

SOUTH EASTERN EUROPE

Performance in the region of South Eastern Europe was strong in 2010. The expansion initiatives undertaken by the Group in Albania and Kosovo more than offset depressed levels of demand in our traditional markets. Turnover increased by 10% to €236 million, while EBITDA increased by 17% to €87 million.

BULGARIA

Following a sharp decline in 2009 due to the financial crisis and liquidity problems, Bulgaria's GDP recorded 0.2% growth in 2010, while inflation, following the global upward trend of fuel, energy, food and commodities prices, rose to an estimated 4.5%.

Cement consumption continued to contract in 2010 with an estimated drop of about 25% year on year. At the same time, imports from Turkey gained pace and, combined with depressed demand resulted in further price erosion.

Despite the adverse market conditions of the construction sector, our ready-mix concrete business performed well and sales significantly increased compared to last year. Zlatna Panega Beton focused mostly on big projects in the country, both private investments and infrastructure projects.

Driven by the Group's commitment to reduce its environmental footprint, the Zlatna Panega cement plant commenced in 2010 the construction of an installation for the use of alternative fuels. The completion of the project is scheduled for mid-2011. The project targets the partial replacement of the main conventional solid fuels with alternative fuels.

Cement volume growth was driven by the start-up of the new cement plant of Antea in Albania and the acquisition of the cement plant in Kosovo. Sales in our traditional markets were affected by the economic crisis and margins came under pressure in most of them.

F.Y.R. of MACEDONIA

Economic activity in the Former Yugoslav Republic of Macedonia improved in the second half of the year and GDP posted a marginal increase of about 0.7% in 2010.

The construction sector, however, declined and cement consumption in the country decreased by an estimated 5% during the year. Cement import flows continued unabated and impacted local prices negatively. Cement exports from our Usje cement plant to neighbouring countries partially offset the decline of the market.

At the same time, our ready-mix concrete and aggregates business grew in volume, albeit within a very competitive environment in terms of pricing.

Endeavouring to minimize our environmental and social footprint, our Usje cement plant concluded its International Plant Protection Convention (IPPC) license negotiations with the local authorities. The process included a public consultation and improved performance on Health and Safety. Within this framework, during the year, Usje also organised the first local Stakeholders Engagement Forum in the country.

| SOUTH EASTERN EUROPE -2010 | BULGARIA | FYROM | SERBIA | ALBANIA |
|-----------------------------------|----------|-------|--------|---------|
| GDP (real growth rate) | 0.2% | 0.7% | 1.8% | 3.5% |
| Population (million) | 7.4 | 2.1 | 7.3 | 3.2 |
| Inflation | 4.5% | 1.6% | 10.3% | 3.5% |
| Cement Consumption (million tons) | 2.3 | 0.7 | 1.9 | 1.9 |

SOURCE : Local State Authorities, IMF, Company estimates



Inauguration of Antea cement plant, Albania