared to 2017 to 4,269 mil MKD. The EBITDA in 2018 decreased by 1.05 % compared to 2017.



Sales volume



Non-financial performance

Health and safety

We continue the good practices from previous years, but we have also introduced new initiatives gained from the Group. Raising the health and safety awareness through development of H&S culture and accepting the additional health and safety values and practices as “regular” part of the job are crucial preconditions for building sustainable health and safety system. In this light, every single employee is equally important and direct approach, listening and appreciating their opinion, their specific involvement, are the main tools to achieve this level.

Direct and interactive trainings are one of the most favorable tool. Thus, our employees received 3,873 hours of trainings (14.7 h/employee), while contractors received 892 hours (4.0 h/employee).

In the safety audit groups, in addition to engineers and technicians, this year we included about ten experienced employees. We believe that this will give additional value to this process.

In 2018 our employees reported 390 safety incidents. In order to encourage this direct involvement, we continue with the awarding system, giving five valuable awards this year. Another motivation tool is to undertake corrective measures based on the reported incident. Thus, from the 390 reports, 34 audits, 38 safety walks resulted in 904 corrective measures. By the end of the year we managed to complete 686 of them or 76%.

Focus was put on incidents’ investigation, stressing not only the direct causes, but more the root causes. Teams of employees worked hard on 35 investigations of incidents.

We introduced a new contractors management system. Fourteen main contractors were systematically audited, followed by direct interviews on areas for improvement.

The contractor management subcommittee issued 26 written warnings or penalties to contractors involved in more serious incidents.

Good results were confirmed by several external audits and three Group health and safety audits.

The health and safety system consists of wide range of written procedures and instructions. As a continuous improvement process, more than 10 were revised, and a couple of new instructions were introduced.

In December we had very successful audit of the OHSAS 18001 standard by an external certification body.



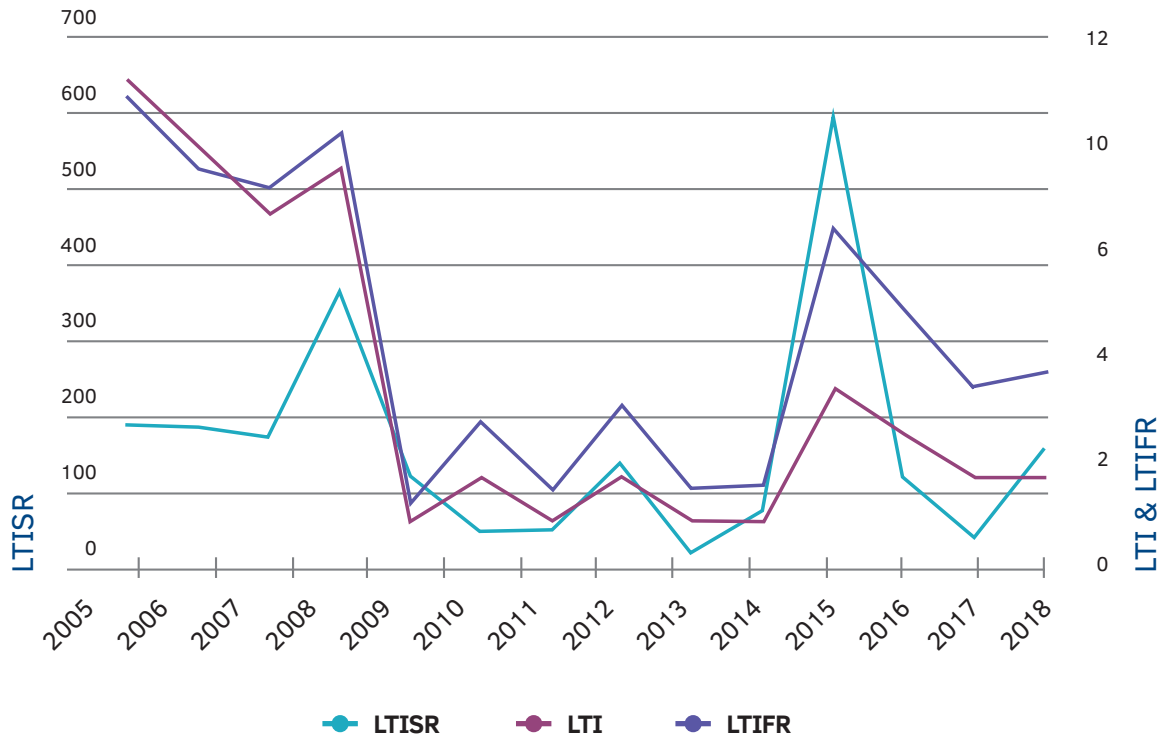
H&S Improvements:

Near miss reporting is progressing	Incident investigation best in the Group	Personal H&S targets set for managers and heads	Contractors annually interviewed and rated
Some of the interviewed employees presented good knowledge and confidence in their statements	At the end of the year a new (revised) instruction for scaffolds was introduced including training of all relevant employees	Housekeeping & general cleanliness at the plant is improving	“Short Emergency Plans” prepared, distributed and communicated

H&S Indicators

	INDICATOR	TARGET 2018	RESULT 2018	RESULT 2017	TARGET 2020
1	Number of reportable fatalities (full year) – Direct Employees	0	0	0	0
2	Number of reportable fatalities (full year) – Contractors	0	2	0	0
3	Number of accidents (full year) – Direct Employees	0	2	2	0
4	Number of accidents (full year) – Contractors	0	3	1	0
5	Fatality rate – Direct Employees	0	0	0	0
6	LTI Frequency Ratio – Direct Employees	0	4.23	3.97	0
7	LTI Frequency Ratio – Contractors	0	6.57	2.28	0
8	Severity Ratio – Direct Employees	0	152.29	39.75	0
9	Near Misses	30	30	35	30
10	Safety Audits Completion Ratio	100%	94.4%	100%	100%
11	Safety Walks Completion Ratio	100%	63%	68%	100%
12	Recommendations, Remarks & Corrective Actions Closed Out	>80%	75.3%	83%	>85%
13	Training Hours per employee (direct + contractors)	11	9.78	10.32	11
14	Training Hours per employee (direct only)	14	14.69	13.03	14
15	Training Hours per employee (contractors only)	6	3.99	6.77	6
16	Internal Safety Audits	36	34	33	36
17	External Safety Audits (Including Group audits)	N/A	5	5	N/A
18	Safety Walks	60	38	41	60
19	Safety Meetings	10	6	8	10

H&S ratios (historic trends)





Our people

We believe that our employees are the essential part of our success, so we strive to build long-term relationships with them, as well as with our contractors and the local community. Their development is our priority and we strive to provide equal opportunities for their professional and career development.

Number of employees

Direct employees	2015	2016	2017	2018
Male	254	245	236	224
Female	53	46	41	40
Total	307	291	277	264
Contractors	2015	2016	2017	2018
	200	195	212	219

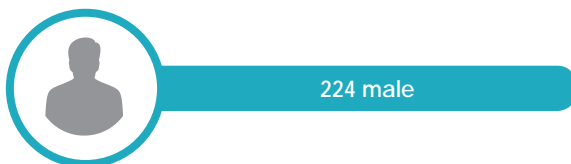
Equal opportunities

Our company acknowledges the fact that people are crucial to our sustainability; thus we respect employees' rights, ensure wages that meet local industry good practices and provide the best possible safe working environment, as well as development opportunities. We value diversity in all aspects.

Employees Ethnicity in 2018

Ethnicity	Percentage
Macedonians	85%
Serbs	2%
Albanians	5%
Turks	6%
Other	2%

Employment by gender (average) 2018



Average number of direct employment per category and gender 2018

	Male	Female	Total
Managers	16	6	22
Senior managers	4	1	5
Administration/ Technical	58	30	88
Semi-skilled/ Unskilled labor	145	3	148

New hires 2018

Under 30		30-50		Over 50		Total	
Male	Female	Male	Female	Male	Female	Male	Female
0	2	3	3	1	0	4	5

Employment from the local community 2018

Male	Female	Total	Employees from local community	Percentage
70	11	81	81/264	31%

Employees' turnover 2018

End year employees/Total empl.left/Turnover	Under 30		30-50		Over 50			
	M (No)	F (No)	M (No)	F (No)	M (No)	F (No)		
258	26	10%	2	1	5	1	14	3

Number of contractors 2018

Number of contractors
219

Percentage of women in management 2018

Male	Female	Total	Female Percentage
20	7	27	25.93%

Unionized Employees 2018

Male Unionized	Female Unionized	Unionized	Average number of employees	Percentage
176	20	196	264	74.24%



Human rights

Respect of human rights is one of our core principles, as reflected in the Group Code of Conduct. The Human Rights Policy incorporates the principles provided in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic Rights. It aims to enhance awareness and ensure respect of human rights throughout the company, building on and safeguarding its reputation as a responsible corporate citizen. Every new employee during the induction program in HR Department receives a short training on human rights. USJE has a total of 9 new employees in 2018 that received one-hour training in human rights in 2018 (total 9 training hours).

USJE adopted a Rulebook on whistleblowers protection

Protecting the rights of people who report inappropriate or unlawful behavior is a vital part of USJE's approach to good corporate governance. We have established procedures to report grievances, incidents or issues related to TITAN's Code of Conduct and policies. USJE took a step further by introducing a rulebook that is designed to protect the rights of whistleblowers and by appointing an authorized person, who is responsible for receiving whistleblowers' reports. The new rulebook sets down the procedures for whistleblowing, including the steps that should be taken to protect the anonymity of those raising concerns.

In line with this, "yellow" boxes were placed at different positions in the plant where employees and other concerned parties may report any incident or case they justifiably deem inappropriate.

Our employees were fully informed and trained on the reporting procedure and their rights arising from the Rulebook on whistleblowers protection with total of 223 training hours.

223 training hours to the employees on whistleblowers protection



People development

Total trained employees per gender 2018

Total Employees Trained	Percentage	Male Employees Trained	Female Employees Trained	% of trained women in trained employees	% of trained women in total employees
264	100%	224	40	15.15%	15.15%

Total training hours per subject per gender 2018

Subject	Male Hours	Female Hours
Compliance	189	42
Environment: care and management systems	216	96
Health and safety	3,425	448
Management and managerial skills	175	36
Non-technical skills and specialization	938	807
Other	267	445
Technical know-how and core competence	2,656	691
Totals:	7,866	2,565

Trained employees per age group and gender 2018

Under 30			30-50		
Males Trained	Females Trained	Total Trained	Males Trained	Females Trained	Total Trained
16	5	21	76	20	96

Over 50			Total		
Males Trained	Females Trained	Total Trained	Males Trained	Females Trained	Total Trained
132	15	147	224	40	264

Total training hours per employee 2018

Total training hours	Total training hours for Males	Total training hours for Females	Total Employees (average)	2018 Men (average)	2018 Women (average)	Average training hours per male	Average training hours per female	Average training hours per employee
10,431	7,866	2,565	264	224	40	35	64	40



Total training investment per employee 2018

Employees (average)	Total investment in Euros	Total investment per employee €
264	40,081	152

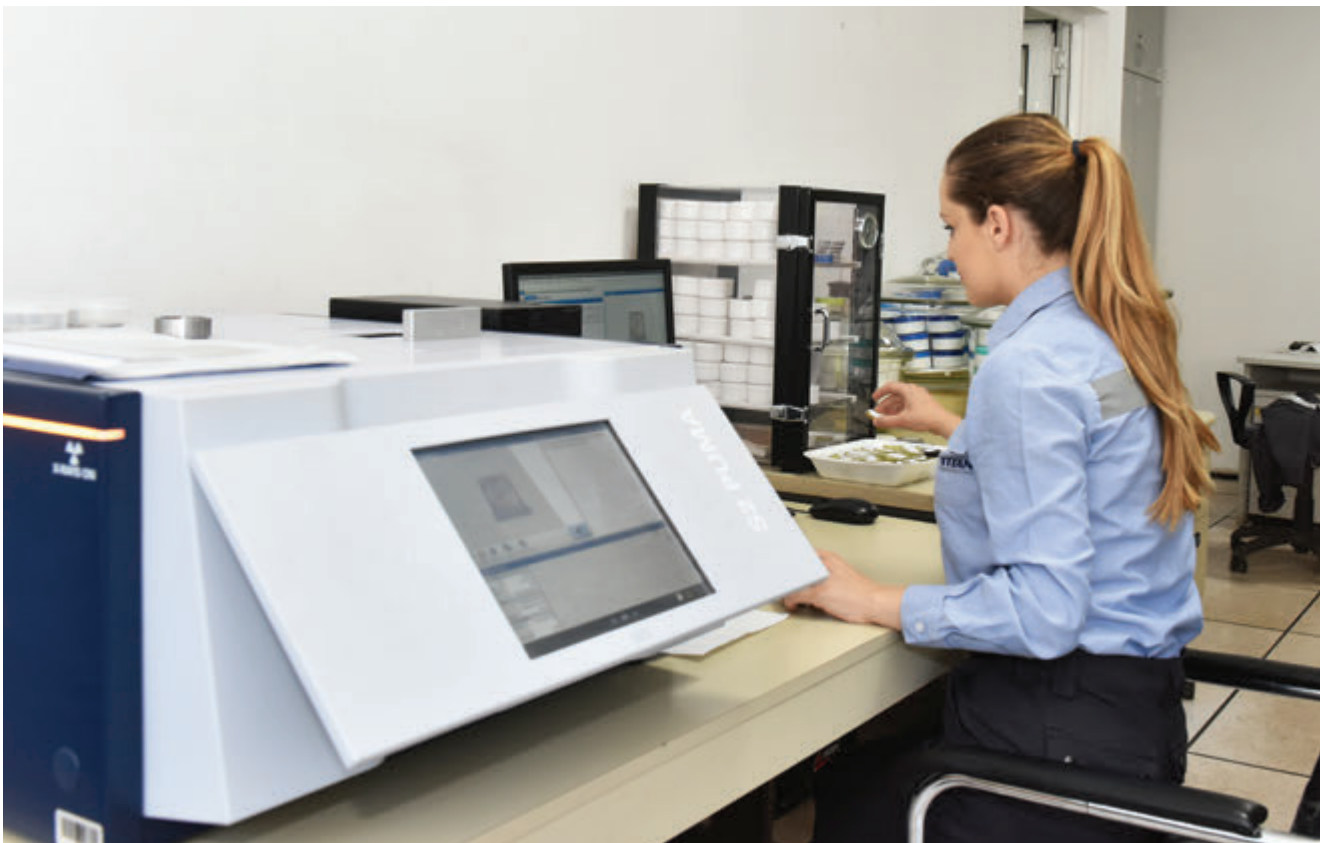
Total contractors training hours 2018

Number of contractor training hours

892

Total trained employees per employee category, age group and gender 2018

	30-50			Over 50			Under 30		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
Managers	13	6	19	3	0	3	0	0	0
Senior Managers	1	0	1	3	1	4	0	0	0
Administration/Technical	19	13	32	33	12	45	6	4	10
Semi-skilled/Unskilled labor	43	1	44	93	2	95	10	1	11
Total	76	20	96	132	15	147	16	5	21



Employees engagement

Communication day with employees

As a tradition, the Communication Day with all employees was organized on May 4th 2018 in the Company canteen. The Chief Executive Director presented the business strategy and results of TITAN Group and USJE in the recent period, as well as the future strategy and plans. He also underlined the importance of embedding the TITAN Leadership Platform among the employees and highlighted the benefits of introducing alternative fuels. The H&S Manager stressed out the importance of H&S in our plant. The event continued with a ceremony of presenting employees with jubilee awards for their 40, 35, 30 and 10 years of service in the Company.



unTe People online platform in USJE

In 2018, USJE launched the new TITAN Group-wide online platform unTe people. UnTe people is based on SAP Success Factors, one of the leading cloud-based Human Capital Management software solutions customized to meet our needs. The platform will allow our Company and our employees to improve employee experience related to people processes and simplify our day-to-day related activities. Based on best practice tools, the platform will facilitate the access to people's career information, manage people performance, learning and development and share project and team information in a digital, fast, and unified way. The platform also streamlines talent management and performance processes and engages all employees in everyday people related matters. As a part of TITAN Group we also rolled out additional building blocks of our Performance Development Process based on the leadership platform "Leading the TITAN Way," launching specialized training courses and a new performance calibration process.



Welfare programs and employee benefits

- Jubilee service awards
- Extended medical check-ups
- Additional severance payment
- Additional vacation bonus
- Christmas gift vouchers
- Donations in kind and financial aid
- Scholarship program and school packs for each child
- Christmas parties for employees and employees' children



Our business partners – customers and suppliers

USJE is committed to building strong and long-lasting relationships with customers and suppliers founded on trust and mutual benefit. Supporting local communities in the areas where TITAN plants are located constitutes an integral part of our corporate philosophy. To this end, we seek to maximize the collaboration with local suppliers and contractors.

We are committed to creating value for our employees, local community, suppliers and customers through strengthening our core values, applying ethical business practices, having an open and continuous communication with all stakeholders and addressing their most material issues.

Delivering value to the customer

Despite our significant presence on the market, we remained focused on one of our core priorities: to listen and to stay close to the customers. Our continued effort to identify their needs, concerns and to show them respect and appreciation, was demonstrated mostly through the regular visits by our sales people. Through this direct link, we tried to provide them with the best technical support and consultancy related to the product, services, concrete production process, optimization of concrete recipes and transfer of our long-time practical knowledge and expertise.

Aiming for excellence in performances in all areas, we have continued with our operations for improvement of customer services. We have successfully completed the process of automatization of the sales process and service to improve customer experience. Demonstrating our commitment to the customers and keeping their satisfaction, we developed a system flexible enough to satisfy various types of orders by providing an easy and fast loading, reducing the average queuing time, precise invoicing etc.

Furthermore, we are aware that customer loyalty has to be nurtured, which encouraged us to conduct an extensive customer satisfaction survey for the first time. An expert agency collected data from 303 companies that participated in the survey. Our priority was to gain

a detailed insight into how our products are being used and where we can make improvements. In order to ensure high-accuracy data collection, the survey was conducted through face-to-face on site interviews. Considering the fact that the Customer Satisfaction Index is 89/100, this has once again confirmed that USJE is still well-perceived by its customers.

Moreover, during 2018, we provided, free-of-charge, 6 more silos and associated equipment for bulk cement storage to the customers. This increased the current number to over 70 silos around the country and contributed to keeping our good customer relations.

Responsible supply chain

Our supply chain consists of a variety of business partners who provide us with services (as contractors) and products (as suppliers). We mainly use local contractors for the maintenance of machinery and operations, which are largely capital intensive activities, as well as cleaning and catering as labor intensive activities. This benefits the community we work in by creating local jobs, though we also source centrally through international suppliers who provide goods such as fuels, technology and machinery.

Our Procurement Manual and Code of Conduct include provisions against bribery and ethical supply actions, which are followed by our people. The contracts with our suppliers and contractors include clauses related to contractors' obligation to respect health & safety, labor & human rights, and the environment standards and regulations for which they sign a declaration. The general terms and conditions are transparently published on the USJE web site (http://usje.com.mk/General_terms_for_procurement_of_goods.pdf). USJE's Contractor Management System ensures safe operation and behavior of contractors on our site.

Environmental performance

Fully aware that our operations are dependent on the use of natural resources, we are committed to actions that reduce our operational impact on the environment. Pursuing our vision to mitigate the effects of our operations on the environment, we strive to be recognized as one of the leading enterprises in our industry on sustainability and environmental stewardship.

USJE is the first company in the country that has fully implemented the activities from the Operational Plans from the A – Integrated Prevention and Pollution Control Permit issued in 2011 and Amended A-IPPC issued in 2013 by the Ministry of Environment and Physical Planning (MoEPP). The Company has established, documented, implemented and maintains an Environmental Management System and continually improves its effectiveness in accordance with the requirements of the ISO 14001:2015 standard. The scope of the System is to cover all environmental issues concerning the production and the exploitation of

quarries. The system is maintained and audited on yearly basis for its compliance. In 2018 we updated the standards ISO 14001 and 9001 to the latest version 2015, and at the same we integrated both in Quality and Environmental Managements System QEMS.

Through our CSR approach, we aim to address the following environmental aspects: emissions, waste, energy, water, biodiversity, climate change, raw materials, noise and vibration.

USJE Cement plant continuously strives to address the defined environmental challenges. In this area, we are fully implementing TITAN policies which guarantee sound and transparent environmental management according to the international best practices. Monitoring, measuring, reporting, cooperating, continuously acting and improving is how we address environmental issues.

Objective	Results 2018	Target 2020
Water consumption (EP07L)	152.7 lt/cement	USJE remains committed to sustaining the current level of excellence in environmental performance with respect to this objective
Dust emissions (EP31L)	6.10 mg/Nm ³ for Kiln 3 and 4.53 mg/Nm ³ for Kiln 4 or 5.24 t/year and 4.50 t/year, respectively	<10 mg/Nm ³
SO _x emissions (EP33L)	10.28 mg/Nm ³ for Kiln 3 and 26.1 mg/Nm ³ for Kiln 4, or a total of 8.83 t/year and 25.94 t/year respectively	<20 mg/Nm ³
NO _x emissions (EP32L)	484.53 mg/Nm ³ for Kiln 3 and 512.01 mg/Nm ³ for Kiln 4, or total 416.14 and 508.94 t/year respectively	<600 mg/Nm ³
Participate in at least one global and national environmental protection and climate change initiatives	"Earth Hour", "European mobility week", "Let's do it", and others.	Increase the level of awareness related to environmental protection and climate change



Climate change

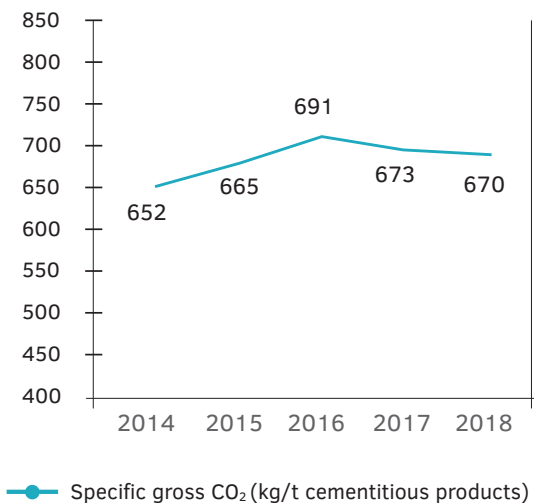
Measuring our CO₂ footprint

The global production of cement is the third-largest source of anthropogenic emissions of carbon dioxide. Therefore, this issue is considered as one of the most important environmental challenges in TITAN Group, and in our plant as part of the Group.

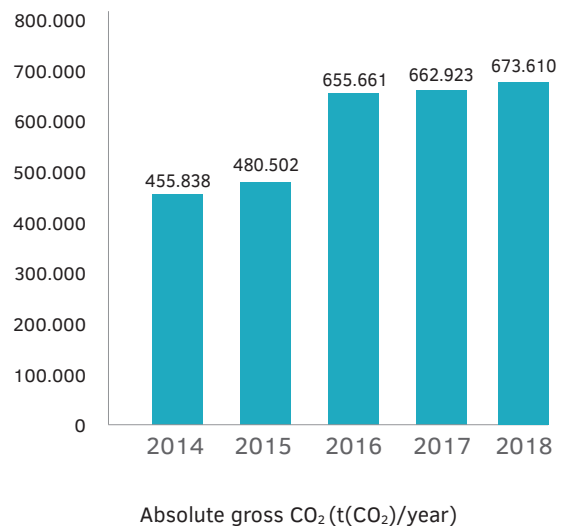
The total emission of direct CO₂ is a sum of direct emission (calcination of material, usage of fuels) and indirect emissions (usage of electricity).

As part of TITAN Group, we follow the WBCSD/CSI protocol⁵ for calculating and reporting CO₂ emissions. In accordance with this protocol, the calculating and reporting of CO₂ and energy is done on a regular basis, despite the fact that this is not a legal requirement in the Republic of North Macedonia. In 2018, USJE's total direct CO₂ emissions were 0.674 million tons, while the specific CO₂ emissions were 669.64 kg CO₂/t cementitious product (EP18L), which is 0.52% lower compared to 2017. The reduction in the specific gross CO₂ emissions is due to decreased clinker to cement ratio compared to 2017.

Specific gross CO₂ emissions



Absolute gross CO₂



5) WBCSD, 2013. CO₂ and Energy Accounting and Reporting Standard for the Cement Industry, version 3.0. World Business Council for Sustainable Development, Cement Sustainability Initiative)

Energy efficiency

Energy and resource efficiency measures are increasingly recognized as valuable means to achieve a sustainable energy supply. Furthermore, they reduce greenhouse gas emissions, improve security of supply, lower costs, and even promote competitiveness. Cement production is an energy intensive process requiring large volumes of energy and fuels, as well as large quantities of raw materials. For this reason, the cement industry has developed a range of technological solutions which enable lowering the energy needs for manufacturing cement products.

In 2018, several projects for improvement of energy efficiency were implemented, such as replacement and modernization of indoor and outdoor lighting, preparation of Energy Efficiency Study, and detailed Energy Audits for buildings. Another activity for improvement of energy efficiency in 2018 was the installation of a variable speed drive (VSD) on ID fan on Kiln 4, which reduced the power consumption by 4 kWh/t cement. The project for improvement of energy efficiency in the plant is continuing in 2019 as well, with activities proposed in the EE Study, and Energy Audits of the buildings.

Our endeavors towards co-processing of alternative fuels and raw materials in USJE

The cement industry contributes for the "greenhouse effect" mainly through carbon dioxide emissions.

Approximately 63% of the CO₂ emissions from clinker production come from the calcination component (from the material), and approximately 37% are from the fuel component. Due to the complexity of the clinker production process, there is very little space for lowering the carbon emissions from the calcination component. On the other hand, there are possibilities to lower our footprint by lowering the CO₂ emissions from the fuel component.

In the end of 2018, USJE started using alternative fuels as replacement for fossil fuels, with up to 15% replacement rate. The alternative fuels used are refused derived fuel (RDF) and biomass from agricultural waste (rice husk), while selected waste from the textile industry will be also introduced in near future.

Prior to starting the utilization of alternative fuels, USJE prepared a detailed environmental impact assessment study, made comprehensive market research for possible sources

both on the domestic and the international market, prepared and received License for import of alternative fuels, and established cooperation with local companies that can supply us with a variety of alternative fuels. Also in 2018, in order to inform all our stakeholders, USJE organized informative meetings, workshops, and plant visits with all stakeholders.

Environmental benefits:

- Reduction of the use of non-renewable (fossil) fuels and raw materials
- Reduction of greenhouse gases
- Energy recovery instead of disposal (waste hierarchy)

Benefits for the society:

- Promote solid waste management policy for societies – avoidance of land disposal or incineration and accompanying emissions (air, land, water)
- Open up new employment opportunities/focus on local-regional level

USJE has a permit for using alternative fuels in accordance with the national legislation

USJE has installed state of the art equipment for dosing of alternative fuels from the supplier "Schenck"

15% substitution of the total fuel used for kiln 4 can be from alternative fuels (thermal basis)

With this USJE offers a solution for solving local environmental challenges

Cement factories as technology are most suitable to use waste as an alternative fuel

TITAN Group has extensive experience in using alternative fuels



Monitoring emissions

Monitoring the air emissions from our operations is a precondition for controlling and reducing the environmental impacts.

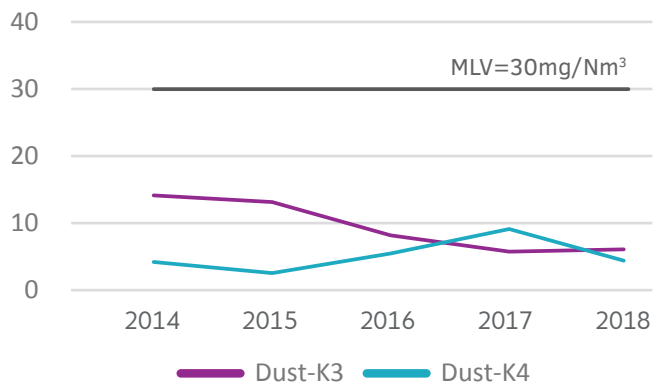
This enables the company to closely monitor the emissions on real-time basis and take action accordingly. At the same time, it gives interested stakeholders regular, updated information on our performance. At our initiative, results from the monitoring are presented on USJE's web page as monthly emission reports from the main emission sources. The USJE plant reports in accordance with the Guidelines for Emissions Monitoring and Reporting⁶.

Total emissions in 2018		
Dust	t/year	9.74
NO _x	t/year	925.08
SO _x	t/year	34.77

Dust

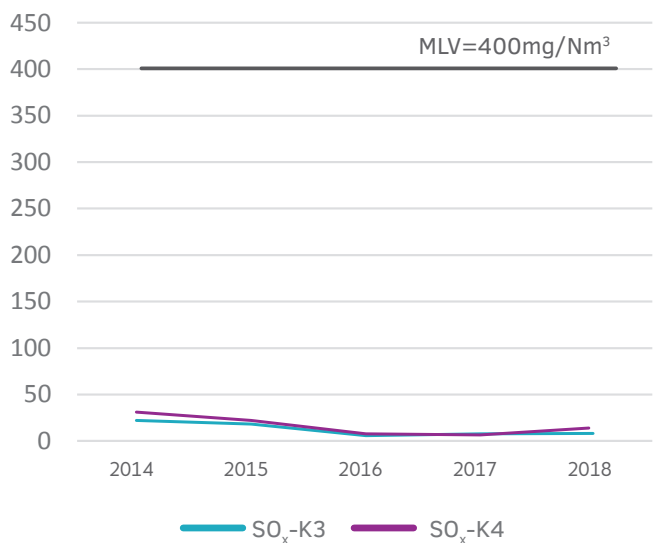
At cement plants, major dust emission sources are the kiln stacks. In 2018 the dust emissions were 5.24 tons for Kiln 3 and 4.50 tons for Kiln 4, respectively per year. Dust emissions are many times below the limits (MLV) set by the environmental terms and conditions of both local and EU legal requirements. The average dust concentration for Kiln 3 is 6.10 mg/Nm³ and for Kiln 4 is 4.53 mg/Nm³. The MLV is 30 mg/Nm³.

*MLV – Maximum Limit Value



SO_x

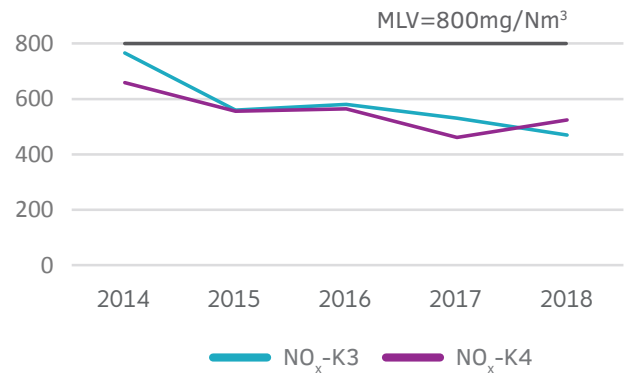
The presence of Sulphur (S) in raw materials is the primary cause of SO_x emissions. USJE's SO_x emissions are substantially below the limits (MLV) set by the applicable local and EU regulations. For 2018, the average concentration of SO_x for Kiln 3 is 10.28 mg/Nm³ and for Kiln 4 is 26.10 mg/Nm³, while the MLV is 400 mg/Nm³. In 2018 our activities resulted in SO_x emissions of 8.83 tons for Kiln 3 and 25.94 tons for Kiln 4, respectively. Reduction of SO_x emissions on both Kilns is result of implementing selective exploitation in the Marl Quarry.



6) Guidelines for Emissions Monitoring and Reporting in the Cement Industry, amended version 2.0, 2012. World Business Council for Sustainable Development, Cement Sustainability Initiative

NO_x

Combustion at high temperatures leads to NO_x emission. In 2018, NO_x emissions were 416.14 tons for Kiln 3 and 508.94 tons for Kiln 4 respectively. The overall NO_x emissions were within the limits (MLV) set by the local and EU legislation. The average concentration of NO_x for Kiln 3 is 484.53 mg/Nm³ for Kiln 3 and 512.01 mg/Nm³ for Kiln 4, while the national MLV is 800 mg/Nm³. The reduction of NO_x emissions on both kilns is a result of using different types of fuels and using the installation for selective non-catalytic reduction (SNCR). This new technology is used in our plant as a method for reducing the nitrogen oxides emissions since 2014.



Noise minimization

USJE is located in a combined industrial and residential zone, surrounded by streets with heavy traffic. Therefore, it is difficult to make distinction between noise generated by activities within USJE and by outside activities (traffic, other industrial activities). The measured noise at the monitoring points at the perimeter of the plant and quarries does not exceed the stipulated permissible limits. Nevertheless, in 2016, USJE in cooperation with the Faculty of Natural and Technical Sciences in Štip conducted a Follow-Up study with Action Plan for Noise Minimization in the vicinity of USJE. Within 2018 priority measures were completed according to the Action Plan and investments for noise minimization will continue in 2019, as well.

Waste management (EP38L & EP39L)

The reduction, re-use and recycling of raw materials, energy and waste are key elements of the Group's environmental policy. The production of clinker and cement does not produce waste or waste by-product. Waste is mainly generated from maintenance activities and product packaging. Following the best practices, waste is separated at source, collected and temporarily stored to a waste collection storage area. In 2018 we safely disposed of around 2,150 tons of waste, of which 1,447 tons were internally reused or recycled. All leaked materials are measured, collected and returned to the process. With this action we have detailed analysis for handling all wastes generated in the plant. The specific waste produced in the plant, is disposed as follows:

Specific waste amounts

Specific total wastes produced (excluding printing toner and cartridges)	Kg/t Clinker	2.87
Specific wastes disposed externally	Kg/t Clinker	0.94
Specific wastes disposed internally	Kg/t Clinker	1.93

Water management (EP29L)

USJE uses so called 'dry technology' for cement production, meaning water is not used for the main production process. Technical water is used only as a cooling media and there are no waste water discharges from the production, in line with the guidelines for water reporting and accounting⁷, to which USJE adheres.

In 2018, USJE withdrew a total of 273,948 m³ of water, of which 233,015 m³ is ground water from our licensed dwellings, and 40,933 m³ was from the public municipal water network. The increased ground water consumption is because of its use for irrigation of the green areas in the plant and our target to maximize the green areas in the plant. Our continuous efforts to protect water as a natural resource are reflected with the sustainable water management in the plant that includes:

- Use of water from the city water supplying network for sanitary purposes only
- Closed system for filtering and recycling technical waters (for cooling of the equipment)
- Separation of sewage from atmospheric waters and discharge in the city sewage network
- Collection of atmospheric waters and street spraying waters from the plant in open canals, and their treatment in the atmospheric waste water treatment plant before discharging in the recipient.

⁷⁾ Protocol for Water Reporting, 2014, and Guidance on Good Practices for Water Accounting, 2016. World Business Council for Sustainable Development, Cement Sustainability Initiative



Biodiversity and land management (EP10L & EP11L & EP12L & EP13L & EP14L & EP15L)

Our operations are heavily dependent on the use of natural resources. Comprehensive environmental impact assessments and rehabilitation plans cover all aspects of development, operation, as well as decommissioning of quarries. Both traditional and novel methods for reforestation are employed for quarry rehabilitation. All activities for quarry rehabilitation, and biodiversity management of sites are in line with the Guidelines on Quarry Rehabilitation⁸, and Biodiversity Management Plan (BMP) Guidance⁹.

We employ our best efforts to abate all kinds of impacts on the environment. In line with these efforts is the development of Studies for Rehabilitation of Quarries owned by the Company, produced by the Faculty of Forestry Skopje, as well as a Plan for Green Belt along the Plant's perimeter. To ensure quality implementation of these plans, we engaged a professional company and part of the plant area has been transformed into a nursery producing planting material necessary for realization of the targets set in the Studies.

Within this project, in 2018 we planted a total of 42,902 plants. More than 286,000 trees have been planted by USJE or donated to third parties for planting since 1998. On final benches of the marl quarry 41,744 trees were planted, 290 cypress trees were planted at the limestone quarry in Govrlevo, and 635 plants (trees, flowers and bushes) were planted in the plant green areas. Continuing with the CSR practices our company donated to neighbors and local communities 233 trees that were planted in public green areas.



8) *Guidelines on Quarry Rehabilitation, 2011. World Business Council for Sustainable Development, Cement Sustainability Initiative.*
9) *Biodiversity Management Plan (BMP) Guidance, 2014. World Business Council for Sustainable Development, Cement Sustainability Initiative.*

Circular economy

Faced with limited availability of conventional fuels and raw materials and even more uncertain future in that regards, modern society is searching for sustainable solutions on how to use and preserve natural resources and, at the same time, minimize the impact to the general environment. Especially valuable are practices by which waste products from one industry or activity become the raw material or energy source for another.

The concept of circular economy has gained significant prominence, becoming more widespread and pervasive in the last ten years. Taking into account the whole product life-cycle, circular economy offers an alternative model that promotes reuse, repair, refurbishment and recycling, recuperating rare raw materials and transforming waste into a resource. The cement industry provides solid solutions and sustainable practices in this regard.

USJE, as part of TITAN Group, is committed to promoting the practices aligned with the concept of circular economy, importance of which is recognized in our Environmental policy. Such practices include the use of alternative fuels and of alternative raw materials, thus reducing the use of natural and non-renewable resources.

Some of the good practices in line with the principles of circular economy that USJE cement plant performs are following:

- use of alternative fuels such as RDF/SRF, and waste biomass from agriculture (end of 2018),
- reuse and recycling of wood from the final products packaging (Authorized handler of wooden packaging waste),
- use of alternative raw materials in clinker and cement production processes,
- lowering the ratio of clinker to cement, while maintaining the quality of the final products,
- waste separation of more than 20 waste fractions and handing over to authorized waste handlers, thus enabling others to use those fractions as secondary raw materials.

These actions are recognized as an environmentally responsible way of reducing our carbon footprint, and as contribution to better waste management in the country.



Contributing to sustainable communities

We aim to make a positive contribution to the sustainable community development, supporting and participating in the wider communities in which we operate. From environmental protection and developing employment

opportunities to providing educational, health and safety and infrastructure projects, we aim to be a good neighbor at all times.

Boosting youth employability

- As a signatory of Pact4Youth in 2018 USJE continued with the internship program aimed at attracting ambitious young people, willing to learn and acquire practical knowledge in real working environment. During the year 43 interns were part of the USJE internship program.
- USJE was part of the Job Fair organized by BEST – Board of European Students in Technology in the premises of the Faculty of Mechanical Engineering and the “Career Days” at the University American College Skopje.

Internships/Apprenticeships 2018

Male	Female	Total
10	33	43

- 92 students visited our Company in order to become familiar with our production process.

Students visits 2018

Male	Female	Total
53	39	92



Students' contest to improve visual impact

In line with our continuous efforts to promote the education of young talented professionals, as well as our commitment for close cooperation with educational institutions, USJE initiated and supported remarkable projects related to talent development.

Aiming to minimize its impact on the environment USJE initiated a project for reconstruction of the silos facades in order to visually improve the image of some of the buildings and installations that are most visible from the surrounding area. The competition was opened for students from the Faculty of Architecture, and a total of 25 students in teams or individually participated in the competition. Beside the awards that the students received, Cementarnica USJE, redeemed the 4 selected designs in order to prepare a project solution for restoration of the facades of the company's silos in the future, which will open new opportunities for cooperation with educational institutions and students.



USJE hosted & supported the international doctoral course SARCOS COST – RILEM

USJE in cooperation with the Faculty of Technology and Metallurgy within the "Ss. Cyril and Methodius" University in Skopje supported the SARCOS COST – RILEM doctoral course. USJE shared its laboratory premises and the expertise of our lab engineers, allowing young researchers access to modern equipment and expertise from our experienced staff.

Cooperation with the Faculty of Electrical Engineering and Information Technologies

USJE donated equipment, which is partly new and partly used, for the needs of the practical classes for students at the Faculty of Electrical Engineering and Information Technologies in Skopje. The equipment will contribute to the further improvement of the conditions for studying at FEIT and will facilitate the obtaining of new knowledge and experiences for the students in terms of the applicability of the learned curricula.





Partnering with Schools project

Within the Partnering with Schools project, for more than 10 years USJE has been investing in improvement of the H&S and the environmental conditions for the youngest in our local community by renovating primary schools and planting trees together with the school children. In 2018 USJE provided a new energy efficient facade for the elementary school "Kiril Pejcinovic" in the Kisela Voda Municipality in Skopje. With the new facade, the school's full look was restored and energy savings were estimated to about 30 %. In the past 10 years through the Partnership with Schools project USJE has invested 520,000 euros in renovating primary schools in the Kisela Voda Municipality.



- Within the partnership with GoGreen, a USJE representative was part of the Summer Camp for Climate Changes and had the opportunity to give a speech to the participants and present our commitment to protecting the environment and preventing climate changes. This camp offers a possibility to strengthen team spirit and increase environmental awareness among students.
- USJE donated building materials to help build a Sensory Garden for the students of Skopje's "Dimitar Vlahov" School for Sight Impaired located in the Kisela Voda Municipality. The garden is an outdoor classroom where small groups of students practice with teachers to develop all of their senses. Moreover, USJE representatives were part of a voluntary day in the Sensory Garden and took part in planting trees action and coating wooden constructions.



Council of Entrepreneurs in the Kisela Voda Municipality

USJE, as a significant factor of the business community in our municipality, participated with full commitment in the establishment of a business association, Council of Entrepreneurs in the Kisela Voda Municipality. The Council is aimed at bringing together businessmen from the local community and contribute to the further development of the Municipality. Mr. Boris Hrisafov, CED of Cementarnica USJE was elected President of the Council. The main task of this Council is to identify the problems and difficulties faced by companies in order to improve the business climate. The Council will also enable joint projects, as well as raising the social responsibility of the companies, out of which the citizens of the municipality will have greatest benefit.



Open days in USJE

Following our transparency policy USJE organized open days in 2018 giving the opportunity to our stakeholders to visit us, learn about our production process, our commitment for continuous improvement through highest standards of operation, as well as through introducing alternative fuels in our Company. During these five open days, all our visitors had the opportunity to get introduced to our cement plant production facilities and to closely observe the technological process of the company.

USJE management team developed a communication strategy including all stakeholders' groups: state and local authorities, university professors, NGOs, local citizens and media representatives. Within the open days organized mainly in USJE, the management team was presenting the global benefits for the environment when alternative fuels are being used in cement industry, positive experiences from EU countries, as well as cement industry being part of the solution for waste management on the local level. In the same time, our management team, through open dialog, listened to all the stakeholders' concerns and answered their questions. The open days represented an opportunity for the stakeholders to visit USJE's production facilities and the new alternative fuels installation and get acquainted with the technological process of the company.



The Mayor of the City of Skopje, Petre Šilegov together with NGOs, citizens, media and other interested parties visited our Company. (June 2018)



USJE in cooperation with Go Green NGO organized an Open Day in our plant, with students and citizens. (June 2018)



Media representatives visited our plant to get familiar with the operation of our plant, followed by an educational workshop on the topic "Energy of the future" in Strumica organized by USJE. (August/September 2018)



The Deputy Minister of Environment and more than 19 media representatives visited our plant. (November 2018)



USJE invited and hosted the Councilors from the neighboring Aerodrom Municipality. (May 2018)

Environmental initiatives with our people

USJE employees participated in planting trees action

More than 50 employees, together with the management team, volunteered in the self-initiated campaign for planting trees in the yard of our plant whereby more than 1,200 seedlings were planted.



Earth Hour 2018

By turning off the cement mills, Cementarnica USJE once again joined this year's global initiative Earth Hour. The cement mills were turned off from 20:30 to 21:30 on March 24, 2018, and in addition, other plants that are not vital were also turned off from the power supply.

Let's Do It campaign

Promoting the concept of corporate volunteering and guided by our commitment for environmental care, USJE employees gladly joined the Let's Do It initiative. More than 30 employees, including the management team, volunteered to clean the waste in our municipality.



To work without a car

USJE continued the initiative "To work without a car", motivating the employees to come to work by bicycle, bus or on foot. These employees are given a coupon for free meal in our canteen and they also participated in a lottery game for winning a bicycle. In this way we aim to be a leading example and once again to demonstrate our commitment to the environmental protection.



USJE joined the EU Mobility Week

Cementarnica USJE once more took part in the EU Mobility Week. This year we rented two buses in order for our employees and the management team to be able to come to the workplace without cars. This way we increase the awareness about environmental protection among our people and contribute to minimizing our impact on the environment.

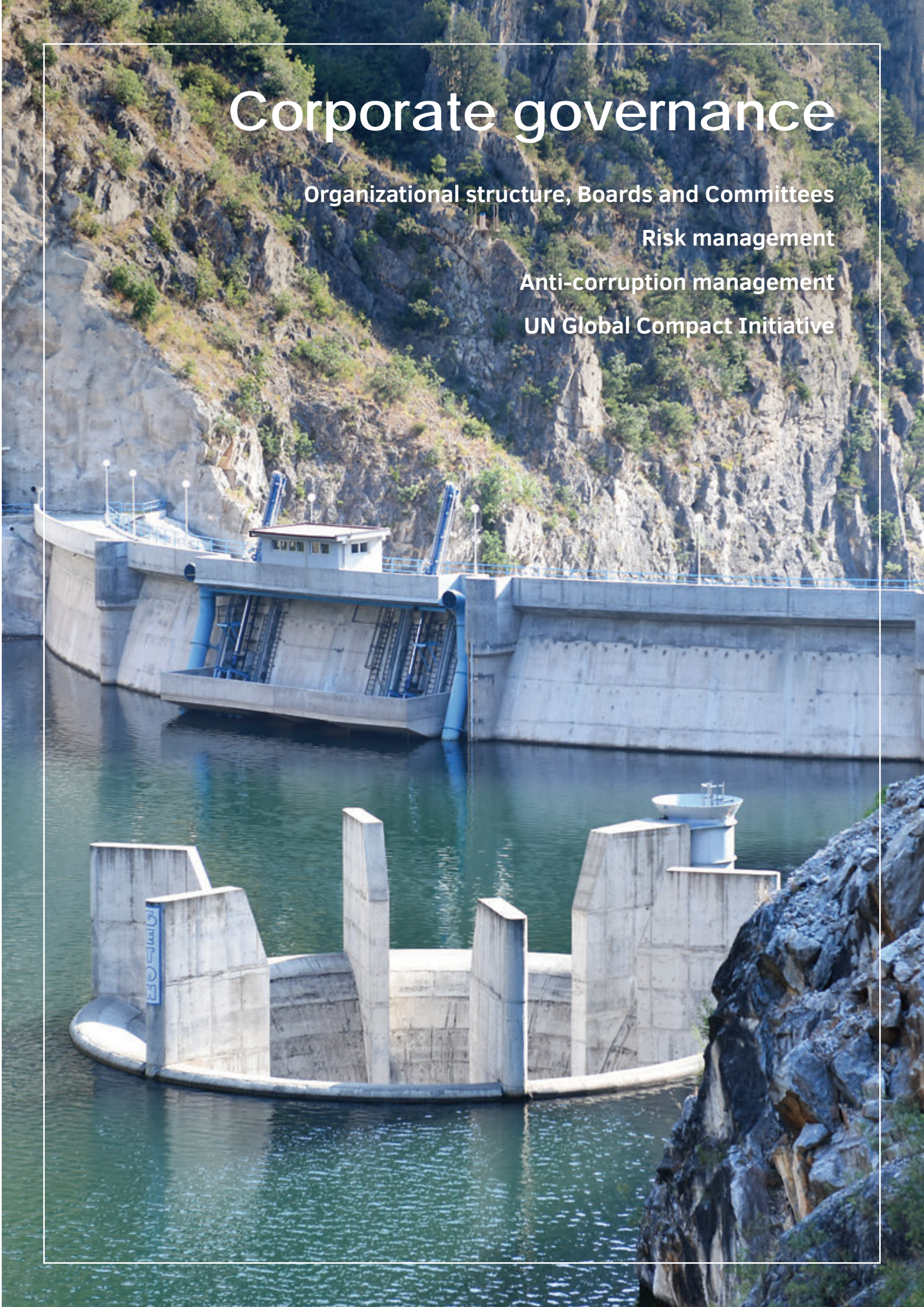
Corporate governance

Organizational structure, Boards and Committees

Risk management

Anti-corruption management

UN Global Compact Initiative

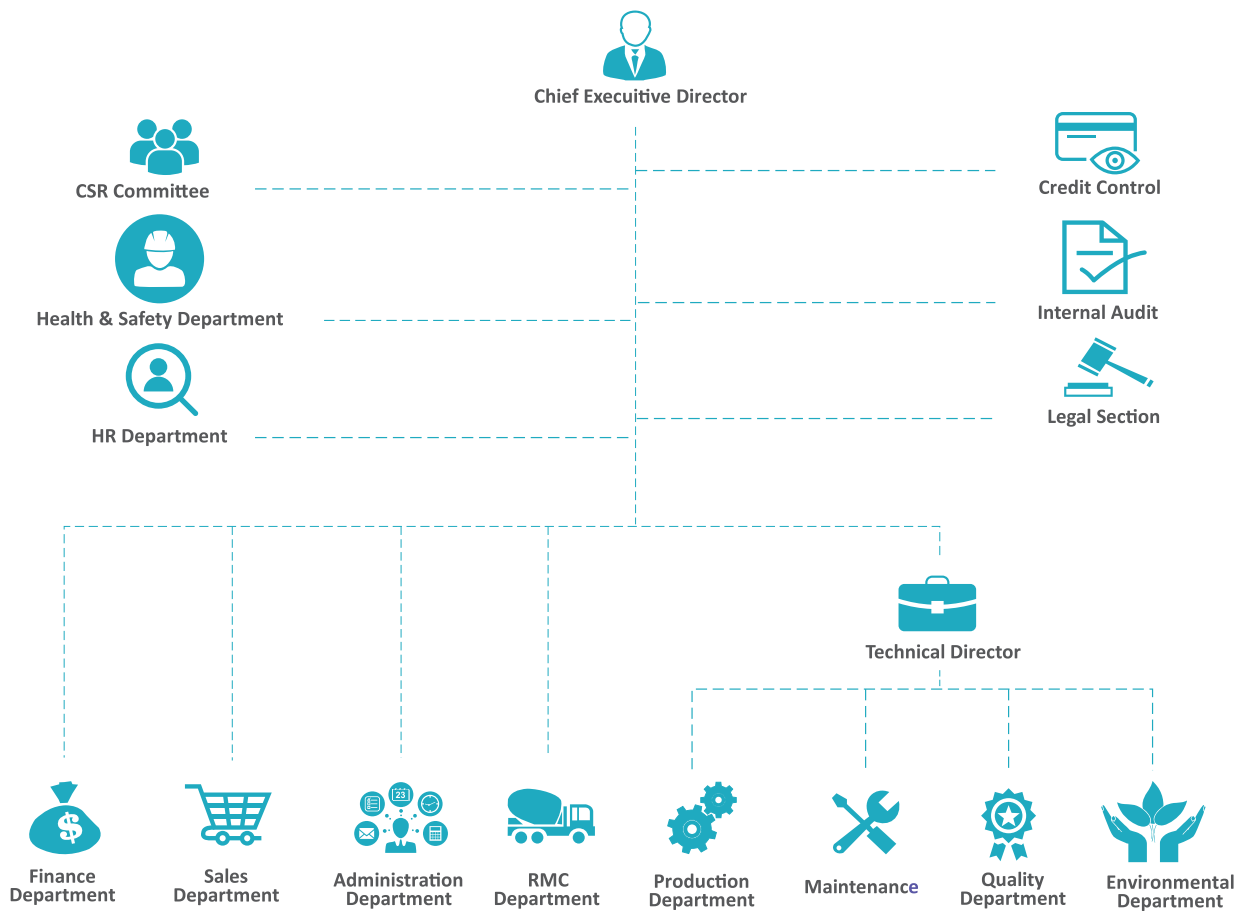




Corporate governance

Good corporate governance principles and robust risk management are critical to building effective external relationships and therefore to the Company's sustainability. These principles along with our corporate values guide us through every aspect of our business.

Organizational structure, Boards and Committees



BOARD OF DIRECTORS

The Company follows established global best practices of corporate governance in its management and has five non-executive members in its Board of Directors, two of which are also independent, and two executive members, the Chief Executive Director and the Executive Director. The non-executive members, as well as the CED and the Executive Director have no earnings based on their membership in the BoD.

CENTRAL MANAGEMENT COMMITTEE

To further enhance the decision-making process and the corporate governance, as of 2013 the Company established a Central Management Committee. Current members are the Chief Executive Director, the Executive Director, the Technical Director, the Sales Manager, the Finance Manager and the HR&CSR Manager. The Central Management Committee has monthly meetings to discuss strategic issues and risk management.

CREDIT CONTROL COMMITTEE

This Committee is in charge of receivables and debts from the clients and its main tasks include: Evaluation and approval of credit, Customer's Appraisal forms/customer rating, Settlement of customers' debts, Debt coverage / Guarantees, Credit Monitoring & Control and Definition of provisions linked to credit risk.

H&S CENTRAL COMMITTEE

USJE's H&S Central Committee provides strategic guidance for the Safety and Health improvement initiatives at our plant. It establishes effective processes to promote the full implementation of TITAN's Group Health & Safety Policy. The Central Committee is chaired by the CED and is structured in 5 sub-committees: Safety Incidents, Safety Audits, Contractor Management, Leading Indicators and Rules & Procedures. The common and ultimate goal is to safeguard the H&S of our and contractor's employees as one of the basic human rights at workplace.

CSR COMMITTEE

USJE's CSR Committee was established in 2009 and is responsible for integrating and implementing the TITAN Group strategy at local level. Chaired by the CED and consisting of senior management and the managers of health and safety, environment and human resources, the CSR Committee meets four to six times a year, and in some cases monthly, to review and assess action plans and performance achieved, as well as to facilitate and initiate further improvements. To ensure further cohesion within the Group, USJE's CSR Committee has appointed one of its members as a representative to the Group CSR Liaison Delegates Network (LDN) aimed at improving internal communication, sharing and learning from the Group's best practice.

QUALITY AND ENVIRONMENTAL BOARD

The Quality and Environmental Board is responsible for: establishing the Company's Quality and Environmental Policy and establishing Quality and Environmental System targets. The Board also conducts the internal Quality and Environmental Audits and conducts reviews of the Quality and Environmental System as well.

The Quality and Environmental Board identifies the environmental aspects and determines the emergency situations related to environmental protection, etc.



Meeting our obligations

We comply with all relevant provisions set by the national laws in all areas where we operate.

Anti-bribery and corruption management

One of our Group's Code of Conduct core principles is the fight against bribery and corruption, stipulating that all Group transactions must be carried out lawfully and ethically, in accordance with all applicable laws and regulations and must always respect the United Nations Convention against Corruption (UNCAC)¹⁰. In 2017 USJE adopted the Group Anti-bribery and Corruption Policy. The level of exposure to relevant risks is estimated every year through reports and analyses provided by the Transparency International's Annual Corruption Perception Index. Our Code of Conduct (<http://usje.com.mk/upload/pdf/CodeOfConduct%20EN%20USJE.pdf>) clearly prohibits giving and receiving bribes, while as signatories of the Global Compact we are fully committed to join national and other programs aimed at eliminating bribery and corruption. Moreover, TITAN's Procurement Code of Conduct (http://www.titan.gr/UserFiles/File/omilos/Code_Conduct_Procurement_01082008.pdf) issued in 2008 clearly states against bribery, corruption and fraud.

USJE policies

Quality policy

Health and safety policy

Environmental policy

Corporate social responsibility policy and vision

Human rights policy

Anti-bribery and corruption policy

Sanctions policy

Competition law compliance policy

Risk management and control

Managing risks proactively enables the Group and USJE to better adapt to a changing business environment. The Group has systems in place to monitor and anticipate potential material risks. The Board of Directors is generally responsible for the Company's internal audit and risk management and for evaluating their effectiveness each year. The Board of Directors confirms that the Company has internal control systems and risk management policies in place and that it has been informed by the CED and the competent Group executives about their effectiveness. 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 monthly monitoring of the financial statements is the key element of the controlling mechanism regarding the quality and integrity of financial results. The Company's external auditors review the mid-year financial statements and the full-year financial statements of the Company.

The company manages the risks through:

- Internal and Systems' Audits to keep consistency with Management Systems requirements in place
- Committees that address challenges and risks
- Code of Conduct trainings to enforce anti-corruption awareness
- Policies in place to safeguard good corporate management

¹⁰⁾ UN Resolution 58/4 of 31 October 2003 United Nations Convention against Corruption.

UN Global Compact initiative

The Global Compact Network North Macedonia was founded in 2004. USJE has been a member of this network since 2008.

PROGRESS REVIEW for the UNGC Ten Principles 2018

The “UNGC 10 Principles - Progress Review Index” summarizes and updates our actions as a participant to the UN Global Compact. It is an integral part of the 2018 USJE Corporate Social Responsibility and Sustainability Report and provides references about our commitments, policies and practices relevant to the implementation of the ten principles.

USJE abides by all the requirements set by the United Nations Global Compact Initiative, to which TITAN is committed at both Group level and local level.

The “UNGC 10 Principles - Progress Review Index” contains the following three elements:

1. CEO statement of continued support for the UN Global Compact and its Ten Principles.
2. Description of actions or/and direct reference to relevant policies related to Human Rights, Labor, Environment and Anti-Corruption.
3. Measurement of outcomes is covered this year by direct reference to the Index System for Sustainability Performance review and monitoring, namely the two Appendix tables of KPIs Index:
 - a. Environmental Performance Index of KPIs (EP KPIs), and
 - b. Social Performance Index of KPIs (SP KPIs).

In the table next, the Index System for Sustainability Performance is connected with the UNGC Ten Principles and USJE’s commitments. There are direct references to disclosures and pages inside the Report. However, the Table cannot be exhaustive, and provides the main points of importance.

UNGC Area	UNGC Related Principle(s)	Our Commitments	Reference in 2018 USJE Corporate Social Responsibility and Sustainability Report
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within the scope of their influence	<ul style="list-style-type: none"> a. TITAN Corporate Values b. TITAN Group Code of Conduct c. TITAN Group CSR Policy d. TITAN Group Code of Conduct for Procurement e. TITAN People Management Framework f. TITAN Occupational Health and Safety Policy and guidelines g. TITAN Group Anti-Bribery and Corruption policy h. USJE Policies 	<p>STRATEGIC REVIEW: Our Values (p14), Our Governance Structure (p50), Ensuring Fair Competition and Fighting Corruption (p52-53), Meeting our CSR and Sustainability Commitments (p20-21), Focus on Material Issues (p18-21). PERFORMANCE HIGHLIGHTS: Value Creation (p17-19). HEALTH and SAFETY: TITAN Group Health and Safety Guidelines, and systems in place (p26-28,62), and SP KPIs (SP01L-SP12L). PEOPLE DEVELOPMENT: TITAN People Management Framework, Fostering Human Rights and Equal Opportunities and SP KPIs (SP13L-SP38L). ENGAGING WITH LOCAL COMMUNITIES: (p43-48) and SP KPIs (SP39L-SP43L). BUSINESS PARTNERS: Improve Suppliers' Overall Performance According To TITAN Standards (p35). ANNEXES: Environmental Performance Index of KPIs (EP KPIs), and Social Performance Index of KPIs (SP KPIs). The SP KPIs Index includes the KPIs for Health & Safety.</p>
	Principle 2: Businesses should make sure that they are not complicit in human rights abuses		
Labor Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<ul style="list-style-type: none"> a. TITAN Corporate Values b. TITAN Group Code of Conduct c. TITAN Group CSR Policy d. TITAN Group Code of Conduct for Procurement e. TITAN People Management Framework f. TITAN Occupational Health and Safety Policy and guidelines g. TITAN Group Anti-Bribery and Corruption policy h. USJE Policies 	<p>STRATEGIC REVIEW: Other Service and Collaboration (p6), Our Values (p14), Our Governance Structure (p50), Ensuring Fair Competition and Fighting Corruption (p52-53), Meeting our CSR and Sustainability Commitments (p20,21), Focus on Material Issues (p18-21). PERFORMANCE HIGHLIGHTS: Non-financial Highlights (p26), Value Creation (p17,22). HEALTH and SAFETY: TITAN Group Health and Safety Guidelines, and systems in place (p26-28,62), and SP KPIs (SP01L-SP12L). PEOPLE DEVELOPMENT: TITAN People Management Framework, Fostering Human Rights and Equal Opportunities, Ensuring Labor Rights and Freedom of Association, TITAN Group Employee Standards, Employee Benefits, Compensation and Welfare Programs ENGAGING WITH LOCAL COMMUNITIES: (p43-48) and SP KPIs (SP13L-SP43L). ANNEXES: Social Performance Index of KPIs (SP KPIs). The SP KPIs Index includes the KPIs for Health & Safety.</p>
	Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor		
	Principle 5: Businesses should uphold the effective abolition of child labor		
	Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation		
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges	<ul style="list-style-type: none"> a. TITAN Corporate Values b. TITAN Group Code of Conduct c. TITAN Group CSR Policy d. TITAN Group Environmental Policy, and USJE Policies 	<p>STRATEGIC REVIEW: Our Values (p14), Our Governance Structure (p50), Meeting our CSR and Sustainability Commitments (p20,21), Certified Management Systems. PERFORMANCE HIGHLIGHTS: Non-financial Highlights (p26), Value Creation (p17,22). ENVIRONMENTAL PERFORMANCE (p36-42) and EP KPIs (EP01L-EP40L). ENGAGING WITH LOCAL COMMUNITIES: Focusing on Local Development, SP KPIs (SP13L-SP43L). ANNEXES: Environmental Performance Index of KPIs (EP KPIs) and Social Performance Index of KPIs (SP KPIs). The SP KPIs Index includes the KPIs for Health & Safety.</p>
	Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility		
	Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies		
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	<ul style="list-style-type: none"> a. TITAN Corporate Values b. TITAN Group Code of Conduct c. TITAN Group CSR Policy d. TITAN Group Code of Conduct for Procurement e. USJE Policies 	<p>STRATEGIC REVIEW: Our Values (p14), Our Governance Structure (p50), Ensuring Fair Competition and Fighting Corruption (p52-53), Meeting our CSR and Sustainability Commitments (p20,21), Focus on Material Issues (p18-21). BUSINESS PARTNERS: Improve Suppliers' Overall Performance According To TITAN Standards.</p>

Independent limited assurance report



Independent limited assurance report

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To the management of Cementarnica USJE AD, Skopje

Introduction and scope of work

We were engaged by Cementarnica USJE AD, Skopje (further referred as to “the Company”), to provide limited assurance in relation to the following information, presented in Cementarnica USJE AD, Skopje Annual Sustainability Report for 2018 (further referred as to “the Sustainability Report”):

- The consistency of qualitative and quantitative non-financial disclosures presented, with regard to the criteria for Communication on Progress of the UN Global Compact.
- The completeness and accuracy of qualitative and quantitative sustainability disclosures, in specific for the areas of Environment and Health & Safety and regarding the criteria applicable in 2018, which are aligned with the sectoral guidelines and reporting standards (Cement Sustainability Initiative), and with the TITAN Standards for Reporting on Group and BU level.
- The methodology of materiality assessment with regard to the guidelines of AA1000 Standard.

Management responsibility

The Management of the Company is responsible for complete and accurate preparation and presentation of the Sustainability Report in accordance with the principles and standards listed in “Introduction and scope of work” paragraph above. This responsibility also includes the selection and application of appropriate methods to prepare the Sustainability Report and the use of assumptions and estimates for the individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and procedures relevant for the preparation of the Sustainability Report.



Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In this context, the assurance team is independent from the Company and has not participated in the preparation of the Company's Sustainability Report for the year 2018.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to perform an independent limited assurance engagement in order to express a conclusion based on the procedures carried out for the selected data, as described in the "Introduction and scope of work" section above.

Our work has been conducted in accordance with the ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the Board of International Standards on Auditing and Assurance. This standard requires that we comply with ethical requirements from Code of Ethics for Professional Accountants issued by the International Ethical Standards Board for Accountants, as well as to plan and perform independent limited assurance engagement in a way that will allow us to express a conclusion with limited assurance.

A limited assurance engagement is restricted primarily to enquiries and analytical procedures. The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with International Standards on Auditing and Assurance Engagements. To the extent it is permitted by the legislation in force, we neither accept nor assume any responsibility for our engagement or this report towards anyone other than the Company and the TITAN Group, unless the terms have been agreed explicitly in writing, with our prior consent.

Summary of work performed

Within the scope of our work we performed amongst others the following procedures concerning the materiality analysis, management approaches and key data presented in the Sustainability Report:

- Read the Sustainability Report (in its entirety) to ensure it is in accordance with the criteria detailed in the "Introduction and scope of work" section in this Independent limited assurance report;
- Review of external media reports to identify relevant sustainability issues in the reporting period, if any;



- Interviews with key personnel responsible for the preparation of the Sustainability Report, providing the sustainability performance information to understand and evaluate the processes, internal controls and information systems relating to the preparation of the aforementioned information;
- Understanding the Company regarding to its sustainability organizational structure, stakeholder dialogue and development process of the sustainability program;
- Comparing text and data (on a sample basis) presented in the Sustainability Report to underlying sources. This included considering whether all material issues had been included and whether the reported text and data was accurately drawn from the underlying information.

Limitations

Certain selected information involves non-financial data which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

To conduct our work, we relied exclusively on the information provided to us by the Company's executives, which we accepted in good faith as being complete, accurate, real and not misleading. Therefore, we did not submit it to any verification procedures, apart from the procedures explicitly stated in our Report and which arise from our mutually agreed methodology.

- No work has been conducted on data for previous reporting periods, as well as on data related to forecasts and targets.
- No work has been conducted on anything other than the agreed scope and consequently, our opinion is limited to that scope.

Limited assurance conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that caused us to believe that there are any errors or misstatements that would materially affect the data and information as presented in the Sustainability Report and that the Annual Sustainability Report for 2018 of Cementarnica USJE AD, Skopje was not prepared, in all material respects, in accordance with the criteria mentioned above, in the "Introduction and scope of work" section.

Skopje,

19 July 2019

Grant Thornton DOO, Skopje


Director
Suzana Stavrikj




Certified auditor
Suzana Stavrikj

Appendices

Independent Auditor's Report and financial statements

Non-financial statements

Independent Auditor's Report and financial statements



Independent auditor's report

To the Shareholders of Cementarnica Usje AD Skopje

Report on the separate financial statements

We have audited the accompanying separate financial statements of Cementarnica Usje AD Skopje, which comprise the separate statement of financial position as of 31 December 2018, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Accounting Standards applicable in the Republic of North Macedonia and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Standards on auditing applicable in the Republic of North Macedonia (the "Standards"). The Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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



Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Cementarnica Usje AD Skopje as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Accounting standards applicable in the Republic of North Macedonia.

Report on other legal and regulatory requirements

Annual report prepared by the Management in accordance with the requirement of the article 384 of the Company Law.

Management is also responsible for the preparation of the Annual accounts and Annual Report of Cementarnica Usje AD Skopje, which were approved by the Board of Directors on 27 February 2019.

As required by the Audit Law, we report that the historical information presented in the Annual Report prepared by Management of Cementarnica Usje AD Skopje in accordance with article 384 of the Company Law is consistent in all material respects with the financial information presented in the Annual Accounts and audited separate financial statements of Cementarnica Usje AD Skopje, as of 31 December 2018 and for the year then ended.

Petko Dimitrov
General Manager

PRICEWATERHOUSECOOPERS REVIZIJA DOO Skopje

8 April 2019
Skopje, Republic of North Macedonia



Dragan Davitkov
Certified Auditor

Cementarnica “USJE” AD - Skopje



SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 MKD'000	2017 MKD'000
Sales	3a	4,168,702	4,146,425
Other revenue	3b	101,090	102,314
Cost of sales	3c	(2,870,249)	(2,778,046)
Gross profit		1,399,543	1,470,693
Other operating income	3d	102,351	97,449
Other operating expenses	3e	(164,405)	(182,801)
Selling and marketing expenses	3f	(35,895)	(35,915)
Administrative expenses	3g	(168,564)	(163,467)
Operating profit		1,133,030	1,185,959
Finance income		5,698	6,791
Foreign exchange gains/(losses) net		3,236	5,494
Finance costs		(1,041)	(1,240)
Net finance income	3h	7,893	11,045
Profit before tax		1,140,923	1,197,004
Income tax expense	4	(92,373)	(103,632)
Profit for the year		1,048,550	1,093,372
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Investment Property revaluation surplus	7	9,844	-
Total comprehensive income for the year		1,058,394	1,093,372
Net profit for the period attributable to:			
Equity holder of the parent company		994,445	1,036,954
Non- controlling interest		54,105	56,418
		1,048,550	1,093,372
Earnings per share information:			
Basic, profit for the period attributable to ordinary equity holders of the parent company	5	1.86	1.94
Total Comprehensive income for the period attributable to:			
Equity holder of the parent company		1,003,781	1,036,954
Non - controlling interest		54,613	56,418
		1,058,394	1,093,372

The accompanying notes from 8 to 49 are an integral part of these financial statements

Cementarnica “USJE” AD - Skopje



**SEPARATE STATEMENT OF FINANCIAL POSITION
at 31 December 2018**

	Notes	2018 MKD '000	2017 MKD '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,411,653	2,289,939
Investment properties	7	187,396	168,498
Investment in subsidiary		14,660	157
Exploration and evaluation assets	8	4,183	4,183
		<u>2,617,892</u>	<u>2,462,777</u>
Current assets			
Inventories	9	707,936	672,241
Trade and other receivables	10	501,393	502,674
Income tax receivable		15,562	25,060
Cash and short term deposits	11	930,564	829,324
		<u>2,155,455</u>	<u>2,029,299</u>
TOTAL ASSETS		<u>4,773,347</u>	<u>4,492,076</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	1,747,730	1,747,730
Retained earnings		1,048,550	1,093,372
Other reserves	13	547,992	538,148
Reinvested profit		801,080	568,606
		<u>4,145,352</u>	<u>3,947,856</u>
Non-current liabilities			
Provision for retirement benefits	14	46,177	54,111
Provision for rehabilitation of quarries		10,612	10,612
		<u>56,789</u>	<u>64,723</u>
Current liabilities			
Trade and other payables	15	544,626	452,869
Provision for unused holidays		10,139	10,321
Current portion of retirement benefit obligations	14	6,707	5,298
Income tax payable		8,869	10,755
Dividend payable		865	254
		<u>571,206</u>	<u>479,497</u>
TOTAL EQUITY AND LIABILITIES		<u>4,773,347</u>	<u>4,492,076</u>

Authorized on behalf of the Board of Directors on 27 February 2019:

Hrisafovs Boris

Chief Executive Director



Nikos Mousouras

Finance Manager

Prepared by authorised accountant with certificate number 102613:

Barakoska Gabriela

Head of Accounting

The accompanying notes from 8 to 49 are an integral part of these financial statements

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Cementarnica “USJE” AD - Skopje



SEPARATE STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

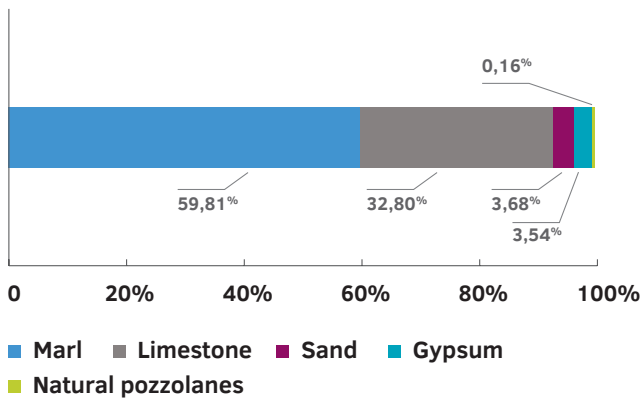
	<i>Notes</i>	2018 <i>MKD'000</i>	2017 <i>MKD'000</i>
Cash flows from operating activities			
Profit before income taxes		1,140,923	1,197,004
<i>Adjustments for:</i>			
Gain on disposal of property, plant and equipment		(4,925)	-
Depreciation of PPE and investment properties		155,383	162,586
Actuarial (gain)/losses, net		(337)	5,613
Interest income		(5,698)	(6,791)
Provision for obsolete inventory		3,152	9,991
Provision for unused holidays (net)		(183)	456
Fair value gain, net		(9,054)	(2,150)
Reversal of accrued income for compensation vehicles at a standstill		-	(14,757)
Interest expense and bank charges		1,041	1,240
Write off trade receivables		1,654	608
NBV of disposed and written off PPE		19	-
Operating profit before working capital changes		1,281,975	1,353,800
Increase in trade and other receivables		(219)	(118,240)
Increase in inventories		(38,847)	(16,691)
Increase in trade and other payables		85,957	65,311
Cash generated from operations		1,328,866	1,284,180
Interest expense and bank charges paid		(1,041)	(1,240)
Income tax paid		(84,760)	(104,583)
Net cash flows generated from operations		1,243,065	1,178,357
Cash flows from investing activities			
Purchase of property, plant and equipment		(277,377)	(263,154)
Increase of participation in subsidiaries		(14,504)	-
Expenditures for exploration and evaluation assets		-	(15,169)
Proceeds from sale of property, plant and equipment		4,646	-
Interest income received		5,698	6,791
Loan to associate		-	10
Net cash flows generated (used in) investing activities		(281,537)	(271,522)
Cash flows from financing activities			
Dividends paid to group shareholders		(816,437)	(892,894)
Dividends paid to minority shareholders		(43,851)	(48,612)
Net cash flows (used) in financing activities		(860,288)	(941,506)
Net increase in cash and cash equivalents		101,240	(34,671)
Cash and cash equivalents at 1 January		829,324	863,995
Cash and cash equivalents at 31 December	11	930,564	829,324

The accompanying notes from 8 to 49 are an integral part of these financial statements

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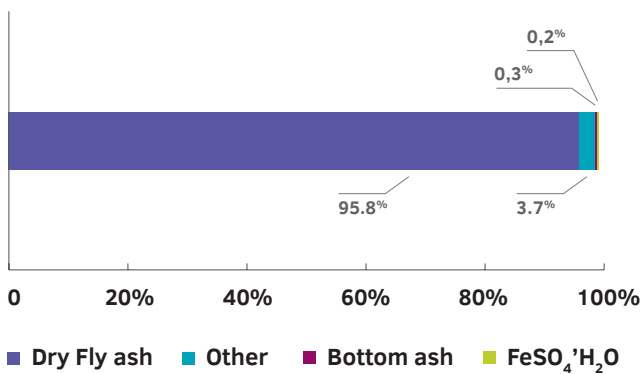
Non-financial statements

Use of Natural Raw Materials (%)



Use of Natural Raw Materials (%)		2018	%
Marl	t/y wet	873,462.40	59.81%
Limestone	t/y wet	479,061.76	32.80%
Sand	t/y wet	53,787.60	3.68%
Gypsum	t/y wet	51,675.74	3.54%
Natural pozzolanes	t/y wet	2,376.08	0.16%
Total (wet basis)	t/y wet	1,460,364	100.00%

Use of Alternative Raw Materials (%)



Use of Alternative Raw Materials (%)		2018	%
Dry Fly ash	t/y ^[15] wet	131,943	95.8%
Other	t/y ^[15] wet	5,038	3.7%
Bottom ash	t/y ^[15] wet	456	0.3%
FeSO ₄ ·H ₂ O	t/y ^[15] wet	336	0.2%
Total (wet basis)	t/y ^[15] wet	137,774	100%

Social Performance Index for Cementarica USJE		2016	2017	2018	SDGs & Targets	Codes
Health and safety	All activities performance acc. to the TITAN Global Sectoral Approach					
	Employee fatalities	0	0	0		SP01L
	Employee fatality rate	0	0	0,00		SP02L
	Contractors fatalities	0	0	2 (1)		SP03L
	Third-party fatalities	0	0	0		SP04L
	Employee Lost Time Injuries (LTIs)	3	2	2		SP05L
	Employee Lost Time Injuries Frequency Rate (LTIFR)	5,86	3,97	4,23	SDG 3; Target 3.6	SP06L
	Employee lost working days	62	20	72		SP07L
	Employee Lost Time Injuries Severity Rate	121,16	39,75	152,29	SDG 8; Target 8.8	SP08L
	Contractors Lost Time Injuries (LTIs)	0	1	3		SP09L
	Contractors Lost Time Injuries Frequency Rate (LTIFR)	0	2,28	6,57		SP10L
	All activities performance leading indicators					
	Near misses (2)	14	35	30		SP11L
	Training man-hours on health and safety per employee	15,54	13,03	14,70		SP12L

Social Performance Index for Cementarnica USJE		2016	2017	2018	SDGs & Targets	Codes
Employment	Number of employees as of 31 December	284	275	258		SP13L
	Females	41	40	40		
	Males	243	235	218		
	Employee turnover (%)	15%	8%	10,08%		SP14L
	Employees left	42	22	26		SP15L
	Employee new hires (%)	12%	4%	3,49%		SP16L
	Employee new hires	35	12	9		SP17L
	New hires per age group					SP18L
	Under 30	14	6	2		
	Between 30-50	20	6	6		
	Over 50	1	0	1		
	New hires per gender					SP19L
	Females	3	4	5	SDG 5; Targets: 5.1, 5.4, and 5.5	
	Males	32	8	4		
	Average employment	291	277	264		SP20L
	Employment per type				SDG 8; Targets: 8.5, 8.6, and 8.8	SP21L
	Full time	291	277	264		
	Part Time	0	0	0		
	Temporary	0	0	0		
	Employment per category				SDG 10; Target 10.3	SP22L
	Managers	22	20	22		
	Senior managers	4	5	5		
	Administration/technical	91	91	88		
	Semi skilled/unskilled	174	161	148		
	Employment per gender					SP23L
	Females	46	41	40		
	Males	245	236	224		
	Share of women in employment (%)	16%	15%	15,15%		SP24L
	Share of women in management (%)	31%	28%	25,93%		SP25L
	Share of women in Senior Management (%)	25%	20%	20,00%		SP26L
	Employees from local community (%)	32%	26%	30,68%		SP27L
	Unionized employees (%)	78%	79%	75,97%		SP28L

Social Performance Index for Cementarnica USJE		2016	2017	2018	SDGs & Targets	Codes
People Development	Training investment per employee (Euros)	159	153	152		SP29L
	Training investment per gender (Euros)	45.279	41.044	40.081		SP30L
	Females	7.150	9.294	18.023		
	Males	38.129	31.750	22.058		
	Trained employees	285	268	264		SP31L
	Share of trained employees (% in total workforce)	98%	97%	100%		SP32L
	Share of trained female employees (% in total trained)	15%	13%	15,15%		SP33L
	Trained employees per category					SP34L
	Managers	25	21	22	SDG 4; Targets: 4.3, 4.4, and 4.5	
	Senior managers	16	4	5		
	Administration/technical	103	84	87		
	Semi skilled/unskilled	141	159	150		
	Trained employees per age group				SDG 5; Targets: 5.1, and 5.5	SP35L
	Under 30	42	35	21		
	Between 30-50	104	86	96		
	Over 50	139	147	147		
	Training hours	14.926	11.259	10.431	SDG 8; Target 8.5	SP36L
	Average training hours per employee, and breakdown per gender	51	41	40		SP37L
	average female	59	63	64	SDG 10; Target: 10.2, and 10.3	
	average male	50	37	35		
	Training hours per subject					SP38L
	Environment: care and management systems	9	1.015	312	SDG 16; Target 16.5	
	Foreign languages	0	0	0		
	Health and safety	4.513	3.610	3.873		
	Human Rights	6	12	0		
	Management and managerial skills	3.290	1.412	211		
	Non-technical skills and specialization	1.074	1.910	1.745		
	Other	3.942	1.490	712		
	Security	0	0	0		
	Technical know-how and core competence	2.092	1.810	3.347		
	TITAN Group Code of Conduct	0	0	231		

Social Performance Index for Cementarnica USJE		2016	2017	2018	SDGs & Targets	Codes
Stakeholder Engagement	Donations (Euros)	107.194	98.011	130.257		SP39L
	Donations in cash (Euros)	78.086	93.884	12.645		SP40L
	Donations in kind (Euros)	29.108	4.127	117.612		SP41L
	Internships	166	42	43	SDG 2; Targets 2.1, and 2.3 SDG 4; Targets: 4.3, and 4.4 SDG 8; Targets: 8.5, and 8.6 SDG 9; Targets: 9.1, and 9.5 SDG 11; Target 11.4 SDG 16; Target 16.5 SDG 17; Target 17.17	SP42L
	New entry level jobs from internships/ traineeships	49	1	2		SP43L

Environmental Performance Index for Cementarnica USJE			2016	2017	2018	SDGs & Targets	Codes	
1. BU – Performance of all activities, acc. to the Sectoral Approach adopted by TITAN Group								
Local Impacts	Raw materials extracted (total, wet)	million t	1,5	1,5	1,5	SDG 12 Target 12.2	EP01L	
	Raw materials extracted for clinker and cement production	million t	1,3	1,4	1,4		EP02L	
	Raw materials extracted for aggregates	million t	0,2	0,1	0,1		EP03L	
	Impact on natural raw materials recourses	Raw materials consumed for clinker and cement production (dry)	million t	1,4	1,4		1,4	EP04L
		Raw materials consumed for ready mix, dry mortar and block production (wet)	million t	0,1	0,0		0,0	EP05L
		Externally recycled waste materials (total, wet)	t	335	250		496	SDG 12 Targets 12.4 and 12.5
Impact on water recourses	Water consumption (total)	million m ³	0,1	0,1	0,1	SDG 6 Targets 6.3, 6.4 and 6.5	EP07L	
	Water withdrawal (total, by source)	million m ³	0,1	0,1	0,3		EP08L	
	Water discharge (total, by destination)	million m ³	0,0	0,0	0,2		EP09L	
Impact on biodiversity and land stewardship	Active quarry sites with biodiversity issues		0,0	0,0	0,0	SDG 15 Targets 15.3, 15.4, 15.5, 15.9 and 15.a	EP10L	
	Active quarry sites with biodiversity management plans		0,0	0,0	0,0		EP11L	
	Active quarry sites with biodiversity management plans	%	0,0	0,0	0,0		EP12L	
	Sites with community engagement plans	%	100,0	100,0	100,0		EP13L	
	Sites with quarry rehabilitation plans	%	100,0	100,0	100,0		EP14L	
	Active quarry sites (wholly owned) with ISO14001 or similar	%	100,0	90,0	90,0		EP15L	
Fuels and Energy Impact on energy recourses	Thermal energy consumption (total)	TJ	2.568	2.627	2.732	SDG 7 Target 7.2	EP16L	
	Electrical energy consumption (total)	TJ	355	363	373		EP17L	

Environmental Performance Index for Cementarnica USJE			2016	2017	2018	SDGs & Targets	Codes
2. BU – Performance of cement plants, and attached and related quarries, acc. to the Sectoral Approach adopted by TITAN Group							
Climate change Impact on Green House Gas Emissions	Specific gross direct CO ₂ emissions	kg/t Cementitious Product	690,7	673,1	669,6	SDG 9 Target 9.4	EP18L
	Specific net direct CO ₂ emissions	kg/t Cementitious Product	690,7	673,1	669,3		EP19L
	Indirect CO ₂ emissions (total)	million t	0,1	0,1	0,1		EP20L
Alternative fuels and materials	Alternative fuel substitution rate	%Heat Basis	0,0	0,0	0,5	SDG 7 Target 7.2, 7.3 and 7.a	EP21L
	Biomass in fuel mix	%Heat Basis	0,0	0,0	0,4		EP22L
	Clinker to cement ratio		0,763	0,731	0,730		EP23L
Impact on energy recourses	Cement and grinding plants and attached quarries	TJ	2.568	2.628	2.732	SDG 12 Target 12.2	EP24L
	Alternative fuels consumption (total)	t	0,0	0,0	920		EP25L
	Cement plants and attached quarries	GWh	98,5	100,8	103,6		EP26L
Local Impacts	Materials consumption (total, dry)	million t	1,4	1,4	1,4	SDG 12 Target 12.2	EP27L
Impact on natural raw materials recourses	Alternative raw materials substitution (clinker & cement)	%Dry	6,2	8,2	9,6		EP28L
Impact on water recourses	Water consumption (total)	million m ³	0,0	0,1	0,1	SDG 6 Target 6.4 and 6.5	EP29L
Other air emissions	Coverage rate continuous measurement	%	100,0	100,0	100,0	SDG 3 Target 3.9 SDG 9 Target 9.4	EP30L
	Specific dust emissions	g/tClinker	17,5	22,6	13,0		EP31L
	Specific NO _x emissions	g/tClinker	1.501,2	1.372,7	1.236,3		EP32L
	Specific SO _x emissions	g/tClinker	18,0	20,0	46,5		EP33L

Environmental Performance Index for Cementarnica USJE			2016	2017	2018	SDGs & Targets	Codes
3. BU – Detailed disclosures concerning materials, fuels, and waste, all activities							
Impact on fuels and energy resources	Fuel mix, energy consumption for clinker and cement production	%Heat Basis	100,0	100,0	100,0	SDG 7 Target 7.2	EP34L
	Conventional fossil fuels	%Heat Basis	100,0	100,0	99,5		EP35L
	Alternative fossil and mixed fuels	%Heat Basis	0,0	0,0	0,3	SDG 12 Target 12.2	EP36L
	Biomass fuels	%Heat Basis	0,0	0,0	0,2		EP37L
Management of waste	Waste disposal (total, wet)	t	648	457	704	SDG 12 Targets 12.4 and 12.5	EP38L
	Waste disposal, break down by destination-usage (wet)	%By mass	100,0	100,0	100,0		EP39L
4. BU – Investments for the Environment, all activities							
	Environmental expenditures across all activities	million €	0,6	0,8	1,1	SDG 7 Target 7.b SDG 9 Target 9.4	EP40L

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