NEXE GRUPA d.d. and

Subsidiaries, Našice

Consolidated Financial Statements
For the year ended 31 December 2010
together with the Independent Auditor's Report

Contents

Responsibility of the Board for the Consolidated Financial Statements

Pursuant to the Croatian Accounting Law (Official Gazette 109/07), the Management Board is responsible for ensuring that financial statements are prepared in accordance with the requirements of International Financial Reporting Standards applicable in European Union so as to give a true and fair view of the financial position and results of the Group Nexe Grupa d.d., Našice (hereinafter: the Group) for that period. The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and must also ensure that the financial statements comply with the Croatian Accounting Law (Official Gazette 109/07). The Management Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board:

Ivan Ergović,
President of the Board

Tomislav Rosandić,
Member of the Board

nexe GRUPA d.d. NAŠICE (8)

Nexe Grupa d.d., Našice
B. Radića 200
31500 Našice
Republic of Croatia

Našice, 4 March 2011

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management Board of the company and Group Nexe Grupa d.d. Našice

We have audited the accompanying consolidated financial statements of Nexe Grupa d.d., Našice (hereinafter: the Company), and its subsidiaries (hereinafter: the Group), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as presented on pages 3 to 74.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards applicable in European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit as to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, consolidated financial statements give true and fair view, in all material respects, of the financial position of the Group as at 31 December 2010 and the results of its operations, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards applicable in European Union.

Grant Thornton revizija d.o.o.
Koranska 16, 10000 Zagreb
Zagreb, 4 March 2011

GRANT THORNTON
revizija d.o.o.
ZAGREB

Martina Butković
Certified auditor

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

(All amounts are expressed in thousands of kunas)

	Note	2010	2009
Operating income			
Sales revenue	4	1,099,171	1,262,571
Other operating income	5	87,320	74,940
		1,186,491	**1,337,511**
Operating expenses			
Raw materials, consumables and energy used	6	(623,924)	(631,603)
Staff costs	7	(248,040)	(257,940)
Depreciation and amortisation	14.15	(140,099)	(133,492)
Other operating expenses	8	(220,005)	(194,977)
		(1,232,068)	**(1,218,012)**
(Loss) / profit from operations		**(45,577)**	**119,499**
Restructuring costs	9	-	(15,459)
Financial income and expenses			
Financial income	10	67,985	127,886
Financial expenses	10	(196,081)	(220,346)
Net financial result		**(128,096)**	**(92,460)**
Share of profit of associates		**2,173**	**-**
(Loss) / profit before tax		**(171,500)**	**11,580**
Income tax expense	11	(9,546)	(31,429)
(Loss) after tax		**(181,046)**	**(19,849)**
Non-controlling interest	27	10,699	2,938
(Loss) attributable to equity holders of the Parent		**(170,347)**	**(16,911)**
Other comprehensive income / (loss)			
Available-for-sale financial assets		13,983	10,778
Exchange differences - foreign operations		(7,368)	(26,773)
Other comprehensive income / (loss)		**6,615**	**(15,995)**
Total comprehensive income for the year attributable to:		**(174,431)**	**(35,844)**
Owners of the Company		(162,327)	(30,675)
Non-controlling interest		(12,104)	(5,169)
Basic (loss) per share (in HRK)	12	(18.00)	(35.74)
Diluted (loss) per share (in HRK)	12	(19.15)	(38.62)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010

All amounts are expressed in thousands of kunas)

ASSETS	**Note**	**2010**	**2009**
Non-current assets			
Intangible assets	14	18,239	14,112
Property, plant and equipment	15	1,556,743	1,546,236
Financial assets available for sale	16	86,355	175,229
Investments in subsidiaries	17	1,505	1,992
Investment in associate	18	44,065	42,819
Receivables for given loans and deposits	19	7,398	9,678
Goodwill	20	14,108	14,108
Deferred tax asset	11	3,746	1,665
		1,732,159	**1,805,839**
Current assets			
Inventories	21	403,976	349,804
Trade and other receivables	22	567,621	548,791
Loan receivables and other financial assets	23	48,449	128,611
Cash and cash equivalents	24	42,132	16,629
Prepaid expenses and accrued income		28,396	29,550
Assets held for sale		14,477	8,262
		1,105,051	**1,081,647**
TOTAL ASSETS		**2,837,210**	**2,887,486**
Capital and reserves			
Share capital	25	94,638	94,638
Treasury shares	25	(97,728)	(97,728)
Revaluation of financial instruments	26	13,339	(882)
Reserves	26	86,071	85,734
Retained earnings and current period result	25	461,673	656,444
Foreign exchange differences		(51,100)	(45,023)
Equity attributable to equity holders of the Parent		**506,893**	**693,183**
Non-controlling interests	27	37,180	49,284
		544,073	**742,467**
LIABILITIES			
Long-term loans, leases and bonds	28	438,238	976,441
Long-term provisions	29	22,519	20,702
Deferred tax liability	11	21,370	22,080
		482,127	**1,019,223**
Current liabilities			
Trade and other payables	30	443,079	321,892
Short-term borrowings and current portion of long-term borrowings	31	1,352,186	791,107
Accrued expenses and deferred income		15,745	12,797
		1,811,010	**1,125,796**
TOTAL EQUITY AND LIABILITES		**2,837,210**	**2,887,486**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

(All amounts are expressed in thousands of kunas)

	Share capital	Treasury shares	Revaluation of financial instruments	Reserves	Retained earnings and current period result	Foreign exchange differences	Equity attributable to equity holders of the Parent	Non-controlling interest	Total
Balance as at 31 December 2008	**94,638**	**(10,228)**	**(13,075)**	**74,404**	**685,994**	**(20,478)**	**811,255**	**54,626**	**865,881**
Current year loss	-	-	-	-	(16,911)	-	(16,911)	(2,938)	(19,849)
Reclassification to profit or loss	-	-	2,926	-	-	-	2,926	-	2,926
Current year gains (losses)	-	-	7,852	(243)	243	-	7,852	-	7,852
Foreign exchange differences	-	-	-	-	3	(24,545)	(24,542)	(2,231)	(26,773)
Other comprehensive income	**-**	**-**	**10,778**	**(243)**	**(16,665)**	**(24,545)**	**(30,675)**	**(5,169)**	**(35,844)**
Acquisition of treasury shares	-	(87,500)	-	-	-	-	(87,500)	-	(87,500)
Distribution of 2009 profit	-	-	-	12,885	(12,885)	-	-	-	-
Non-controlling interests share acquisition	-	-	-	103	-	-	103	(173)	(70)
Balance as at 31 December 2009	**94,638**	**(97,728)**	**(2,297)**	**87,149**	**656,444**	**(45,023)**	**693,183**	**49,284**	**742,467**
Corrections of opening balance	-	-	1,415	(1,415)	-	-	-	-	-
Balance as at 31 December 2009	**94,638**	**(97,728)**	**(882)**	**85,734**	**656,444**	**(45,023)**	**693,183**	**49,284**	**742,467**
Current year loss	-	-	-	-	(170,347)	-	(170,347)	(10,699)	(181,046)
Reclassification to profit or loss	-	-	4,477	-	-	-	4,477	-	4,477
Current year gains (losses)	-	-	9,506	-	-	-	9,506	-	9,506
Foreign exchange differences	-	-	114	-	-	(6,077)	(5,963)	(1,405)	(7,368)
Other comprehensive income	**-**	**-**	**14,097**	**-**	**(170,347)**	**(6,077)**	**(162,327)**	**(12,104)**	**(174,431)**
Revaluation reserves	-	-	-	-	(566)	-	(566)	-	(566)
Transfer to reserves	-	-		337	(337)	-	-	-	-
Bilokalnik drvo d.o.o. entering into consolidation	-	-	124	-	(23,512)	-	(23,388)	-	(23,388)
Nexe trade s.r.l. entering into consolidation	-	-	-	-	(9)	-	(9)	-	(9)
Balance as at 31 December 2010	**94,638**	**(97,728)**	**13,339**	**86,071**	**461,673**	**(51,100)**	**506,893**	**37,180**	**544,073**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

(All amounts are expressed in thousands of kunas)

	2010	2009
Operating activities		
(Loss) / profit before taxation	(171,500)	11,580
Adjusted for:		
Depreciation and amortization	140,099	133,492
Net book value of disposed tangible and intangible non-current assets	8,606	24,310
(Decrease) / increase of allowance for loan receivables	(335)	6,790
Increase in allowance for trade receivables and other financial assets	41,551	9,594
Share of profit of associate	(2,173)	-
Provisions for risks	801	1,076
Foreign exchange differences and other adjustments	(8,723)	18,691
Net cash flows from operations before working capital changes	**8,326**	**205,533**
(Increase) of inventories	(38,622)	(15,429)
(Increase) of receivables from customers	(39,775)	(25,099)
(Increase) / decrease of other short-term receivables	(12,883)	4,426
Increase / (decrease) of liabilities towards suppliers	60,885	(44,990)
Increase / (decrease) of other short-term liabilities	61,483	(35,764)
Net cash flows from operations	**39,414**	**88,677**
Income tax paid	(11,284)	(1,488)
Net cash flows from operating activities	**28,130**	**87,189**
Investing activities		
Purchases of tangible and intangible asset	(94,770)	(165,487)
Decrease / (increase) of shares	1,110	(1,146)
Decrease / (increase) of loans and other receivables	11,899	(7,177)
Decrease of assets available for sale	102,692	30,916
Acquisition of treasury shares	-	(87,500)
Net cash from / (used in) investing activities	**20,931**	**(230,394)**
Financial activities		
(Decrease) / increase of loans and leases including interests	(23,558)	136,413
Net cash (used in) / generated from financing activities	**(23,558)**	**136,413**
Net increase / (decrease) in cash and cash equivalents	**25,503**	**(6,792)**
Cash and cash equivalents at the beginning of the year	16,629	23,421
Cash and cash equivalents at the end of the year	**42,132**	**16,629**

The accompanying notes are an integral part of these consolidated financial statements.

1. GENERAL

Nexe Grupa has headquarters in Našice, Braće Radića 200. The Group operates on international market as the manufacturer of cement, construction material and other products, and as provider of certain services.

The Group consists of:

Parent Company:

- Nexe Grupa d.d., Našice – a holding company.

Subsidiaries:

- Našicecement d.d., Našice, Croatia – cement production;
- Luka Tranzit Osijek d.o.o., Osijek, Croatia – port and warehousing activities and trade;
- Ekonex d.o.o. Našice, Croatia - collection of hazardous waste;
- Nexe d.o.o. Novi Sad, Serbia - management and trade;
- Nexe kamen d.o.o. Doboj, Bosnia and Herzegovina – excavation of minerals and stone.

Sub-subsidiaries:

Entities in Croatia:

- Našička gradnja d.o.o., Našice – final construction and installation works, wholesale of non-agricultural products, retail trade of furniture and other household products, electrical appliances, iron products, paints and glass;
- Slavonija IGM d.o.o., Našice – production of bricks, roofing tiles, ceramic products, extraction of clay and kaolin, final construction works;
- Feravino d.o.o., Feričanci – vine production, home and garden plants, fruit and vegetable processing and preservation, manufacturing of beverages;
- Osilovac d.o.o., Feričanci – agriculture, livestock breeding, fishery, export and import of food products;
- Farma Feričanci d.o.o., Feričanci – stock breeding for milk and accretion;
- Gastro-market d.o.o., Našice – restaurants, canteens and prepared food supplying, buildings cleansing;
- Dilj IGM d.o.o., Vinkovci – production of bricks and roofing tiles;
- Našički autocentar d.o.o., Našice – automobile and spare parts trade, automobile maintenance;
- Nexe beton d.o.o., Našice – concrete production;
- Cement market d.o.o., Našice – retail trade;
- Igma d.o.o., Koprivnica – pebble and sand excavation;
- Bilokalnik drvo d.o.o., Koprivnica – woodwork production and production of doors.

Entities in Bosnia and Herzegovina:

- GP Put d.d., Sarajevo – building and similar activities (GP Put has registered business units in Kenya, Uganda and Pakistan);
- Agregati i betoni d.o.o., Sarajevo – concrete production;
- Tvornica opeke d.o.o., Sarajevo – brick production;
- Nexe d.o.o., Sarajevo – management and trade.

Entities in Serbia:

- Polet a.d., Novi Bečej – production of bricks, roofing - tiles, ceramic products, extraction of clay and kaolin;
- Polet keramika d.o.o., Novi Bečej - production of tiles;
- Jelen Do a.d., Jelen Do – stone mine, stone processing and lime production;
- Stražilovo IGM d.o.o., Sremski Karlovci – brick production.
- Nexe beton d.o.o., Novi Sad – production of concrete.

Entities in Romania:

- S.C. Nexe Trade s.r.l., Dumbravita, Romania - intermediation in trade of construction materials.

Group entities that are not consolidated:

- NC Betoni d.o.o. Zagreb, Croatia - production and distribution of concrete;
- Nexe Kamen d.o.o. Trenkovo, Croatia - stone production;
- Kraljev vrt d.o.o. Perušić, Croatia - production of construction materials; construction and trade,
- Nekse d.o.o. Lendava, Slovenia – cement trade;
- Nexe beton d.o.o. Banja Luka, Bosnia and Herzegovina - concrete production;
- Z.a.o. Nexe Rus, Dobrjatino, Vladimirska county, Russia – production of concrete, limestone and plaster;
- Laurus Consulting AG, Switzerland – financial and other services;
- Nexe gradnja d.o.o. Novi Sad, Serbia – construction of residential and non-residential buildings

Nexe gradnja d.o.o. Novi Sad, Serbia has been founded in November 2010 by Našička gradnja d.o.o. Našice.

As at 31 December 2010 the Group had 3,494 employees, out of which in Croatia 1,735, Bosnia and Herzegovina 917, Serbia 841 and Romania 1 employees. As at 31 December 2009 the Group had 3,404 employees (out of which in Croatia 1,621, Bosnia and Herzegovina 948 and Serbia 835 employees).

The consolidated financial statements are expressed in thousands of Croatian kunas.

Management Board:

- Ivan Ergović, President of the Board,
- Krešimir Dundović, Member of the Board,
- Tomislav Rosandić, Member of the Board,
- Oto Ostović, Member of the Board.

Each member of the Board represents the Company solely and independently.

Supervisory Board:

- Željko Perić, President from November 2009, Member from June 2009 until November 2009
- Željko Lukač, Deputy President
- Nenad Filipović, Member from November 2009
- Darko Marinac, President until November 2009
- Ivan Gerovac, Member until May 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Statement of compliance

Financial statements of the Company and the Group are prepared in accordance with International Financial Reporting Standards applicable in the European Union.

Accounting policies have not been changed during the reporting period compared to the previous year.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are stated at fair value.

The accounting policies have been applied consistently, except as disclosed otherwise. The financial statements have been prepared under accrual principle on a going concern basis.

The financial statements are presented in thousands of Croatian kuna ('000 HRK) as a reporting and measurement currency. As at 31 December 2010 exchange rate for 1 USD and 1 EUR was 5.57 HRK i.e. 7.39 HRK (31 December 2009: 5.09 HRK i.e. 7.31 HRK).

Standards, Amendments and Interpretations issued by IASB, adopted by the Croatian Board and effective

The Group has adopted new and revised Standards and Interpretations in the current period. The application of the revised Standards has not materially affected financial position and results of the Group's operations and comparative information has been disclosed as required. Adoption of revised Standards had no effect on the equity as at 1 January 2010.

- *IFRS 1 First-time Adoption of IFRS, cost of an investment at first application - revised (effective for annual periods beginning on or after 1 January 2010),*
- *IFRS 2 Share based payment – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 1 Presentation of Financial Statements – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 16 Property, Plant and Equipment – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 18 Revenue (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 19 Employee Benefits – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance – revised (effective for annual periods beginning on or after 1 January 2010),*

- *IAS 23 Borrowing costs – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 27 Consolidated and Separate Financial Statements – Cost of an investment at first application (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 28 Investments in Associates – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 29 Financial Reporting in Hyperinflationary Economies – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 31 Interests in Joint Ventures – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 36 Impairment of Assets – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 38 Intangible Assets – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 39 Financial Instruments: Recognition and Measurements – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 40 Investment Property –revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 41 Agriculture – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2010),*
- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 January 2010),*
- *IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 January 2010),*
- *IFRIC 18 Transfers of Assets from Customers (effective for annual periods beginning on or after 1 January 2010),*
- *IFRS 3 Business Combinations – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – revised (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 28 Investments in Associates - revised based on IFRS improvements (effective for annual periods beginning on or after 1 January 2010),*

- *IAS 31 Interests in Joint Ventures - revised based on IFRS 3 amendment (effective for annual periods beginning on or after 1 January 2010),*
- *IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedge items (effective for annual periods beginning on or after 1 January 2010).*

Standards, Interpretations and Amendments to existing standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2010:

- *2010 IFRS Improvements (most of those improvements are effective for annual periods beginning on or after 1 July 2010 or 1 January 2011),*
- *IFRS 9 Financial Instruments – effective for annual periods beginning on or after 1 January 2013,*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010),*
- *IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2013),*
- *Amendments to IAS 24 Related party Disclosures (as revised in 2009) (effective for annual periods beginning on or after 1 January 2011).*

Management anticipates that all of the relevant interpretations and standards will be adopted in the financial statements of the Group for the first period beginning after their effective date and that their adoption should not have a material impact on the Group's financial statements in the year of first application.

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidies to bring their accounting policies in line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity herein. Non-controlling interests consist of the amount of those interests at the date of the original business combination in line with IFRS 3 and the non-controlling 's share of changes in equity since the date of the combination.

(All amounts are expressed in thousands of kunas)

Companies under control that are consolidated:

Name of subsidiary	Country of incorporation	Portion of ownership interest	Portion of voting power held	Principal activity
Našicecement d.d.	Croatia	91.55	100.00	Cement production
Luka Tranzit d.o.o.	Croatia	81.85	81.85	Port activities, sand excavation
Dilj IGM d.o.o.	Croatia	98.98	100.00	Brick and tile production
Slavonija IGM d.o.o.	Croatia	77.62	91.35	Brick production
Igma d.o.o.	Croatia	100.00	100.00	Pebbles and sand excavation
Našička gradnja d.o.o.	Croatia	100.00	100.00	Construction
Feravino d.o.o.	Croatia	100.00	100.00	Vine production and trade
Osilovac d.o.o.	Croatia	98.07	98.07	Crop and Livestock
Farma Feričanci d.o.o.	Croatia	98.07	98.07	Livestock
Našički autocentar d.o.o.	Croatia	96.32	96.32	Car trade and servicing
Gastro market d.o.o.	Croatia	100.00	100.00	Restaurant service
Nexe beton d.o.o.	Croatia	96.35	100.00	Concrete production
Cement market d.o.o.	Croatia	77.62	91.35	Sale of construction products
Ekonex d.o.o.	Croatia	100.00	100.00	Collection of hazardous waste
Bilokalnik drvo d.o.o.	Croatia	100.00	100.00	Woodwork production and production of doors
Polet a.d.	Serbia	92.86	92.86	Tiles production
Polet keramika d.o.o.	Serbia	92.86	92.86	Tiles production
Jelen Do a.d.	Serbia	87.95	87.95	Production of binding materials
Stražilovo IGM d.o.o.	Serbia	100.00	100.00	Brick production
Nexe beton d.o.o. Novi Sad	Serbia	100.00	100.00	Concrete production
Nexe d.o.o. Novi Sad	Serbia	100.00	100.00	Management
GP Put d.d.	Bosnia and Herzegovina	72.53	72.53	Construction
Tvornica opeke d.o.o.	Bosnia and Herzegovina	100.00	100.00	Brick production
Agregati i betoni d.o.o.	Bosnia and Herzegovina	100.00	100.00	Concrete production and production of similar products
Nexe d.o.o. Sarajevo	Bosnia and Herzegovina	100.00	100.00	Management
Nexe kamen d.o.o.	Bosnia and Herzegovina	100.00	100.00	Stone excavation and trade
Nexe Trade s.r.l.	Romania	95.24	95.24	Sale of construction products

Nexe Trade s.r.l. and Bilokalnik drvo d.o.o. have been consolidated in the financial statements for the year ended 31 December 2010, Bilokalnik drvo d.o.o. has not been consolidated in 2009 as it was classified as asset held for sale while Nexe Trade s.r.l. was not significant to the Group. Comparative information of the

(All amounts are expressed in thousands of kunas)

Group for 2009 does not include results of Bilokalnik drvo d.o.o. for the year ended 31 December 2009 as follows:

Statement of Financial Position of Bilokalnik drvo d.o.o. as at 31 December 2009

	2009		**2009**
Non-current assets		**Capital and reserves**	
Intangible assets	438	Share capital	33,385
Property, plant and equipment	94,207	Loss brought forward	(56,773)
Receivables for given loans and deposits	1,075		**(23,388)**
Deferred tax asset	157	**Liabilities**	
	95,877	Long-term loans	25,507
Current assets		Long-term provisions	1,015
Inventories	21,766	Total long term liabilities	**26,522**
Receivables from related parties	111		
Other receivables	14,607	**Current liabilities**	
Cash and cash equivalents	706	Liabilities to related parties	77,319
	37,190	Liabilities to financial institutions	20,497
		Total short term liabilities	32,117
			129,933
TOTAL ASSETS	**133,067**	**TOTAL EQUITY AND LIABILITIES**	**133,067**

(All amounts are expressed in thousands of kunas)

Statement of Other Comprehensive income / (loss) of Bilokalnik drvo d.o.o. for 2009

	2009	Income and expenses from Group transactions– 2009
Operating income		
Sales revenue	42,432	(2,485)
Other operating income	24,205	-
	66,637	**(2,485)**
Operating expenses		
Raw materials, consumables and energy used	(32,160)	1,801
Staff costs	(16,308)	-
Depreciation and amortisation	(4,547)	-
Other operating expenses	(17,129)	-
	(70,144)	**1,801**
Loss from operations	**(3,507)**	**(684)**
Financial income	1,052	-
Financial expenses	(8,884)	3,770
Net financial result	**(7,832)**	**3,770**
Loss before tax	(11,339)	3,086
Income tax expense	-	-
(Loss) after tax	**(11,339)**	**3,086**
Other comprehensive income		
Available-for-sale financial assets	7	-
Total comprehensive (loss)	**(11,332)**	**3,086**

Companies under control that are not consolidated:

Name of subsidiary	**Country of incorporation**	**Portion of ownership interest**	**Portion of voting power held**	**Principal activity**
NC Betoni d.o.o. Zagreb	Croatia	100.00	100.00	Production and distribution of concrete
Kraljev vrt d.o.o. Perušić	Croatia	77.62	91.35	Production of construction materials; construction and trade
Nexe kamen d.o.o. Trenkovo	Croatia	100.00	100.00	Stone production
Nexe gradnja d.o.o. Novi Sad	Serbia	100.00	100.00	Construction of residential and non-residential buildings
Nekse d.o.o. Lendava	Slovenia	100.00	100.00	Cement trade
Nexe beton d.o.o. Banja Luka	Bosnia and Herzegovina	100.00	100.00	Concrete production
Z.a.o. Nexe Rus, Dobrjatino	Russia	99.00	99.00	Production of concrete, limestone and plaster
Laurus Consulting AG	Switzerland	100.00	100.00	Financial and other services

Companies that are not consolidated were not active in 2010 and are not significant to the Group.

b) Business combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, when full control over the acquiree is acquired.

c) Goodwill

Goodwill acquired through business combinations is initially measured at cost being the excess of the cost of the business combination over the Group’s share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, the carrying amount of goodwill is tested to determine whether there is any indication that those assets have suffered an impairment loss. The test is done annually or more frequently if there are some new circumstances that indicate that the carrying amount could be impaired.

d) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Sales are recognised, net of sales taxes and discounts, when delivery of goods or rendering of a service has taken place and the transfer of risks and rewards has been completed.

e) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion of a contract is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they are agreed with the customer. When the outcome of a construction contract cannot be estimated reliably revenue shall be recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs shall be recognised as an expense in the period in which they are incurred. An expected loss on the construction contract shall be recognised as an expense immediately.

f) Financial revenues and expenses

Financial revenues and expenses comprise interests on loans calculated by using the effective interest rate method, receivables for interests on investments, revenues from dividends, gains and losses from exchange rate differences, gains and losses from financial assets at fair value through the income statement.

(All amounts are expressed in thousands of kunas)

Interest revenues are recognized in the income statement on an accrual basis using the effective interest rate. Dividends are recognized in the income statement at the date when the Group's right to receive payment is established.

Financial expenses comprise interests on loans, changes of fair value of financial assets at fair value through the income statement, impairment losses of financial assets and foreign exchange losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the income statement using the effective interest rate method, otherwise they are capitalized.

g) Foreign currencies

Transactions in currencies other than Croatian kuna are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the mid exchange rate of the Croatian National Bank prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period, except for those on non-monetary assets, which are reported directly in equity.

As at 31 December exchange rate was as follows

31 December 2010	EUR 1 = HRK 7.385173	USD 1 = HRK 5.568252
31 December 2009	EUR 1 = HRK 7.306199	USD 1 = HRK 5.089300

h) Retirement and other employee benefits

The Group has no defined post-retirement benefit plans for its employees or management in Croatia or abroad. Accordingly, no provisions for those charges have been made.

Legal pension and health insurance contributions are paid on behalf of the Group's employees. This obligation applies to all staff hired based on employment contract. The contributions are paid at a certain percentage determined based on gross salary.

Contributions for employees in Croatia are calculated and paid as follows:

	2010	**2009**
Pension fund contribution	20%	20%
Health insurance	15%	15%
Employment fund contribution	1.7%	1.7%
Injuries at work	0.5%	0.5%

Above mentioned liabilities for pension insurance are being deducted from the employee gross salary while other contributions are calculated on the employer's behalf.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions (see note 7).

The Group provides employees with jubilee and one-off retirement benefits. The obligation and costs of these benefits are determined using a projected unit credit method. The Projected Unit Credit Method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the benefit obligation.

i) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year in accordance with the Croatian regulations. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arisen on investments in subsidiaries and associates or joint ventures, unless the Group is not able to control the reversal of temporary differences and if it is probable that the temporary difference will not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has the ability and intention to settle its current tax asset and liability on a net basis.

(All amounts are expressed in thousands of kunas)

j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation (except for land) and any recognised impairment loss. Cost includes the purchase price and all costs directly linked to bringing the asset into working condition for intended purpose. Subsequent expenditures relating to an item of property, plant and equipment are added to the carrying amount of the asset when it is probable that additional future economic benefits will flow to the Group because of the subsequent expenditure and when those expenditures improve the condition of the asset beyond its originally assessed standard of performance. All other subsequent expenditures are recognized as an expense in the period when they are incurred.

Small assets under 3,500 kuna are expensed at the time they are put into use.

The cost of a self-constructed asset includes cost of material, direct labour and other costs linked to bringing the asset into working condition, as well as dismantling, removal and restoring costs.

Gains or losses on the retirement or disposal of fixed assets are included in the income statement in the period when they occur.

Properties in the course of construction are carried at cost, less impairment loss, if any.

Depreciation commences when the assets are ready for their intended use. Assets under construction are not depreciated. Depreciation is calculated based on the estimated useful lives of the applicable assets which are as follows:

	2010	**2009**
Buildings	2.5%-10%	2.5%-10%
Production machinery and equipment	5%-15%	5%-15%
Other equipment	10%-25%	10%-25%
Cars	25%	25%

Depreciation is calculated for each asset on a straight line basis throughout the estimated useful life of the asset until that asset is fully depreciated.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which that asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company's cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k) Investments in subsidiaries and affiliated legal entities

<u>Subsidiary</u>

Subsidiary is the company in which the Company has control, direct or indirect, over its business activities. Control exists when the Company has a power to govern the financial and operating activities of the subsidiary so as to obtain benefits from its business activities. Investments in subsidiaries are recognized at cost.

<u>Associate</u>

Associates are companies in which the Company has a significant influence, but does not have a control. Significant influence is a power to participate in the financial and operating policy decisions of the associate, but does not represent control or joint control over those policies. Investments in associates are accounted for using the equity method.

l) Long-term assets held for sale

Long-term asset (or disposal group) is classified as held for sale if its caring amount will be recovered principally through a sale transaction rather than through continuing use. For this to be case, the asset (or disposal group) must be available for immediate sale in its present condition. The sale should be expected qualify for recognition as a completed sale within one year from the date of classification.

Long-term asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories comprise all purchase costs, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where applicable, cost comprises direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the FIFO method. Small inventory is fully depreciated when put into use. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Value adjustment of inventories is made upon estimation of the value decrease of inventories on item-by-item basis if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined.

n) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Group as lessor</u>

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

<u>The Group as lessee</u>

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

o) Short-term receivables

Receivables represent the right to collect determined amounts from customers or other debtors with regard to the Group's operations. Receivables are reported in the total amount and decreased by the provisions for doubtful and bad debts. Bad debt provisions are made when collection of a part or a total of this receivable is uncertain based on the Management's estimation.

p) Cash and cash equivalents

Cash and cash equivalents consist of deposits, cash at banks and similar institutions and cash on hand. This position includes cash immediately available and utilizable and is characterized by the absence of collection risk.

q) Received loans

Interest-bearing bank loans and overdrafts are recorded on the basis of received amounts, decreased for direct costs of their approval. Financial costs, including premium paid on the settlement or withdrawals are recorded on accrual basis and are added to the carrying value of the instrument, to the extent to which they are un-settled in the period in which they occurred.

r) Provisions

A provision is recognised when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimated of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When discounting is used, the increase in provision reflecting the passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

s) Earnings per share

The Group discloses basic earnings per share for ordinary shares. The basic earnings per share are calculated by dividing net profit or loss for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

t) Dividends

Dividends are recognized in the Statement of changes in equity and are shown as a liability in the period in which they are approved by the Company's shareholders.

u) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

v) Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

w) Comparatives

Where necessary, comparative figures have been adjusted to conform to the presentation in the current year.

x) Financial assets

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into following categories: “financial assets at fair value through profit or loss”, “investments held to maturity, “available-for-sale financial assets”, loans, and receivables.

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income from instruments classified as “investments held to maturity“, “available-for-sale financial assets” or “loans and receivables” are recognized according to the effective interest method.

Financial assets at fair value through profit or loss

Financial asset is classified at fair value through profit and loss when either the asset is held for trading, or it is designated at fair value through profit and loss. Financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit and loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract to be designated as at fair value through profit and loss.

Financial assets at fair value through profit and loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest method less any impairment, with revenue recognized on an effective yield basis.

Financial assets "held-to-maturity"

Bills of exchange, bonds and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Financial assets "available for sale"

Unlisted shares and listed redeemable bonds held by the Group that are traded in an active market are classified as being available for sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available for sale equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established

The fair value of available for sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable bonds classified as “available for sale” and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of “available for sale” equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of “available for sale” equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

<u>Derecognition of financial assets</u>

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and reward ownership of a transferred financial asset, the Group continues for recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

y) Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity according to the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Share capital

a. Ordinary shares

Direct costs related to issuance of ordinary shares are recognized as a decrease of equity.

b. Treasury shares

Amount of compensation paid for reacquiring own shares, including direct costs related to acquisition, is recognized as a decrease of equity. Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies (dividend and interest revenue).

<u>Financial liabilities</u>

Financial liabilities are classified as either financial liabilities at “fair value through profit and loss” or “other financial liabilities”.

<u>Financial liabilities “at fair value through profit and loss”</u>

Financial liabilities are classified as “at fair value through profit and loss” where the financial liability is either held for trading or it is designed as “at fair value through profit and loss”.
Financial liability is classified as “held for trading” if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit and loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit and loss.

Financial liabilities at fair value through profit and loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

<u>Other financial liabilities</u>

Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(All amounts are expressed in thousands of kunas)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, described in note 2, the Management Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Useful lives of property, plant and equipment

As described in note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

	2010	**2009**
Buildings	10-40	10-40
Production machinery and equipment	6.6-20	6.6-20
Other equipment	4-10	4-10
Vehicles	4	4

Fair value of financial assets and other financial instruments

As described in note 22, the Management Board uses their judgement estimating impairment of trade and other receivables. Valuation techniques commonly used by market practitioners are applied, which are based on a discounted cash flow analysis based on prior experience of the Group in collecting amounts receivable. Details of the assumptions used and of the results of sensitivity analyses regarding these assumptions are provided in note 22.

Impairment test of property, plant and equipment, intangible assets and goodwill

Due to the significant fall of investment activities and personal consumption on Croatian and surrounding markets as well as due to the receivables collection problems, the Group faced significant fall of business activities and worsened solvency. The Management Board has assessed that the indicators of impairment of long lived tangible and intangible assets exist and has accordingly conducted impairment tests of long lived tangible and intangible assets and goodwill. Recoverable amount of assets has been determined for the cash-generating unit to which the asset belongs based on the calculation of the value in use, using the estimated future cash flows from the approved financial budgets for the five year period.

Key assumptions used by the Management to estimate future cash flows in the impairment tests of cash-generating units are as flows:

- assumptions of future market movements based on the historic and future market changes, as well as estimated increase of gross domestic product (Unicredit Quarterly report 4/2010, MMF) and planned future investments presented by the Government of Republic of Croatia
- planned growth rate after planning period is 2% p.a.
- free cash flows that cash-generating units will generate have been discounted to present value using the return rate that represents relative risk of investment, i.e. the time value of money
- this return, known as weighted average cost of capital (WACC), has been calculated based on the weighted required return on interest bearing debt and equity in the ratio that reflects their estimated percentage in the expected capital structure. Weighted average cost of capital has been calculated for each cash-generating unit and is ranging from 7.20% to 11.61% depending on the business line of the cash-generating unit, the country in which it operates and capital structure.

Other estimates

Other areas of estimation used in the preparation of the accompanying financial statements relate to employee benefits and provisions for potential litigation losses.

(All amounts are expressed in thousands of kunas)

4. SALES REVENUE

	2010	2009
Sales revenues – Republic of Croatia	549,837	746,333
Sales revenues – Serbia	188,815	140,574
Sales revenues – Bosnia and Herzegovina	55,449	152,155
Other foreign sales	190,393	116,204
Sale of goods in transit	77,687	61,474
Revenue from transportation services	36,990	45,831
	1,099,171	**1,262,571**

Out of the total sales revenue in 2010, revenues from construction contracts amount to 116.4 million kuna (in 2009: 170.6 million kuna). In the same period cost arising from construction contracts amount to 119.8 million kuna (in 2009: 170.7 million kuna).

5. OTHER OPERATING INCOME

	2010	2009
Income from sale of goods and raw materials	44,075	13,003
Collected trade receivables that were value adjusted	12,177	18,970
Income from subsidies, grants and recourses from the State	9,501	10,373
Collection of damages from insurance	3,972	2,193
Income from reversal of provisions and reversed accrued expenses	3,982	2,589
Income from sale of tangible assets	1,625	568
Income from previous years	1,003	4,348
Collected other receivables that were value adjusted	616	-
Collected bill of exchange receivables that were value adjusted	593	-
Income from decrease of liabilities	530	808
Inventory surpluses	220	150
Collected loan receivables that were value adjusted	-	599
Other operating income	9,026	21,339
	87,320	**74,940**

(All amounts are expressed in thousands of kunas)

6. RAW MATERIALS, CONSUMABLES AND ENERGY USED

	2010	2009
Energy	276,204	277,953
Materials	176,035	152,872
Cost of goods sold	94,547	90,792
Services of co-operants	45,688	85,607
Maintenance	21,277	24,520
Transport services	18,812	27,242
Other services	13,971	4,514
Change in stocks of finished goods and work in progress	(22,610)	(31,897)
	623,924	**631,603**

7. STAFF COSTS

	2010	2009
Wages and salaries	152,761	158,437
Taxes and contributions	95,279	99,503
	248,040	**257,940**

(All amounts are expressed in thousands of kunas)

8. OTHER OPERATING EXPENSES

	2010	**2009**
Value adjustments of accounts receivable	40,799	32,476
Compensations to employees	26,618	25,747
Non production services	19,591	12,642
Other services	17,716	16,564
Rental costs	15,216	14,777
Advertizing and promotion expenses	13,708	13,176
Bank charges	9,169	8,900
Insurance premiums	8,302	6,829
Other taxes and contributions	5,888	5,701
Postage and telecommunication services	5,256	5,889
Fees for waste management	5,115	2,456
Provisions for risks and other accrued expenses	5,095	7,892
Mineral resource exploitation fee	4,614	2,028
Representation expenses	4,051	5,352
VAT split expenses	2,190	-
Net book value of disposed assets	1,863	2,434
Compensations to Supervisory Board Members	1,806	2,791
Trans-shipment expenses	1,721	2,640
Audit expenses	1,616	1,434
Value adjustment of inventories	1,107	-
Value adjustment of bill of exchange receivables	609	5,221
Write off of unadjusted trade receivables	592	2,033
Value adjustment of receivables for advances	474	-
Value adjustment of other receivables	-	616
Value adjustment of loan receivables	-	2,168
Other expenses	26,889	15,211
	220,005	**194,977**

(All amounts are expressed in thousands of kunas)

9. RESTRUCTURING COSTS

Restructuring costs in 2009 related to severance payments paid to employees as a result of undertaken reorganization. The largest part of paid severance payments related to 78 employees of Dilj d.o.o. in the amount of 6,882 thousand kuna and to 45 production employees of Našicecement d.d. in the amount of 6,788 thousand kuna.

10. FINANANCIAL INCOME AND EXPENSES

	2010	2009
Financial income		
Foreign exchange gains	25,661	25,544
Income from forward/spot transactions	18,682	44,071
Income from sale of bonds, coupons and discounts on bonds	12,491	13,600
Interest income on loans	4,203	5,056
Penalty charges	3,930	14,013
Income from investments	1,705	19,949
Income from sale of shares and business shares	567	4,101
Interest income on bank account	230	119
Interest income on deposits	171	797
Other financial income	345	636
	67,985	**127,886**
Financial expenses		
Foreign exchange losses	(52,412)	(45,737)
Interest expense on bank loans	(47,080)	(47,168)
Interest expense - bonds	(31,582)	(31,097)
Expenses from forward/spot transactions and interest rate swap	(21,851)	(49,377)
Penalty charges	(11,909)	(4,787)
Repo interest and expenses from transactions with bonds	(10,876)	(25,725)
Discount on issued commercial bills	(9,607)	(4,624)
Interest expense - leases	(4,973)	(6,324)
Expenses from sale of shares	(3,098)	(2,332)
Interest expenses on borrowings	(777)	(2,507)
Interests on bank overdrafts	(183)	(621)
Other financial expenses	(1,733)	(47)
	(196,081)	**(220,346)**
Net financial result	**(128,096)**	**(92,460)**

(All amounts are expressed in thousands of kunas)

Income from investments in 2009 include 16,808 thousand kuna i.e. CHF 3,476 thousand, incurred in the liquidation process of subsidiary Bina Trading AG, that relate to 95% of retained earnings and net profit of that subsidiary (5% of retained profit and net profit has to be paid to the Tax Authorities in Switzerland as a withholding tax in the liquidation process).

11. INCOME TAX EXPENSE

Tax on profits earned in each country where entities of the Group operate is calculated by applying the effective tax rate to assessed taxable profits for the year. Applicable tax rates are as follows:

- Croatia - 20% (2009: 20%)
- Bosnia and Herzegovina - 10% (2009: 10%)
- Serbia - 10% (2009: 10%)
- Romania – 16% (2009: 16%)

Profit distribution is additionally taxable in Bosnia and Herzegovina and Serbia.

The reconciliation of the income tax is as follows:

	2010	2009
Current taxes	8,333	31,525
Deferred taxes	1,213	(96)
Income tax expense	**9,546**	**31,429**

Adjustments of deferred tax assets are as follows:

	2010	2009
Balance as at 1 January	**1,665**	**1,761**
Deferred tax assets / Bilokalnik drvo d.o.o.	158	-
Recognition of deferred tax assets	1,923	(96)
Balance as at 31 December	**3,746**	**1,665**

Deferred tax asset has arisen from tax non-deductible provisions for jubilee awards and regular retirement benefits and unused vacation days accruals.

(All amounts are expressed in thousands of kunas)

The reconciliation of the income tax and the profit of the Group is as follows:

	2010	2009
Profit before tax	(171,500)	11,580
Tax calculated applying domestic tax rates to profits in respective countries	(25,662)	8,157
The impact of costs and revenues that are not recognized for tax purposes	815	8,083
Effect of current year tax loss	34,393	15,189
Income tax	**9,546**	**31,429**

Reconciliation of deferred tax liability is as follows:

	2010	Recognised profit / (loss) in the income statement	2009	Recognised profit / (loss) in the income statement
Property, plant and equipment	3,452	(2,073)	5,525	4,732
Other	17,918	1,363	16,555	5,550
	21,370	**(710)**	**22,080**	**10,282**

Deferred tax liability on property, plant and equipment relates largely to Serbian companies that disclose deferred tax liability in line with the local accounting practice as an effect of the difference between the carrying amounts of tangible assets in the financial statements and their corresponding book value for calculation of depreciation for tax purposes at a rate of 10%, being an applicable income tax rate in Serbia.

Due to uncertainty of recoverability of transferred tax losses of Group companies, the Group has not recognised deferred tax assets arising from those losses as at the balance sheet date. Unrecognised deferred tax assets expire as follows:

	2010	2009
2010	-	206
2011	2,732	1,355
2012	2,689	1,641
2013	5,492	1,077
2014	17,099	16,279
2015 and later	40,745	7,099
	68,757	**27,657**

(All amounts are expressed in thousands of kunas)

12. BASIC AND DILUTED (LOSS) PER SHARE

	2010 HRK per share	2009 HRK per share
Basic (loss) per share		
From continuing operations	(18.00)	(35.74)
Total basic (loss) per share	**(18.00)**	**(35.74)**
Diluted (loss) per share		
From continuing operations	(19.15)	(38.62)
Total diluted (loss) per share	**(19.15)**	**(38.62)**

Basic (loss) per share

Loss and weighted average number of ordinary shares used in the calculation of basic (loss) per share are as follows:

	2010	2009
(Loss) for the year attributable to equity holders of the parent	(170,347)	(16,911)
(Loss) used in the calculation of total basic (loss) per share	(170,347)	(16,911)
(Loss) used in the calculation of basic (loss) per share from continuing operations	(170,347)	(16,911)

	2010	2009
Weighted average number of ordinary shares used for the calculation of basic (loss) per share (all measures)	9,463,780	473,189

Diluted (loss) per share

Loss used in the calculation of all diluted (losses) per share measures is the same as the one used for the equivalent basic (loss) per share.

The weighted average number of ordinary shares used for the purposes of calculating diluted (loss) per share reconciles to the weighted average number of ordinary shares used in the calculation of basic (loss) per share as follows:

(All amounts are expressed in thousands of kunas)

	2010	**2009**
Weighted average number of ordinary shares used in the calculation of basic (loss) per share	9,463,780	473,189
Weighted average number of treasury shares	(566,067)	(35,335)
Weighted average number of ordinary shares used in the calculation of diluted (loss) per share (all measures)	8,897,713	437,854

700,000 shares owned by the subsidiary Našicecement d.d. in the period from 1 January to 8 June 2010 and from 20 to 31 December 2010 have been included in the calculation of weighted average number of ordinary shares.

13. SEGMENT INFORMATION

The Management has defined business segments based on the reports that are used for making strategic decisions.

The Management views the business from the aspect of geographical area and from the aspect of product (business). At the Group level, management is organized in a way that certain business segments are organized as management units, regardless of the geographic region in which they operate. In reaching strategic decisions the Management considers product aspect as being more important and accordingly defines reporting segments on that basis.

Reporting segments based on the product (business) aspect earn income from the following:

- Cement production,
- Brick, tiles and ceramics production,
- Concrete production,
- Aggregates, lime and concrete elements production,
- Construction, and
- Other activities that represent a smaller portion of the Group's activities (viniculture and wine growing, cattle breeding, transport and sale of cars, catering and restaurant services, etc.)

Geographic segments: The Group operates in the Republic of Croatia and in the neighbouring countries. The headquarters of the Group and the majority of its activities are done in the Republic of Croatia. Other geographic regions of the Group include Serbia, Bosnia and Herzegovina, Romania and part of business of the company GP Put, Bosnia and Herzegovina is being performed in Kenya, Pakistan and Uganda.

The Management of the Group uses EBITDA for assessing business results of operating segments. EBITDA excludes margins on intersegment sales. EBITDA excludes certain other income, cost of goods sold (where the sale of merchandize does not represent the main business activity), value adjustments of loans and receivables, reductions for returns of previously value adjusted amounts, penalties, provisions for risks and other expenses and reductions for reversed amounts and certain other business expenses. EBITDA also excludes financial income and expenses, depreciation and amortization, share of associate's profit and corporate income tax expense.

(All amounts are expressed in thousands of kunas)

a) Business segments

2010	**Cement**	**Brick, tiles and ceramics**	**Aggregates, lime and concrete elements**	**Concrete**	**Construction**	**Other activities**	**Eliminations**	**Consolidated**
Segment gross revenue								
- Group sales	80,133	77,677	21,746	7,725	9,916	113,020	(310,217)	-
- external sales	298,913	323,008	114,583	157,397	129,590	75,680	-	1,099,171
Total sales	379,046	400,685	136,329	165,122	139,506	188,700	(310,217)	1,099,171
EBITDA	133,110	54,333	15,477	7,384	(24,407)	(47,141)	-	138,756
Financial income	33,593	22,899	8,185	2,079	2,836	79,639	(81,246)	67,985
Financial expenses	42,920	83,477	14,258	9,102	11,038	116,532	(81,246)	196,081
Share of profit of associate	-	-	-	-	-	996	1,177	2,173
Result before tax	36,406	(85,553)	(10,470)	(30,665)	(51,297)	(44,883)	14,962	(171,500)
Income tax	8,187	(809)	(4)	(303)	(1,689)	1,172	2,992	9,546
Result after tax	28,219	(84,744)	(10,466)	(30,362)	(49,608)	(46,055)	11,970	(181,046)
Total assets	1,764,001	974,655	259,085	268,900	310,190	1,557,494	(2,297,115)	2,837,210
Total liabilities	815,686	744,858	169,590	254,418	279,875	1,306,957	(1,278,247)	2,293,137
Non-controlling interest	-	-	-	-	-	-	37,180	37,180
Net assets without non-controlling interests	948,315	229,797	89,495	14,482	30,015	250,837	(1,056,048)	506,893

(All amounts are expressed in thousands of kunas)

a) Business segments (continued)

2010	**Cement**	**Brick, tiles and ceramics**	**Aggregates, lime and concrete elements**	**Concrete**	**Construction**	**Other activities**	**Eliminations**	**Consolidated**
Other information								
Depreciation	41,165	56,794	10,562	13,978	10,193	13,517	(6,110)	140,099
Purchases of property, plant and equipment	17,005	16,090	19,691	10,145	7,555	25,868	-	96,354
Non-cash expenses, other than depreciation	10,801	9,950	4,183	9,833	6,883	4,835	-	46,485
Interest income								
- Group income	21,395	476	464	9	-	35,974	(58,318)	-
- external income	1,652	543	2,160	650	686	2,843	-	8,534
Interest expense								
- Group income	24,646	12,711	1,249	1,651	6,001	12,060	(58,318)	-
- external income	14,563	19,888	3,886	2,771	4,751	50,645	-	96,504

(All amounts are expressed in thousands of kunas)

a) Business segments (continued)

2009	**Cement**	**Brick, tiles and ceramics**	**Aggregates, lime and concrete elements**	**Concrete**	**Construction**	**Other activities**	**Eliminations**	**Consolidated**
Segment gross revenue								
- Group sales	109,322	73,030	26,804	16,302	23,092	120,714	(369,264)	-
- external sales	425,102	256,790	120,641	195,709	207,177	57,152	-	1,262,571
Total sales	534,424	329,820	147,445	212,011	230,269	177,866	(369,264)	1,262,571
EBITDA	237,770	10,774	24,257	19,228	4,403	(34,087)	-	262,345
Financial income	35,719	21,172	6,318	3,305	11,339	122,012	(71,979)	127,886
Financial expenses	55,914	58,403	11,897	6,607	13,067	137,555	(63,097)	220,346
Result before tax	113,619	(106,856)	1,052	(14,836)	(1,762)	136	20,227	11,580
Income tax	24,227	(17)	348	177	863	280	5,551	31,429
Result after tax	89,392	(106,839)	704	(15,013)	(2,625)	(144)	14,676	(19,849)
Total assets	1,633,193	1,008,562	227,493	267,828	284,042	1,464,651	(1,998,283)	2,887,486
Total liabilities	712,648	683,643	121,779	230,841	208,376	1,192,359	(1,004,627)	2,145,019
Non-controlling interest	-	-	-	-	-	-	49,284	49,284
Net assets without non-controlling interests	920,545	324,919	105,714	36,987	75,666	272,292	(1,042,940)	693,183

(All amounts are expressed in thousands of kunas)

a) Business segments (continued)

2009	**Cement**	**Brick, tiles and ceramics**	**Aggregates, lime and concrete elements**	**Concrete**	**Construction**	**Other activities**	**Eliminations**	**Consolidated**
Other information								
Depreciation	46,488	51,534	11,032	12,438	10,594	9,709	(8,303)	133,492
Purchases of property, plant and equipment	31,374	45,152	9,275	42,958	6,333	30,395	-	165,487
Non-cash expenses, other than depreciation	12,843	15,625	1,971	10,364	1,353	2,327	-	44,483
Interest income								
- Group income	7,710	1,586	-	38	-	30,070	(39,404)	-
- external income	11,982	713	2,013	2,505	786	1,986	-	19,985
Interest expense								
- Group income	24,413	7,525	1,191	1,313	2,877	2,085	(39,404)	-
- external income	15,432	16,819	4,204	3,765	6,770	45,514	-	92,504

Operating segments for the year 2009 presented above have been changed compared to the segments presented in the financial statements for the year ended 31 December 2009 in a way that the Cement production segment has been isolated this year, while in the prior year financial statements it was included in the segment Production of aggregates and concrete. Additionally, certain trading companies that were included in the prior year financial statements in the segment Other activities, have this year been presented within the segment of a product that they trade with.

(All amounts are expressed in thousands of kunas)

b) Geographical segments

Portion of Group's activities relate to operations in Croatia, and a portion of the Company's activities are outside Croatia. A breakdown by geographical segment is as follows:

		2010			**2009**	
	Income	**Carrying amount of assets**	**Additions to property, plant and equipment and intangible assets**	**Income**	**Carrying amount of assets**	**Additions to property, plant and equipment and intangible assets**
Republic of Croatia	1,167,870	4,135,428	58,664	1,435,132	3,909,984	99,102
Serbia	331,929	569,278	18,887	272,902	571,638	39,485
Bosnia and Herzegovina	198,459	428,684	18,657	237,012	404,147	26,900
Romania	2,198	934	146	-	-	-
	1,700,456	**5,134,324**	**96,354**	**1,945,046**	**4,885,769**	**165,487**

The segment in Bosnia and Herzegovina consists of entities in Bosnia and Herzegovina, of which GP PUT, in addition to its business and assets in Bosnia and Herzegovina, operates through its business units in Kenya, Pakistan and Uganda:

		2010			**2009**	
	Income	**Carrying amount of assets**	**Additions to property, plant and equipment and intangible assets**	**Income**	**Carrying amount of assets**	**Additions to property, plant and equipment and intangible assets**
Kenya	56,981	130,942	12,575	55,989	95,598	276
Pakistan	4,388	39,675	-	32,329	40,299	9
Uganda	307	1,752	-	4,113	5,396	-
Bosnia and Herzegovina	25,373	42,039	317	48,534	51,266	5,581
	87,049	**214,408**	**12,892**	**140,965**	**192,559**	**5,866**

(All amounts are expressed in thousands of kunas)

14. INTANGIBLE ASSETS

	Intangible assets	Assets under construction	Total intangible assets
Purchase value			
Balance as at 31 December 2008	**9,629**	**3,228**	**12,857**
Correction of opening balance	49	-	49
Corrected balance as at 1 January 2009	**9,678**	**3,228**	**12,906**
Nexe d.o.o. Novi Sad entering into consolidation	28	-	28
Additions	29	5,336	5,365
Transfers	2,017	(2,017)	-
Disposals	(186)	-	(186)
Foreign exchange differences	(533)	(6)	(539)
Balance as at 31 December 2009	**11,033**	**6,541**	**17,574**
Additions	10	5,296	5,306
Transfers	5,777	(5,777)	-
Bilokalnik Drvo d.o.o. entering into consolidation	1,239	407	1,646
Disposals	(9)	-	(9)
Foreign exchange differences	(139)	(5)	(144)
Balance as at 31 December 2010	**17,911**	**6,462**	**24,373**
Accumulated amortisation			
Balance as at 31 December 2008	**2,468**	**-**	**2,468**
Correction of opening balance	49	-	49
Corrected balance as at 1 January 2009	**2,517**	**-**	**2,517**
Nexe d.o.o. Novi Sad entering into consolidation	4	-	4
Amortization for the year	1,064	-	1,064
Disposals	(113)	-	(113)
Foreign exchange differences	(10)	-	(10)
Balance as at 31 December 2009	**3,462**	**-**	**3,462**
Amortization for the year	1,199	-	1,199
Bilokalnik Drvo d.o.o. entering into consolidation	1,208	-	1,208
Disposals	(9)	-	(9)
Foreign exchange differences	274	-	274
Balance as at 31 December 2010	**6,134**	**-**	**6,134**
Carrying amount			
Balance as at 31 December 2009	**7,571**	**6,541**	**14,112**
Balance as at 31 December 2010	**11,777**	**6,462**	**18,239**

Intangible assets largely relate to investment in Navision business information system.

(All amounts are expressed in thousands of kunas)

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and machinery	Other equipment	Advance payments	Other assets	Biological assets	Assets under construction	Total fixed assets
Purchase value									
Balance as at 1 January 2010	**135,456**	**1,207,337**	**1,350,992**	**214,177**	**2,406**	**1,823**	**10,650**	**169,259**	**3,092,100**
Corrections of opening balance	(90)	392	639	392	-	-	-	90	1,423
Corrected balance as at 1 January 2010	**135,366**	**1,207,729**	**1,351,631**	**214,569**	**2,406**	**1,823**	**10,650**	**169,349**	**3,093,523**
Additions	1,044	317	1,793	890	1,563	161	1,441	83,839	91,048
Transfers	4,611	85,593	39,388	9,055	-	51	1,217	(139,915)	-
Bilokalnik Drvo d.o.o. entering into consolidation	38,247	51,530	45,504	5,687	-	-	-	5,846	146,814
Disposals	(54)	(347)	(12,275)	(4,707)	(2,093)	(9)	(1,584)	(4,091)	(25,160)
Foreign exchange differences	(600)	(10,846)	(21,830)	108	(108)	14	8	(1,243)	(34,497)
Balance as at 31 December 2010	**178,614**	**1,333,976**	**1,404,211**	**225,602**	**1,768**	**2,040**	**11,732**	**113,785**	**3,271,728**
Accumulated depreciation									
Balance as at 1 January 2010	**-**	**638,872**	**760,545**	**145,437**	**-**	**688**	**322**	**-**	**1,545,864**
Corrections of opening balance	-	399	476	548	-	-	-	-	1,423
Corrected balance as at 1 January 2010	**-**	**639,271**	**761,021**	**145,985**	**-**	**688**	**322**	**-**	**1,547,287**
Depreciation for the year	-	43,509	76,241	18,938	-	76	136	-	138,900
Bilokalnik Drvo d.o.o. entering into consolidation	-	27,819	20,045	4,742	-	-	-	-	52,606
Disposals	-	(117)	(10,565)	(4,285)	-	(5)	-	-	(14,972)
Foreign exchange differences	-	(2,721)	(6,544)	418	-	10	1	-	(8,836)
Balance as at 31 December 2010	**-**	**707,761**	**840,198**	**165,798**	**-**	**769**	**459**	**-**	**1,714,985**
Carrying amount									
Balance as at 31 December 2009	**135,366**	**568,458**	**590,610**	**68,584**	**2,406**	**1,135**	**10,328**	**169,349**	**1,546,236**
Balance as at 31 December 2010	**178,614**	**626,215**	**564,013**	**59,804**	**1,768**	**1,271**	**11,273**	**113,785**	**1,556,743**

(All amounts are expressed in thousands of kunas)

	Land	Buildings	Plant and machinery	Other equipment	Advance payments	Other assets	Biological assets	Assets under construction	Total fixed assets
Purchase value									
Balance as at 1 January 2009	**130,402**	**1,143,123**	**1,283,796**	**176,536**	**10,581**	**2,373**	**8,992**	**309,317**	**3,065,120**
Corrections of opening balance	(8)	3,145	(66,458)	33,530	1,294	(718)	-	(9)	(29,224)
Corrected balance as at 1 January 2009	**130,394**	**1,146,268**	**1,217,338**	**210,066**	**11,875**	**1,655**	**8,992**	**309,308**	**3,035,896**
Additions	7,303	10,738	5,730	7,902	2,248	130	1,428	124,969	160,448
Transfers	3,311	77,827	174,744	6,562	-	69	1,383	(263,896)	-
Nexe d.o.o. Novi Sad entering into consolidation	-	-	179	-	-	-	-	-	179
Ekonex d.o.o. entering into consolidation	-	-	-	957	-	-	-	-	957
Revaluation	(2,969)	(6,535)	-	-	-	-	-	-	(9,504)
Disposals	(963)	(9,165)	(13,640)	(9,764)	(11,553)	(19)	(1,153)	-	(46,257)
Foreign exchange differences	(1,620)	(11,796)	(33,359)	(1,546)	(164)	(12)	-	(1,122)	(49,619)
Balance as at 31 December 2009	**135,456**	**1,207,337**	**1,350,992**	**214,177**	**2,406**	**1,823**	**10,650**	**169,259**	**3,092,100**
Accumulated depreciation									
Balance as at 1 January 2009	**-**	**596,361**	**767,438**	**118,300**	**-**	**7**	**186**	**-**	**1,482,292**
Corrections of opening balance	-	3,002	(52,148)	19,296	-	626	-	-	(29,224)
Corrected balance as at 1 January 2009	**-**	**599,363**	**715,290**	**137,596**	**-**	**633**	**186**	**-**	**1,453,068**
Depreciation for the year	-	42,727	70,937	18,553	-	75	136	-	132,428
Nexe d.o.o. Novi Sad entering into consolidation	-	-	17	-	-	-	-	-	17
Ekonex d.o.o. entering into consolidation	-	-	-	24	-	-	-	-	24
Disposals	-	(438)	(12,474)	(8,756)	-	(26)	-	-	(21,694)
Foreign exchange differences	-	(2,780)	(13,225)	(1,980)	-	6	-	-	(17,979)
Balance as at 31 December 2009	**-**	**638,872**	**760,545**	**145,437**	**-**	**688**	**322**	**-**	**1,545,864**
Carrying amount									
Balance as at 31 December 2008	**130,394**	**546,905**	**502,048**	**72,470**	**11,875**	**1,022**	**8,806**	**309,308**	**1,582,828**
Balance as at 31 December 2009	**135,456**	**568,465**	**590,447**	**68,740**	**2,406**	**1,135**	**10,328**	**169,259**	**1,546,236**

(All amounts are expressed in thousands of kunas)

Carrying amount of assets under financial lease as at 31 December 2010 amounts to 99,264 thousand kuna (31 December 2009: 85,317 thousand kuna).

Total purchase cost of tangible assets that are still in use and with the zero net book value as at 31 December 2010 amounts to 851,815 thousand kuna (31 December 2009: 808,925 thousand kuna).

Carrying amount of assets under mortgage as at 31 December 2010 amounts to 952,514 thousand (31 December 2009: 938,294 thousand kuna).

As at 31 December 2010 the Group has 25.01 million kuna of contracted investments for which works have not yet been performed. They largely relate to the investment in clinker refrigerator, construction of the industrial railway, lime furnace and concrete production plant (31 December 2009: 28.24 million kuna).

During 2010 the Group has capitalized bank interests in the amount of 902 thousand kuna (2009: 5,054 thousand kuna).

16. FINANCIAL ASSETS AVALABLE FOR SALE

	2010	**2009**
Equity investments		
Equity securities	80,195	82,162
Bonds	5,283	92,281
Other financial assets	877	786
	86,355	**175,229**

Equity investments are classified as available for sale and measured at fair value if the fair value information is available on the market. Otherwise, they are carried at cost less impairment losses.

Shares in the amount of 5 million kuna as at 31 December 2010 have been pledged in favour of Bank Alpinum Aktiengesellschaft, Vaduz, Liechtenstein according to loans given to Našicecement d.d. Našice and Mr. Ergović.

Bonds mature in 2011 and 2017 and have interest rates that range from 4.75% to 12%.

Part of the disclosed bonds as at 31 December 2009 in the amount of 77,611 thousand kuna has been used as a collateral in repo transactions (note 31), out of which 10,040 thousand kuna relates to bonds disclosed within current financial assets and 67,571 thousand kuna to bonds disclosed within the long-term financial assets.

Bonds owned by the Group as at 31 December 2010 have not been used as collateral in repo transactions.

(All amounts are expressed in thousands of kunas)

17. INVESTMENTS IN SUBSIDARIES

	2010		2009	
	%	**Amount**	**%**	**Amount**
Z.a.o. Nexe Rus, Dobrjatino	99	931	99	931
Laurus Consalting AG, Switzerland	100	439	100	439
Nekse d.o.o., Lendava	100	53	100	53
Nexe kamen d.o.o., Trenkovo	100	20	100	20
NC Betoni d.o.o., Zagreb	100	20	100	20
Kraljev vrt d.o.o., Perušić	77.62	20	77.62	20
Nexe beton d.o.o., Banja Luka	100	18	100	18
Nexe gradnja d.o.o. Novi Sad	100	4	-	-
Bina Trading AG, Switzerland	-	-	100	491
Bilokalnik drvo d.o.o. Koprivnica	-	-	100	-
		1,505		**1,992**

Bilokalnik drvo d.o.o. has been consolidated in the financial statements for the year ended 31 December 2010. Bilokalnik drvo d.o.o. has not been consolidated in 2009 as it was classified as asset held for sale.

18. INVESTMENT IN ASSOCIATE

In 2008 the Company acquired 390,804 shares of the company Ingram d.d. Srebrenik, Bosnia and Herzegovina. In 2010 the Company additionally acquired 721 shares having totally 28.05% share in that company. The investment in the associate as at 31 December 2010 amounts to 44,065 thousand kuna (31 December 2009: 42,819 thousand kuna).

Shares of Ingram d.d. Srebrenik, Bosnia and Herzegovina have been pledged in favour of Bank Alpinum Aktiengesellschaft, Vaduz, Liechtenstein according to loans given to Našicecement d.d. Našice and Mr. Ergović.

(All amounts are expressed in thousands of kunas)

19. RECEIVABLES FOR GIVEN LOANS AND DEPOSITS

	2010	2009
Housing loans	6,410	8,734
Loans given to non-related companies	4,051	4,416
Guarantees	1,495	589
Loans given to employees	202	28
Other long-term loans	-	325
Value adjustment of loan receivables	(1,860)	(2,507)
Current portion of long-term loans	(2,900)	(1,907)
	7,398	**9,678**

Loans given to non-related companies relate to loans given to companies Vibrobeton d.d. Vinkovci, Autoprijevoz Šuker Vinkovci and Vulkanizer Zdeno Vinkovci.

A loan given to Vibrobeton d.d. in the amount of 5,000 thousand kuna has been granted in 2009. This loan is due in 2012 and bears an annual interest of 12%. The loan is secured by the mortgage on real estates. Current portion of long-term loans relates largely to this loan.

A loan given to Autoprijevoz Šuker in the amount of 775 thousand kuna has been granted in 2010. This loan is due in 2015 and bears an annual interest of 8%. The loan is secured by the blank promissory note.

A loan given to Vulkanizer Zdeno in the amount of 270 thousand kuna has been granted in 2010. This loan is due in 2013 and bears an annual interest of 8%. The loan is secured by the blank promissory note.

Housing loans largely relate to loans granted by the Group entities in Serbia.

19.1. Changes in the value adjustment of loan receivables were as follows:

	2010	2009
Balance as at 1 January	**2,507**	**3,287**
Discounting according to IAS 39	(443)	(522)
Foreign exchange differences	(204)	(258)
Balance as at 31 December	**1,860**	**2,507**

(All amounts are expressed in thousands of kunas)

20. GOODWILL

Goodwill in the amount of 2,966 thousand kuna is a result of acquisition of a majority stake in the company Betonmix d.o.o. in the year 2006 (Betonmix d.o.o. has been subsequently merged with Nexe beton d.o.o. Našice) and goodwill in the amount of 11,142 thousand kuna is a result of acquisition of company Nexe kamen d.o.o. Doboj in the year 2008.

21. INVENTORIES

	2010	**2009**
Finished products	162,416	127,754
Raw materials and consumables	160,262	140,986
Work in progress and unfinished products	45,616	51,319
Biological assets	20,363	17,524
Merchandise	12,011	9,569
Advances	3,308	2,652
	403,976	**349,804**

In 2010 total costs of realized own products amounted to 735,980 thousand kuna (2009: 876,891 thousand kuna).

(All amounts are expressed in thousands of kunas)

22. TRADE AND OTHER RECEIVABLES

	2010	2009
Trade receivables	520,987	515,392
Doubtful receivables	87,236	45,813
Foreign exchange differences	25	209
Allowance for doubtful receivables	(122,543)	(80,375)
	485,705	**481,039**
Prepayments	15,098	13,375
Factoring receivables	14,291	-
Receivables from the State	13,283	19,949
VAT receivables	10,601	11,001
Income tax receivables	4,822	584
Other current receivables	23,821	23,459
Allowance for other current receivables	-	(616)
	81,916	**67,752**
Total receivables	**567,621**	**548,791**

The average receivables collection period in 2010 was 155 days (2009: 140 days). Interest is not being calculated until the due date and subsequently it is calculated as 17% p.a. on the remaining amount of receivable.

Before accepting any new customer, the Group uses internal credit scoring system to assess the potential customer's credit quality and defines credit limits for customers. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date a receivable was initially recognised up to the reporting date. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The net carrying value of trade and other receivables is considered a reasonable approximation of their fair value. For all receivables indicators of impairment have been considered and required allowances (value adjustments) have been done.

Allowances recognized represent the difference between the reported book value of trade receivables and current value of expected proceeds.

(All amounts are expressed in thousands of kunas)

22.1. Changes of allowance for doubtful receivables were as follows:

	2010	2009
Balance as at 1 January	**80,375**	**70,781**
Correction of opening balance	4,964	-
Bilokalnik Drvo d.o.o. entering into consolidation	12,368	-
Allowances for potential losses	40,799	32,476
Collected receivables previously allowed for	(12,177)	(18,970)
Amounts written off	(3,386)	(3,276)
Foreign exchange differences	(400)	(636)
Balance as at 31 December	**(122,543)**	**80,375**

22.2. Trade receivables are due as follows:

	2010	2009
One to four months	115,574	123,013
Four to six months	226,674	237,013
Six to twelve months	33,810	42,774
More than twelve months	59,622	46,445
One to four months	85,307	66,147
	520,987	**515,392**

22.3. Changes of allowance for others receivables were as follows:

	2010	2009
Balance as at 1 January	**616**	**-**
Allowances for potential losses	-	616
Collected receivables previously allowed for	(616)	-
Balance as at 31 December	**-**	**616**

(All amounts are expressed in thousands of kunas)

23. LOAN RECEIVABLES AND OTHER FINANCIAL ASSETS

	2010	2009
Loans	24,896	102,730
Bills of exchange	17,837	8,869
Deposits and guarantees	9,237	8,360
Current portion of long-term loan receivables	2,900	1,907
Bonds	1,220	12,181
Other	119	1,644
Investments in cash funds	-	1,015
Allowance for received bills of exchange	(5,237)	(5,221)
Allowance for loan receivables	(2,523)	(2,874)
	48,449	**128,611**

Loans are given to the following companies:

	2010	2009
Quaestus partneri d.o.o.	19,114	22,077
Novalić d.d.	707	707
NK Zoljan	365	351
Bilokalnik drvo d.o.o.	-	75,548
Hospitalija trgovina d.o.o.	-	1,496
Other loans	4,710	2,551
	24,896	**102,730**

Loans disclosed within current financial assets include loan principal and interest receivables for the respective loan.

As at 31 December 2009 the largest portion of the loans granted related to a loan given to Bilokalnik drvo d.o.o. by Našicecement d.d. in the amount of 74,485 thousand kuna including interests. This loan has been granted in the year 2006, had an interest rate of 6% that has been increased to 9% through the annex in 2010. The loan matures in 2011. The loan is secured by 40 blank promissory notes. Bilokalnik drvo d.o.o. is consolidated in 2010 (in 2009 has been classified as asset held for sale).

As at 31 December 2010 the Company has receivable for a loan given to Quaestus partneri d.o.o. in October 2009. The loan given was in the connection to the bond of company Hospitalija Trgovina that was sold in 2009 before its maturity to the issuer. The Agreement on debt takeover between the Company, Hospitalija Trgovina and Quaestus Partneri was signed related to that bond sale transaction. According to that Agreement, Quaestus Partneri are taking over 2,384 thousand euro of the debt that will be settled on 30 September 2010 (as at 31 December 2009: 17,421 thousand kuna, the remaining amount of the receivable as at 31 December 2009 related to interests and a loan that was repaid in 2010) that is prolonged until 30 September 2011 through the Annex 1 from 2010. According to another contract on settlement of the above debt, Quaestus partneri are obliged to pay interest of 10% p.a. and co-debtors to the agreement are Quaestus Invest d.o.o. i Quaestus Private Equity d.o.o. Loan is insured by 6 blank promissory notes of Quaestus partneri d.o.o., Quaestus Invest d.o.o. i Quaestus Private Equity in the amount of 1 million kuna each (total 18 million kuna).

(All amounts are expressed in thousands of kunas)

Bonds include the following:

	2010	**2009**
Bonds	481	10,040
Acquired interests on bonds	739	2,141
	1,220	**12,181**

23.1. Changes in the allowances for loan receivables were as follows:

	2010	**2009**
Balance as at 1 January	**2,874**	**1,305**
Collected loans previously allowed for	-	(599)
New allowances	-	2,168
Amounts written off	(351)	-
Balance as at 31 December	**2,523**	**2,874**

23.2. Changes in the allowances for bills of exchange were as follows:

	2010	**2009**
Balance as at 1 January	**5,221**	**-**
New allowances	609	5,221
Collected loans previously allowed for	(593)	-
Balance as at 31 December	**5,237**	**5,221**

(All amounts are expressed in thousands of kunas)

24. CASH AND CASH EQUIVALENTS

	2010	2009
Short-term deposits	23,633	-
Cash with the bank	11,994	12,063
Foreign currency accounts	6,219	4,321
Cash on hand	286	245
	42,132	**16,629**

Short-term deposits relate to deposits of Jelen Do a.d. with Banca Intesa a.d. Beograd for a period of 120 days and an interest of 2.8% annually.

25. SHARE CAPITAL

Share capital represents own permanent sources of funds to finance the operations of the Company and as at 31 December 2009 it was divided into 473,189 ordinary shares with the nominal value of 200 kuna each. The change of the Company's Statute, through which share split has been effective, has been registered according to the Resolution of the Commercial court in Osijek dated 27 May 2010. Each share of the Company with the nominal value of 200 kuna has been split to 20 shares with the nominal value of 10 kuna each. Number of shares has been changed from 473,189 to 9,463,780.

Ownership structure as at 31 December 2010 is as follows:

Shareholder	**Number of shares**	**Ownership %**
Ivan Ergović	8,523,740	90.06
Našicecement d.d. Našice	700,000	7.40
Treasury shares	240,040	2.54
	9,463,780	**100.00**

Ownership structure as at 31 December 2009 was as follows:

Shareholder	**Number of shares**	**Ownership %**
Ivan Ergović	426,187	90.06
Našicecement d.d. Našice	35,000	7.40
Treasury shares	12,002	2.54
	473,189	**100.00**

(All amounts are expressed in thousands of kunas)

Changes of the ownership structure have been described in the note 32. The last ownership change described in that note has been registered with the Central Depository and Clearing Company Inc. in January 2011.

In 2009 the Company has formed reserves for treasury shares in accordance with the Company Law. According to the decision of the General Assembly, 2009 profit in the amount of 6,746 thousand kuna has been transferred into legal reserves in the amount of 337 thousand kuna and into retained earnings in the amount of 6,409 thousand kuna.

840,200 shares of the Company owned by Mr. Ergović are pledged in favour of Zagrebačka bank d.d.

26. RESERVES

	2010	**2009**
Fair value of financial instruments	13,339	(882)
	13,339	**(882)**
Statutory reserves	34,020	23,025
Other reserves	52,051	62,698
	86,071	**85,734**
Balance as at 31 December	**99,410**	**84,852**

Movements of revaluation reserves related to fair value of financial instruments were as follows:

	2010	**2009**
Balance as at 1 January	**(882)**	**(13,075)**
Fair value adjustment of shares	10,086	7,723
Fair value adjustment of bonds	4,011	4,470
Bilokalnik Drvo d.o.o. entering into consolidation	124	-
Movements in the year	*14,221*	*12,193*
Balance as at 31 December	**13,339**	**(882)**

(All amounts are expressed in thousands of kunas)

27. NON-CONTROLLING INTERESTS

	2010	2009
Balance as at 1 January	**49,284**	**54,626**
Acquisitions	-	(173)
Share in the net loss of subsidiaries	(10,699)	(2,938)
Other	(1,405)	(2,231)
Balance as at 31 December	**37,180**	**49,284**

28. LONG-TERM LOANS, LEASES AND BONDS

	2010	2009
Bonds	582,862	566,385
Long-term bank borrowings	521,141	446,171
Finance leases	74,784	89,119
Other long-term borrowings	2,810	3,781
	1,181,597	**1,105,456**
Current portion of long-term borrowings	(743,359)	(129,015)
	438,238	**976,441**

Borrowings, bonds and leases are payable as follows:

	2010	2009
Within 1 year	743,359	129,015
In the second year	155,500	663,647
From 3 to 5 years	220,769	233,791
After 5 years	61,969	79,003
	1,181,597	**1,105,456**
Less: Amounts due within 12 months	(743,359)	(129,015)
Amounts due after 12 months	**438,238**	**976,441**

Disclosed liabilities include also the corresponding interest liabilities.

28.1. Bonds issued

On 14 June 2006 Nexe Grupa issued corporate bonds with a guarantee of Našicecement d.d. The maturity of bonds is on 14 June 2011. The yield on the bonds is payable on a semi-annual basis and the annual coupon rate is 5.500%. By issuing these bonds, the principals and interests of the existing loans were repaid. The total amount in Croatian kunas with respect to the bond subscription was paid at the issue price in cash less appropriate bank charges in accordance with the arrangement agreement and the offset of principal and interest repaid in respect of these loans.

(All amounts are expressed in thousands of kunas)

In the year 2010 bonds of Nexe Grupa d.d., with a nominal value in the amount of 49.5 million kuna and a fair value in the amount of 42.3 million kuna have been redeemed (in 2009: 38.9 million kuna bonds with the fair value of 34 million kuna). During the year redeemed own bonds with a nominal value in the amount of 64.8 million kuna that were recognized at acquisition cost in the amount of 56.9 million kuna have been sold realizing a gain of 6.9 million kuna (in 2009: bonds with a nominal value of 42 million kuna that were recognized at acquisition cost in the amount of 41 million kuna realizing a loss of 4,992 thousand kuna).

As at 31 December 2010 the whole amount of liability for issued bonds in the amount of 580,828 thousand kuna and interests in the amount of 2,034 thousand kuna has been disclosed within short-term liabilities.

28.2. Long-term bank borrowings

Interests on long-term bank borrowings range from 2% - 16%; 1/3/6 M EURIBOR + 1.75% – 7%; TB of Ministry of Finance on 91 day + 2.15% - 3,5% (2009: 2% - 7.2%; 1/3/6 M EURIBOR + 1.75% – 6.25%, TB of Ministry of Finance on 91 day + 2.15%). Mortgages and pledges on real estates and equipment are used as collaterals for those loans.

28.3. Finance leases

Finance leases relate to amounts payable for manufacturing equipment under a lease period of five and seven years. Companies have the option to purchase the equipment upon the expiry of the lease term, at the amount specified in the underlying lease agreement. Companies have the obligation to insure the assets they hold under lease. Effective interest rates for leases range from 4.45% - 8.26%; 3/6 M EURIBOR + 1.45% - 8.09% (2009:.4.9% - 8.26%; 3/6M EURIBOR + 1.45% - 6.4%).

	Minimum lease payments		**Present value of minimum lease payments**	
	2010	**2009**	**2010**	**2009**
Up to one year	35,691	32,649	32,428	29,790
From 1 to 5 years	44,439	63,732	42,356	59,329
	80,130	96,381	74,784	89,119
Less: future finance charges	5,346	7,262	-	-
Present value of minimum lease payments	**74,784**	**89,119**	**74,784**	**89,119**
Current portion	-	-	32,428	29,790
Amounts due after 12 months	**-**	**-**	**42,356**	**59,329**

(All amounts are expressed in thousands of kunas)

29. LONG-TERM PROVISIONS

	2010	2009
Provisions for retirement and jubilees	15,622	14,841
Litigation provision	5,569	4,543
Provisions for good performance guarantees	400	500
Other provisions	928	818
	22,519	**20,702**

	Provisions for retirement and jubilees	Litigation provision	Provisions for good performance guarantees	Other provisions	Total
Balance as at 1 January	**14,841**	**4,543**	**500**	**818**	**20,702**
Bilokalnik Drvo d.o.o. entering into consolidation	692	246	-	-	938
Additional provisions	3,243	1,784	-	880	5,907
Unused amounts reversed	(1,865)	(797)	-	(993)	(3,655)
Used during year	(530)	(207)	(100)	(104)	(941)
Foreign exchange differences	(759)	-	-	327	(432)
Balance as at 31 December	**15,622**	**5,569**	**400**	**928**	**22,519**

Major part of the provision for losses from court cases relates to sued principal and penalty interests in Nexe grupa d.d., Slavonija IGM d.o.o., Našička gradnja d.o.o. and Nexe beton d.o.o. Našice according to the lawyers estimation of potential court cases losses.

(All amounts are expressed in thousands of kunas)

30. TRADE AND OTHER PAYABLES

	2010	2009
Trade accounts payable	241,713	187,645
Liabilities for unbilled goods and services	1,659	1,552
Foreign exchange differences	(71)	249
	243,301	**189,446**
Liabilities towards Mr. Ergović for shares in Nexe Grupa d.d.	87,591	71,358
Liabilities for advances received	62,890	17,217
Liabilities for taxes and contributions	23,790	17,490
Liabilities to employees	14,038	14,743
Income tax liability	2,679	786
Liabilities for unpaid commercials bills	855	-
Accrued expenses for unused vacation days	757	792
Liabilities for dividends	-	962
Other short-term liabilities	7,178	9,098
	199,778	**132,446**
Total	**443,079**	**321,892**

The average credit period on purchases and other payables is 118 days (2009: 135 days). The Group has financial risk management policies in place to ensure that all payables are paid within the contracted timeframe.

Liabilities towards Mr. Ergović for shares of Nexe Grupa d.d. relate to liabilities of Našicecement d.d. according to Nexe Grupa share purchase agreement described in more detail in the note 32.

30. a) OPERATING LEASE LIABILITIES

The Group's liabilities related to operating leases are as follows:

	2010	2009
Within one year	9,980	9,355
From two to five years	16,729	22,111
More than five years	-	36
	26,709	**31,502**

(All amounts are expressed in thousands of kunas)

31. SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM BORROWINGS

	2010	2009
Commercial bills and short-term loans		
Bank borrowings	337,017	353,606
Repo arrangements	118,527	185,659
Liabilities for issued commercial bills	110,033	101,878
Short-term loans from other companies and related parties (note 32)	43,250	20,949
	608,827	**662,092**
Current portion of long-term borrowings	743,359	129,015
	1,352,186	**791,107**

Short-term borrowings include principal and corresponding interest liability for the respective loan.

31.1. Short-term bank borrowings

Interests on short-term bank borrowings range from 4% - 16%; 1/3/6 M EURIBOR + 2% – 8%; TB of Ministry of Finance on 91 day + 3% - 4.75% (2009: 3% - 6%; 1/3/6 M EURIBOR + 3% – 8%). Bills of exchange, promissory notes, mortgages on real estates and support letters are used as collaterals for those loans.

31.2. Repo arrangements

Liabilities for repo agreements relate to repo loans of Zagrebačka banka d.d., Hypo Alpe Adria Bank d.d. and Quaestus Nekretnine d.d. in the amount of 117,500 thousand kuna (31 December 2009: 185,627 thousand kuna) and interests on repo loans in the amount of 1,027 thousand kuna (31 December 2009: 32 thousand kuna). Own treasury bonds have been used as collateral in above described repo agreements (in 2009 bonds disclosed within financial assets (note 16) were also used as collaterals).

Liabilities for repo agreements were in the financial statements for the year ended 31 December 2009 disclosed within Other short-term liabilities. In these financial statements comparative amounts have been reclassified so that presented information for both years are comparable.

31.3. Liabilities for issued commercial bills

In 2009 the Company initiated a short-term financing program through issuing commercial bills. The program amounted to 400 million kuna with the single tranches being denominated in HRK or EUR and with the 5 year maximum program period beginning from the date of the first tranche being issued. Agent, Arranger and Dealer of the commercial bill issue is Raiffeisenbank Austria d.d. Našicecement d.d. is a guarantor for the issued commercial bills.

Total of 10,150,000 commercial bills with the nominal value of 1 euro was issued in the first tranche on 28 April 2009. This tranche was due on 27 April 2010. The purchase price was 91.18%, yield is 9.7% and buy-out price is 100%. First tranche was repaid on 26 April 2010.

Total of 4,500,000 commercial bills with the nominal value of 1 euro was issued in the second tranche on 8 December 2009. This tranche was due on 7 December 2010. The purchase price was 91.14%, yield is 9.75% and buy-out price is 100%.

Total of 11,200,000 commercial bills with the nominal value of 1 euro was issued in the third tranche on 23 April 2010. This tranche is due on 25 April 2011. The purchase price was 91.85%. Receipts from the issue of this tranche have been used to repay the first tranche upon its maturity.

On 3 December 2010 the Company issued 4,500,000 commercial bills with the nominal value of 1 euro as an increase of the issued third tranche. Integral total issue of the third tranche after this amounts to 15,700,000 euro and is due on 25 April 2011. The purchase price was 96.87%. Receipts from the issue of this tranche have been partly used to repay the second tranche upon its maturity. The remaining amount of the due second tranche was closed with the new subscriptions of described addition to the third tranche by the existing owners of the second tranche, without the cash outflow.

In September 2010 the Company redeemed 380,000 commercial bills with the nominal value of 1 euro from the company Auctor d.o.o. at a price of 85.12% (amounted to 2,355 thousand HRK at the date of the purchase contract).

(All amounts are expressed in thousands of kunas)

32. RELATED PARTY TRANSACTIONS

Related party transactions were as follows:

31 December 2009

	Operating activities			
	Receivables	**Liabilities**	**Income**	**Expenses**
Bilokalnik drvo d.o.o.	3,551	111	1,801	2,485

	Financing activities			
	Receivables	**Liabilities**	**Income**	**Expenses**
Bilokalnik drvo d.o.o.	75,548	-	3,770	-

Liability towards Mr. Ivan Ergović in the total amount of 1,800 thousand euro with an interest rate of 4% p.a. increased for capital income tax and surtax relate to a short-term revolving loan given to the Group March 2010. As at 31 December 2010 the liability towards Mr. Ivan Ergović according to this loan amounts to 3,977 thousand kuna (note 31).

Liability towards Mr. Ergović for shares in Nexe Grupa d.d. in the amount of 87,591 thousand kuna relate to liability of Našicecement d.d. according to Nexe Grupa share purchase agreement (note 30). In 2009 Našicecement d.d. purchased 700,000 shares of Nexe Grupa d.d. from Mr. Ivan Ergović (7.4% of share capital after the stock split). During 2010 Mr. Ivan Ergović bought the shares back from Našicecement d.d. and sold them again to Našicecement d.d. in December 2010. In all above described transactions the price of one share was 125 kuna.

As at 31 December 2010 receivables of Našička gradnja d.o.o. from Mr. Ivan Ergović amounts to 81 thousand kuna. Receivables are based on the real estate construction contract from 2007 for the total amount of 3,382 thousand kuna increased for VAT.

(All amounts are expressed in thousands of kunas)

33. MANAGEMENT REMUNERATION

In 2010 12,307 thousand kuna gross salary was paid to management of the Group (2009: 12,355 thousand kuna).

34. FINANCIAL INSTRUMENTS

34.1. Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt which includes issued bonds, repo agreements and loan borrowings disclosed in notes 28 and 31, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, legal and other reserves and retained earnings.

34.1.1. Gearing ratio

Management reviews capital structure on quarterly basis. As part of this review, the Management considers the cost of capital and the risks associated with each class of capital. The gearing ratio at the year-end was as follows:

	2010	**2009**
Debt	1,790,424	1,767,548
Cash and cash equivalents	(42,132)	(16,629)
Net debt	**1,748,292**	**1,750,919**
Equity	**506,893**	**693,183**
Net debt to equity ratio	**3.45**	**2.53**

34.2.Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(All amounts are expressed in thousands of kunas)

34.3. Categories of financial instruments

	2010	2009
Financial assets		
Financial assets available for sale	86,355	175,229
Loans and receivables (including cash and cash equivalents)	693,996	733,259
	780,351	**908,488**
Financial liabilities		
Amortised cost	2,249,248	2,102,237
	2,249,248	**2,102,237**

Fair value of financial assets and liabilities

Fair value of financial assets and liabilities, except for long-term borrowings, approximates to their carrying values. Fair values of long-term borrowings amount to 413,282 thousand kuna.

The Company applied the following methods and assumptions during the estimation of fair value of financial instruments:

Receivables and deposits at banks

For assets that mature within 3 months, carrying value is similar to the fair value due to shortness of these instruments. For longer-term assets, contracted interest rates do not defer significantly from current market interest rates, and due to that their fair value is similar to their carrying value.

Bank loan liabilities

Fair value of short-term liabilities is similar to their carrying value due to shortness of these instruments. The Management Board believes that their fair value is not significantly different from their carrying value.

Other financial instruments

Financial instruments which are not valued at fair value are trade accounts receivable, other receivables, trade accounts payable and other payables. Historic carrying value of assets and liabilities, including provisions, which are in accordance with the usual business conditions, is similar to their fair value.

The following table presents financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy (the Group does not have financial liabilities classified as Liabilities at fair value through profit and loss). This hierarchy groups financial assets into three levels based on the significance of inputs used in measuring the fair value of the financial assets. The fair value hierarchy has the following levels:

(All amounts are expressed in thousands of kunas)

- Level 1: quoted prices on active markets for identical assets
- Level 2: inputs, other than quoted prices included within Level 1, that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the assets that are not based on observable market data.

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement. Financial assets measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy as follows:

31 December 2010

	Level 1	Level 2	Level 3	Total
Assets		**-**	**-**	**-**
Long-term financial assets (note 16)	78,803	-	-	78,803
Long-term financial assets (note 16)	-	7,552		7,552
Short-term financial assets (note 23)	1,220	-	-	1,220
Total	**80,023**	**7,552**	**-**	**87,575**

Fair values of financial assets have been determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets is determined with reference to quote market price;
- the fair value of other financial assets (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices for observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of finance guarantees has been determined using option model where the main assumption is a discount assessed by the counterparties based on the market information and amount of loss caused by a discount given.

34.4. Financial risk management objectives

The Treasury function provides services to the Group's business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports, which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

34.5. Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

34.6. Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

(All amounts are expressed in thousands of kunas)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at the reporting date are as follows:

	Assets		Liabilities	
	2010	**2009**	**2010**	**2009**
EUR	7,416	22,445	108,759	156,856
USD	61	81	2,382	1,049
GBP	-	-	729	-

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities according to its maturity as at the reporting date are as follows:

Short-term exposure

	Assets	Liabilities
	2010	**2010**
EUR	6,700	62,460
USD	61	1,931
GBP	-	729

Long-term exposure

	Assets	Liabilities
	2010.	**2010.**
EUR	716	46,299
USD	-	451
GBP	-	-

34.6.1 Foreign currency sensitivity analysis

The Group is mainly exposed to the foreign exchange rate changes of euro (EUR) and American dollar (USD). The following table details the Group's sensitivity to a 10% increase and decrease in the HRK against EUR and USD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated receivables and liabilities and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit before tax and other equity where HRK weakens 10% against the relevant currency. For a 10% strengthening of the HRK against the relevant currency, the effect would be equal but the balance would be negative.

(All amounts are expressed in thousands of kunas)

	Change in EUR impact		Change in USD impact	
	2010	**2009**	**2010**	**2009**
(Loss)	(74,844)	(98,525)	(1,292)	(491)

	Change in GBP impact	
	2010	**2009**
(Loss)	(625)	-

34.7. Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The Group's exposure to interest rates on financial assets and financial liabilities are detailed in note 34.9., the liquidity risk management.

34.7.1. Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for the financial instruments at the balance sheet date. For floating rate liabilities the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point (2009: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's:

- Profit before taxes for the year ended 31 December 2010 would decrease/increase for 7,565 thousand kuna (2009: 4,362 thousand kuna) based on exposure to interest rate risk. This is mainly attributable to the Group's exposure to interest rates on variable rate borrowings; and;
- The Group's sensitivity to interest rates has increased/decreased during the current period mainly due to the reduction in variable rate of debt instruments.

34.8. Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables, net, consist of a large number of customers spread across diverse industries and geographical areas.

(All amounts are expressed in thousands of kunas)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

34.9. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and other sources of financing, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

34.9.1. Liquidity and interest risk tables

The following table details the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted cash flows of the financial assets based on the earliest date on which the Group can demand payment.

Maturity of non-derivative financial assets

	Weighted average effective interest rate	**Less than 1 month**	**1 to 3 months**	**3 to12 months**	**1 to 5 years**	**5 + years**	**Total**
	%	HRK	HRK	HRK	HRK	HRK	HRK
2010							
Non-interest bearing		1,321,385	112,888	5,597	9,023	385	1,449,278
Variable interest rate instruments		-	-	-	-	-	-
Fixed interest rate instruments	8.91	4,963	824	25,359	1,315	-	32,461
		1,326,348	**113,712**	**30,956**	**10,338**	**385**	**1,481,739**
2009							
Non-interest bearing	-	680,573	307	1,680	1,518	1,913	685,991
Variable interest rate instruments	-	1	1	169	-	-	171
Fixed interest rate instruments	6	1,311	40,228	32,248	91,883	33,563	199,233
	-	**681,885**	**40,536**	**34,097**	**93,401**	**35,476**	**885,395**

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to make payment.

(All amounts are expressed in thousands of kunas)

Maturity of non-derivative financial liabilities

	Weighted average effective interest rate	**Less than 1 month**	**1 to 3 months**	**3 to12 months**	**1 to 5 years**	**5 + years**	**Total**
	%	HRK	HRK	HRK	HRK	HRK	HRK
2010							
Non-interest bearing		262,751	82,827	98,687	27,501	-	471,766
Variable interest rate instruments	4.89	43,513	178,223	256,427	314,115	20,924	813,202
Fixed interest rate instruments	6.46	10,999	16,329	893,740	131,255	21,778	1,074,101
		317,263	**277,379**	**1,248,854**	**472,871**	**42,702**	**2,359,069**
2009							
Non-interest bearing	-	354,134	3,449	8,301	32,106	36	398,026
Variable interest rate instruments	5.80	14,869	116,571	251,971	211,142	4,148	598,701
Fixed interest rate instruments	5.80	9,413	69,869	309,920	698,771	57,222	1,145,195
	-	**378,416**	**189,889**	**570,192**	**942,019**	**61,406**	**2,141,922**

The Group has access to financing facilities. As at the balance sheet date the total unused amount is 301,789 thousand kuna. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

34.10 Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from current market transactions.

34.11. Derivative

As at 31 December 2010 the Group has recognized a derivative / interest rate swap from 2007 with Calyon Credit Agricole CIB. The derivative was used to hedge the interest rate risk until 2013 related to loans given by EBRD to Našicement and TOS. Conditions relating to mutual liabilities according to this derivative have been changed in 2010. As at 31 December 2010 the Group has disclosed a liability for a derivative in the amount of 325 thousand kuna. The Company has a fixed liability towards Calyon Credit Agricole CIB in the amount of 3,200 thousand euro that are to be repaid until 12 June 2013 according to the agreed repayment schedule.

35. SUBSEQUENT EVENTS

In February 2011 Našicecement d.d. received a short-term loan from Imex bank d.d. Split in the amount of 35 million kuna.

According to the Resolution of the Commercial court in Osijek from January 2011, the company Našička gradnja d.o.o. changed the name to Nexe gradnja d.o.o.

36. CONTINGENT LIABILITIES

There are several active legal cases against the Group companies that the Management of respective Group company did not provide for as the Management believes that companies will not incur losses related to those cases. This relates to the following cases:

- In the period from 2005 to 2009 Dilj IGM d.o.o. was subject to twelve inspections performed by Tax Authorities which disputed certain fees paid to Nexe Grupa d.d. According to the Resolutions that Tax Authorities issued for undertaken inspections, the company was charged with additional VAT and according to certain Resolutions also corporate income tax.

  The company filed complaints on above mentioned Resolutions and for some submitted also appeals to the Administrative Court of Republic of Croatia.

  Based on the submitted appeals, the Tax Authorities have issued the second instance tax resolution by which they have accepted Company's appeals and have returned the cases to the first instance body which has to revise/reconsider its conclusions.

  Most of the disputed fees paid to Nexe Grupa d.d. have been accepted during the revisions of cases. For the ones disputed again, the company submitted appeals to the Administrative Court of Republic of Croatia.

  Total tax liability after the last received Resolutions of Tax Authorities amounts to 2,343 thousand kuna, thereof 1,634 thousand kuna being paid through deduction of company's monthly VAT receivables from the State. Dilj IGM d.o.o. has not made a provision for those amounts as it believes that the outcome of appeal will be in their favour.

  There are six law suits against Dilj IGM d.o.o. in total amount of 1,598 thousand kuna that the company did not provide for. The Management Board believes that the company will not suffer any losses related to those cases.

- The Republic of Croatia started a court case against Igma d.o.o. stating that the company has been performing illegal pebbles exploitation. The litigation amounts to 16.7 million kuna. First instance judgment from 20 May 2009 and second instance judgment from 9 February 2010 ruled the case in favour of the company.

37. GOING CONCERN ASSUMPTION

In 2010 the Group has faced a significant fall of sales and incurred operating loss as well as deterioration in solvency due to significant fall of investment activities and personal consumption, as well as due to worsening of receivables collection that led to significant value adjustments of receivables in 2009 and 2010.

The Group's management undertakes continuous actions so as to ensure continuing business operations of all Group companies and timely settlement of all their liabilities. As significant portion of liabilities falls due in 2011, the Management of the Group is taking actions to provide long-term refinancing of Group’s debts so as to ensure that the debts of the Group are in line with the expected future cash flows from the future business activities of the Group.

The Management believes that all the efforts undertaken so far, such as modernization of plants to enable production of products with a higher added value and a higher quality of products and services that is essential for the existence and increase of market share in the region, the reorganization of business due to the modernization of facilities and actions undertaken on refinancing of due liabilities, will enable the Group to continue in business as a going concern over a long period of time.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board and authorized for issue on 4 March 2011.

Signed on behalf of the Board:

Ivan Ergović,
President of the Board

nexe GRUPA d.d. NAŠICE (8)

Tomislav Rosandić,
Member of the Board