

PROSPECTUS



FERSPED AD Skopje
International and Local Freight Forwarding Company
with Public and Bonded Warehouses

str. Marsal Tito N°. 11a Skopje
www.fersped.com.mk

**Quotation of shares of Fersped AD Skopje on the official Macedonian Stock
Exchange Market for Securities AD Skopje**

The Macedonian Stock Exchange for Longterm Securities AD Skopje has received an official request from Fersped AD Skopje for a quotation of this company's shares on the official market. The nominal value of a share of Fersped AD Skopje is Denars 37.400/share. The request for a quotation will relate to following stock types:

- ~~16.918~~ 16.918 ordinary shares with a right for vote;
- ~~1.195~~ 1.195 preferred shares without voting right of the Pension and Disability Insurance Fund of the Republic of Macedonia, which by sale will convert into ordinary shares.

Before quotation on the official market of the Macedonian Stock Exchange AD, shares of Fersped AD Skopje were traded through the non-official market of the Macedonian Stock Exchange.

Auspices of the quotation

FERSPED BROKER AD Skopje
str. Marsal Tito No.11a, Skopje

Skopje, October, 2004

**STATEMENT
by the Person in Charge of the Company**

According to our beliefs and knowledge and data made available to us, under full material, moral and penal liability we declare that all the data contained in this Prospectus reflect full and true view of the assets and liabilities, profits and losses, financial and business condition of the issuer, rights contained in the securities and that no data nor information have been omitted which might in any way affect the integrity and authenticity of this prospectus.

This prospectus has been made to comply with the Rulebook for Quotation of Securities as published by the Macedonian Stock exchange of Securities AD Skopje in May, 2004.

The auditor of the financial reports of Fersped AD Skopje for the years 2001, 2002 and 2003 was the auditing company B and Lj, Boro & Ljupco doo Skopje.

The quotation of Fersped AD Skopje will be under the auspices of the broker house FERSPED BROKER AD Skopje.

This prospectus does not represent an offer for sale, nor call for purchase of FERSPED AD Skopje stocks. The prospectus must not be considered as recommendation to purchase shares of FERSPED AD Skopje, and each potential investor is to refer to its own assessment of the financial status and the work of FERSPED AD Skopje.

Management Board
President

Sterjo Nakov

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1. DATA ON THE ISSUER AND ISSUER'S SHAREHOLDERS CAPITAL

1.1. Name, seat and brief background about the issuer

Full name of the issuer is: International and Local Freight Forwarding with Public and Bonded Warehouses, Skopje.

Abbreviated name of the issuer: FERSPED AD Skopje.

The seat of Fersped AD Skopje is : str.Marsal Tito No.11a, Skopje.

Brief background of the issuer:

The beginning of Fersped operations goes back to 1968 when within the frames of the Railway Organization Skopje an independent unit was established to deal with issues of extending forwarding services in local and international traffic of goods.

Pursuant to provisions of the Law on Associated Labour, Fersped was organized in 1974 as OOZT (Basic Organization of Associated Labour) for international and local forwarding.

In 1984 OOZT FERSPED and OOZT for Public and Bonded Warehouses had merged and the new name of the company was: OOZT for International and Local Forwarding with Public and Bonded Warehouses FERSPED Skopje.

In 1989 Fersped changed its legal form and was organized as a company with limited responsibilities.

In 1991, in order to comply with the Decision to establish Fersped as a shareholding company with joint ownership and the Decision for emission of internal shares, Fersped is being transformed from a company with limited responsibilities in social ownership into a shareholding company with joint ownership.

In 1995, resulting from the process of completing privatisation processes, pursuant to provisions of the Law on Transformation of Enterprises with Social Capital and the Decision to finalize the transformation of the balance of social equity, Fersped is organized as : Company for International and Local Freight Forwarding with Public and Bonded Warehouses, FERSPED shareholding company Skopje.

In 1998 following the Statute passed on 26.06.1998, Fersped adjusts its organization to comply with the provisions of the Company Law, whereas the new name now is: Company for Local and International Forwarding with Public and Bonded Warehouses, Fersped AD Skopje.

In September, 2004 amendments and supplements to the Statute of Fersped AD Skopje were made to adjust it with the new Company Law, passed in April, 2004.

1.2. Date of entry in the Trade Register

The adjustment of the Company for International and Local Forwarding with Public and Bonded Warehouses Fersped AD to the new Company Law, was registered in the Trade Register at the Principal Court Skopje 1, Skopje under ref.no.Treg. 2945/2004 of 13.10.2004.

1.3. Amount of total Shareholders'capital and individual type of shares

The total equity of Fersped AD Skopje amounts to 677.426.200 denars, represented through 18.113 shares with individual par value of 37.400 denars.

Number of ordinary shares is 16.918 and the total nominal value is 632.733.200 denars.

Number of preference or preferred shares is 1.195; their total nominal value being 44.693.000 denars.

Within principal equity the ordinary shares take 93,403%, while the preferred shares take 6,597%.

1.4. Provisions from the Statute settling issues of change in the Shareholders' capital and rights deriving from various types of shares

The current Statute of Fersped AD Skopje was passed at the regular meeting of the Company's Assembly held on 26.06.1998, changed and supplemented at the Assembly's meeting held on 07.09.2004.

The changes of the capital of the Company are settled by the articles 14 and 19 contained in section 4 of the Statute under the heading "ISSUED CAPITAL, SHARES AND SHAREHOLDERS".

"Basic capital of the company may be increased or decreased by an Assembly's decision. The decision to increase or decrease is passed by a majority of shares of the two thirds of vote bearing shares, represented at the Assembly."

Rights deriving from various share types, are settled by the articles 10 and 16 of the Section 4 under the heading "ISSUED CAPITAL, SHARES AND SHAREHOLDERS".

"Each ordinary share gives right to its owners:

- to vote at the Assembly of the company,
- to collect part of the profit in a form of a dividend,
- to proportionally participate in case of bankruptcy or liquidation of the company, in sharing liquidation i.e. bankruptcy proceeds (mass)."

"Preferred shares issued to the Pension and Disability Insurance Fund of RM are not controlling shares and have the following rights:

- title to dividend of a minimum of 2% annually and proportional participation in the balance of profit, if the dividend payable for ordinary shares exceeds this amount. Preferred shares are not cumulative.
- in case of bankruptcy proceedings or company's liquidation they give the right to a proportional participation in sharing the balance of the liquidation proceed - mass.
- Preferred shares can be sold by the Fund and such sold shares are transferred into ordinary shares."

1.5. Changes in the structure of the Shareholders' capital within the last three years in view of amounts of issued capital and number and type of shares

No changes in view of the amounts of the issued capital of Fersped AD have taken place over the last three year's period. There are no changes either in the number and type of shares representing the total shareholders capital.

1.6. Amount of all debt convertible securities, describing rules and conversion procedures

FERSPED AD Skopje has not issued any debt convertible securities.

1.7. Names of shareholders holding over 10% of equity

Predominant shareholder participating with 23,387% in the total shareholder's capital is Sterjo Nakov, who is also a President of the Management Board and the Managing director of FERSPED AD Skopje.

As at 30.06.2004 there were no other shareholders holding more than 10% of the total shareholders' equity of FERSPED AD Skopje.

1.8. Brief description of interconnection with subsidiaries plus information about type and number of shares owned by FERSPED AD Skopje

FERSPED AD Skopje has been interconnected with 4 shareholding companies in which it possesses the majority of shares, i.e. SKOVIN AD Skopje, LOTTERY OF MACEDONIA AD, Skopje, HOTELS-METROPOL AD Ohrid and FERSPED BROKER AD Skopje.

In all abovementioned subjects, Fersped AD Skopje holds controlling power executed through ordinary stocks it holds in each of them. Here are the tables showing number of shares held by Fersped AD Skopje in the companies representing a majority, as well as its procentual participation within the frames of the total issued capital.

Number of shares of Fersped AD Skopje

Name of subsidiary	Nominal value per share in EUR shares	31.12.2003
		Number of Fersped
SKOVIN AD Skopje	5,11	1.060.680

Lottery of Macedonia AD Skopje	51,03	83.458
Hotels Metropol-Ohrid	5,11	653.701
Fersped Broker AD Skopje	51,13	9.000

Percentage of participation of Fersped AD Skopje in total shareholders' equity

	<u>2003</u>	<u>2002</u>	<u>2001</u>
SKOVIN AD Skopje	96,693	96,647	96,647
Lottery of Macedonia AD Skopje	51,644	51,644	49,741
Hotels Metropol-Ohrid	63,160	63,160	63,160
Fersped Broker AD Skopje	85,633	85,633	85,633

1.9. Financial Statements of Fersped AD Skopje for the periods from 2001-2003

Here in continuation, Income Statements and Status of Fersped AD Skopje for the period 2001-2003.

Income Statements

in thousands of denars	2003	2002	2001
Sales	3.030.218	2.984.213	3.354.382
Other operating income	213.601	353.747	259.167
Income from use of own products, goods, materials and services	-	-	30.359
Total revenue	3.243.819	3.337.960	3.643.908
Changes in inventories of finished goods and work in progress	-	-	-
Raw material and consumables used	-57.009	-71.985	-64.350
Staff costs	-211.307	-211.541	-195.279
Depreciation	-183.424	-78.862	-76.293
Cost of commodities sold	-778.384	-790.659	-1.020.933
Other operating expenses	-1.786.134	-2.016.251	-1.929.460
Total operating expenses	-3.016.258	-3.169.298	-3.286.315
Profit from operations	227.561	168.662	357.593
Finance income	158.663	218.883	78.652
Finance expenses	-117.871	-120.313	-131.945
Profit before tax	268.353	267.232	304.300
Income tax	-39.063	-39.145	-45.734
Profit after tax	229.290	228.087	258.566

BALANCE SHEETS

in thousands of denars	2003	2002	2001
ASSETS			
Non-current assets			
Intangible assets	9.789	1.185	1.173
Property, plant and equipment	1.242.910	1.443.852	1.471.514
Investments	787.627	813.992	918.457
Long term loans	-	14.318	14.318
Total	2.040.326	2.273.347	2.405.462
Current assets			
Inventories	83.894	75.635	1.024.563
Trade receivables	1.116.341	1.534.266	1.624.092
Other current receivables	880.221	440.719	368.228
Short term loans	31.018	26.715	24.872
Payments in advance	27.565	30.216	33.132
Prepaid expenses and accrued revenues	20	209	8.031
Cash and cash equivalents	27.855	36.036	60.128
Total	2.166.914	2.143.796	3.143.046
TOTAL ASSETS	4.207.240	4.417.143	5.548.508
EQUITY AND LIABILITIES			
Capital and reserves			
Shareholders' capital	644.500	468.623	468.623
Legal reserves	436.508	419.585	389.248
Revaluation reserves	386.904	386.896	371.237
Accumulated profit	663.967	662.942	522.240
Total	2.131.879	1.938.046	1.751.348
Non-current bearing borrowings	205.745	115.437	86.209
Current liabilities			
Trade payables	963.727	1.698.643	2.003.727
Other current liabilities	254.466	205.979	294.001
Customers prepayments	13.034	14.295	983.715
Short-term borrowings	638.389	444.743	428.088
Accrued expenses and deferred revenues	-	-	1.420
Total	1.869.616	2.363.660	3.710.951
TOTAL EQUITY AND LIABILITIES	4.207.240	4.417.143	5.548.508

1.10. Names and addresses of Issuer's banks:

- Komercijalna Banka AD Skopje, str.Kej Dimitar Vlahov No. 4 Skopje;
- Investbanka AD Skopje, str.Makedonija No. 9/11 Skopje;
- Tutunska Banka AD Skopje, str.12-ta Udarna brigada b.b. Skopje;
- Ohridska Banka AD Ohrid, str.Makedonski prosvetiteli No.19;
- Alfa Banka AD Skopje, str.Dame Gruev No.1 Skopje; and
- Stopanska Banka AD Skopje, str.11 Oktomvri No.7 Skopje.

1.11. Real Estate

FERSPED AD Skopje is holding the following real estate:

- hotel Aleksandar Palas in Skopje with total surface of 15.000 m²;
- business facilities in settlement Kapistec in Skopje of 1.946 m²;
- administrative headquarters in public and bonded warehouse occupying 1.373 m²;
- four warehouses in the complex public and bonded warehouses of 27.853 m²;
- auxilliary objects in the complex public and bonded warehouses of total 2.413 m²;
- office facilities in the shopping center Bunjakovec of 400 m²;
- office facilities in the shopping center Paloma Bjanka of 250 m²;
- other offices where freight forwarding operations are being performed, in eight municipalities of the Republic of Macedonia, totalling 1.250 m²;
- hotel Partizanska kuka in Mavrovo with total of 1.100 m²;
- gas pump within the complex public and bonded warehouses.

1.12. Protection of Environment

FERSPED AD Skopje pays special attention to protection of environment with specific activities taken within its competences. Public and Bonded Warehouses are located in the industrial zone of Skopje, which in terms of ecology means reduction of the air pollution in urban places.

The waste waters in the hotel - catering objects are captured in special filtering stations and the area surrounding the objects treated and arranged horticulturally.Machines for cleaning bigger surfaces have also been supplied.

Apart being active in preserving clean environment, Fersped AD Skopje supports more environmental actions and non-government eco-organizations.

1.13. ISO Quality Standards

Within the scope of commitment to increase the quality of management with available funds, on April 18, 2000 godina FERSPED AD Skopje was awarded ISO certificate 9001 relating to quality management system. The cetificate issuer was British Standards Institution, with head offices in London.

The same institution on January 5, 2004 re-certified the validity of Certificate of Registration issued originally on April 18,2000.

1.14. Sponsorship, donations, culture and sports

FERSPED AD Skopje supports the policy of helping development of Macedonian sports, cultural, scientific, artistic, humanitarian, health organizations and individuals in a form of sponsorship and donations for which it has been granted a number of recognitions.

FERSPED AD Skopje is a main sponsor of :

- basketball club Fersped-Rabotnicki Skopje;
- male and female volleyball-club Rabotnicki Skopje;
- tennis club Jug of Skopje;
- festival of popular music Makfest Stip.

2. BUSINESS ACTIVITIES OF ISSUER

2.1. Description of basic activities

FERSPED AD Skopje is a shareholding company with several basic activities whose sale generates income such as: freight forwarding services, storage services, trade and catering.

Freight Forwarding

A wide scope of services is covered by freight forwarding:

- finding a best possible transport route and selection of the most favourable;
- loading, discharge and transshipment operations at ports;
- storing in and storing out of goods in own or rented warehouses, in regular or special circumstances;
- representation and customs clearance services;
- brokerage at customs, fitosanitary, veterinary and other procedures required at border;
- brokerage in insurance of goods during transport;
- sampling and establishing quantity of goods;
- delivery of shipping and arrival notifications;
- establishing of tariff numbers according to Customs Tariff;
- provision of compensation claim through third persons;
- consulting.

FERSPED enables fast and efficient customs formalities in import and transit of goods at 10 border crossings such as:

- bound to Greece: Bogorodica and Medzitlija;
- bound to Bulgaria: Deve Bair, Delcevo and Novo Selo;
- bound to Serbia & Montenegro: Tabanovce, Blace i Jazinec;
- bound to Albania: Kafathane and Blato.

Customs formalities for import, transit, export of goods as well as its storing in public and bonded warehouses, are made in all major centres of Macedonia, i.e.: Skopje, Trubarevo, Bitola, Kumanovo, Tetovo, Veles, Stip, Strumica, Struga, Kavadarci, Prilep, Ohrid, Gevgelija.

Highly qualified staff is intervening in fito sanitary and veterinary control of goods at border crossings and sanitary and market control in internal customs branches. Fersped employees extend their expert assistance in splitting goods by customs tariff numbers, import or export regimes, interpretation of the legal provisions from the area of customs clearance and foreign trade, as well as application of international and inter-state agreements/accords concluded or ratified by the Republic of Macedonia.

All customs departments, both at border crossing and in inner branches, are computer connected to the branches of the Customs Administration of the Republic of Macedonia, through the network MAKCIS (Macedonian Customs Informative System).

Storage Services

The storage services cover discharge, storing in, handling within the storage area, storing out and loading of goods. Storage is made in public and bonded warehouses occupying area of about 28.800 m² closed storage. Within the organizational scheme of the public and bonded warehouses, there are also: truck terminal of about 43.000 m², container terminal of 15.000 m², three sheds of total 2.000 m², administrative building no.1 of 1.370 m², business building no.2 of 700 m² to service the truck customs terminal intended to accommodate customs and inspection authorities, forwarding agents and transporters, and a catering /restaurant of 180 m². More adjacent and assisting objects have been built in the complex, necessary to make it functional, such as: garages, transformer stations, repair services for mechanisation. The complex of public and bonded warehouses has been supplied with camera surveillance system, high metal fences and security guards.

The same area of the truck terminal, turns every Sunday into the biggest second-car market in the country.

The Public and Bonded Warehouses sector has an electronic scale of 50 t capacity, 32 ton capacity crane, 25 forklifts electro and diesel driven, with a capacity of up to 12,5 tons. The location of all listed facilities is accessible for both road and railway connections, an important predisposition for enabling a successful work of the warehouses.

Trade

In its everyday operations FERSPED earns income from dealing with wholesale and retail of goods. Substantial participation in the trade falls on turnover of oil and derivatives, foodstuff, equipment, products from heavy and light metallurgy. FERSPED has its own gas station in Skopje located within the complex for public and bonded warehouses, Avtokomanda.

Hotel Management

The construction of the hotel Aleksandar Palas in Skopje in 1998 opened path to developing the activity of hotel management. The hotel Aleksandar Palas is at the moment the only one in the country with 5 stars. Total area covers about 15.000 square meters. The accommodation capacities comprise 135 luxurious rooms, out of them 22 suits. All rooms are air conditioned, equipped with satellite and cable TV and with Internet connection. Accompanying facilities are a big conference hall, 3 computer rooms intended for business meetings with a capacity of 80 seats, fitness center, 6 tennis courtyards with hard floor (pelskicution), coffee bar, laundry, internet kafe, souvenir shop, covered garage, car wash service. The conference hall has a capacity of 1.500 seats and is equiped with simultaneous translation devices, 100 telephone lines and three rooms for multi purposes: congresses, seminars, fashion shows, presentation shows and other events. The fitness centre is covering a solarium, sauna, jakuzzi, training room, aerobic and massage.

However, the initial steps in dealing with hotel management go back to 1994 when Fersped bought a small hotel in Mavrovo, just next to the ski lift. The hotel was completely renovated and now has 18 rooms covering the total area of about 1100 square meters.

2.2. Exhibit of sales in the period 2001 - 2003

The sales in the recent 3 year period are as follows:

in thousands of denars	2003	2002	2001
Sales on domestic market	2.015.842	2.134.642	2.340.836
Sales on foreign market	1.014.376	849.571	1.013.546
Total	3.030.218	2.984.213	3.354.382

2.3. Short review of extent of dependance on patents, licences, industrial, commercial or financial contracts or new production procedures

FERSPED AD Skopje is not depending in his operations on any patents, licences, industrial, commercial or financial contracts.

2.4. Information on development policy, research of new products and procedures

The development policy of FERSPED AD Skopje is based on following principles:

- maintenance of high quality services extended to its present and potential users;
- penetration to new markets;
- investing in existing activities of the Company and in the activities of other companies where it has majority of shares;
- realizing better financial results;
- following legal regulations and all relevant international standards which are in any relation to the activities of Fersped;
- continuing training and education of the employees;
- care for the environment.

2.5. Information on court and arbitral proceedings either in course or which may occur and might seriously affect the financial situation

Aggrieved economic conditions in which the economic subjects in the country act cannot spare Fersped AD. If any other way is not possible, Fersped ensures collection of debts by filing suitclaims. The activities always begin by attempts to negotiate disputes off-court.

In the course of 2003 some 23 suits were filed against Fersped AD. The amounts claimed in the suits are non-material and cannot seriously affect the financial condition of the company.

2.6. Number of employees and qualification structure

One of the goals contained in the Quality Policy of the company according to ISO standards is permanent education and training of the employees. Pursuant to the Quality Certificate Fersped AD undertakes to fulfil the expectations and requirements of the employees in terms

of job security and appropriate remuneration. Following the procedure for training pursuant to ISO Standards an annual plan budgeting funds for training is made to cover:

- regular current trainings in foreign languages;
- regular training in computer skills;
- regular external trainings on various topics significant for the company's work;
- attendance to seminars, congresses, fairs, forums and similar;
- internal training on all company's segments.

The purpose of this process is to obtain competent and trained personnel, who will execute the set tasks with high quality and professionalism all to customer satisfaction.

Over the last 3 year period of time, the number and qualification structure of the employees is :

Employees qualifications	2003		2002		2001	
		%		%		%
University Education	113	23,79	112	23,58	117	24,22
High education	33	6,95	35	7,37	34	7,04
Secondary Education	287	60,42	285	60,00	288	59,63
Qualified	17	3,58	17	3,58	18	3,73
Low education	25	5,26	26	5,47	26	5,38
Total	475	100,00	475	100,00	483	100,00

The table shows that the number of employees of Fersped AD Skopje after a minor decrease in 2002 compared to the condition in 2001, maintained in 2003 the same level as that of 2002.

The qualification structure may be taken as convenient considering that participation of University and High level of educated employees in the total number of employees is more than 30%, while the participation of low levels of education is insignificantly higher than 5%. The majority of participants are those with medium level of education (secondary) with about 60%.

Here below is an exhibit of employees by basic organization sectors in Fersped AD Skopje.

Sector	2003		2002		2001	
		%		%		%
Commercial affairs	51	10,74	52	10,95	53	10,97
Customs matters	167	35,16	167	35,16	168	34,78
Public and bonded warehouses	65	13,68	63	13,26	66	13,66
Tariff Matters	17	3,58	17	3,58	19	3,93
Trade	21	4,42	19	4,00	18	3,73
Catering	102	21,47	102	21,47	101	20,91
Financial matters	26	5,47	26	5,47	25	5,18
Legal matters and HR	26	5,47	29	6,11	33	6,83
Total	475	100,00	475	100,00	483	100,00

The table shows that the most employees are in the customs sector followed by catering sector. The number of employees in the non-production sectors in 2003 is 52, participating in the total number of employees with 10,94% which may be considered as convenient indicator.

2.7. Description and value of important additions of fixed assets and investment in securities of other trade companies in the last 3 years

Additions of fixed assets

More important additions of fixed assets during 2001 are:

- 12.884 thousand denars in two intercity buses;
- 3.069 thousand denars in a system for video surveillance.

More important additions of fixed assets in 2002 are:

- 17.182 thousand denars in grape juice concentrator;
- 7.387 thousand denars in stabilizer for preparation of wine;
- 2.078 thousand denars in two forklifts;
- 1.249 thousand denars in a system for video surveillance.

More important additions of fixed assets in 2003 are:

- 12.696 thousand denars in the administrative building of Lottery of Macedonia AD, Skopje;
- 8.603 thousand denars in casino tables and roulette coins;
- 2.430 thousand denars in a system for video surveillance and recording in h.Aleksandar Palace;
- 1.169 thousand denars in industrial vacuum cleaner Tenant 215/b;
- 1.126 thousand denards in telephone operator and telephone Panasonic type.

Investment in securities

Year 2001 was marked by following more significant investment in securities of other companies:

- 198.241 thousand denars in 80.352 ordinary shares of Lottery of Macedonia AD. Skopje;
- 27.980 thousand denars in 9.000 ordinary shares of FERSPED BROKER AD Skopje;
- 22.819 thousand denars in stock of JUG Komerc DOOEL Skopje.

Year 2002 was marked by following more important investments in securities of other companies:

- 9.791 thousand denars in 321 ordinary shares of Tabak Osiguruvanje AD Skopje (Insurance company) by virtue of paid dividend in shares from the net profit realized in 2001.

No more important investments into securities of other companies were made in 2003.

2.8. Place and position of the issuer in the industry branch

FERSPED AD Skopje is a leading freight forwarding company in the Republic of Macedonia and one of the most successful firms. No world destination is far enough and no type of

transport is impossible for the professionals in Fersped AD Skopje. Fersped is a true partner to organize any type of transport.

In the course of its existence, Fersped has grown into a real titan in the area of freight forwarding enjoying high international rating and experience. Most of the major companies in the country, companies from other Balkan countries and Western Europe, CIS countries etc., have been using the services of this company. International humanitarian organizations have also used the services of the company.

Being a FIATA member (Federation Internationale des Associations de Transitaires et Assimiles) FERSPED is in position to add to the security of its clients in regard to issuance of such international documents as FCR and FBL, which in trading principles play a role of a bank supporting document and serve as a base for regulating payments between partners. The seat of FIATA is in Switzerland and FERSPED is the only independent member from Macedonia.

Long-term experience in container transports and excellent relations with the world container shipping liners allow rendering efficient and timely service at reasonable costs and a complete "door to door" service. FERSPED is able to satisfy the requests of its most demanding clients.

Transport of mass general goods, derivatives and consolidated goods has been for years on the top of Fersped's agenda.

The industry in which Fersped operates can be seen and judged as very competitive, There are a number of companies in the country dealing with freight forwarding services, whilst the majority of them are small and do not present any serious competitors.

Among the ones that are competitive are: Makosped AD Skopje, Kampakis from Greece and Schenkers from Germany.

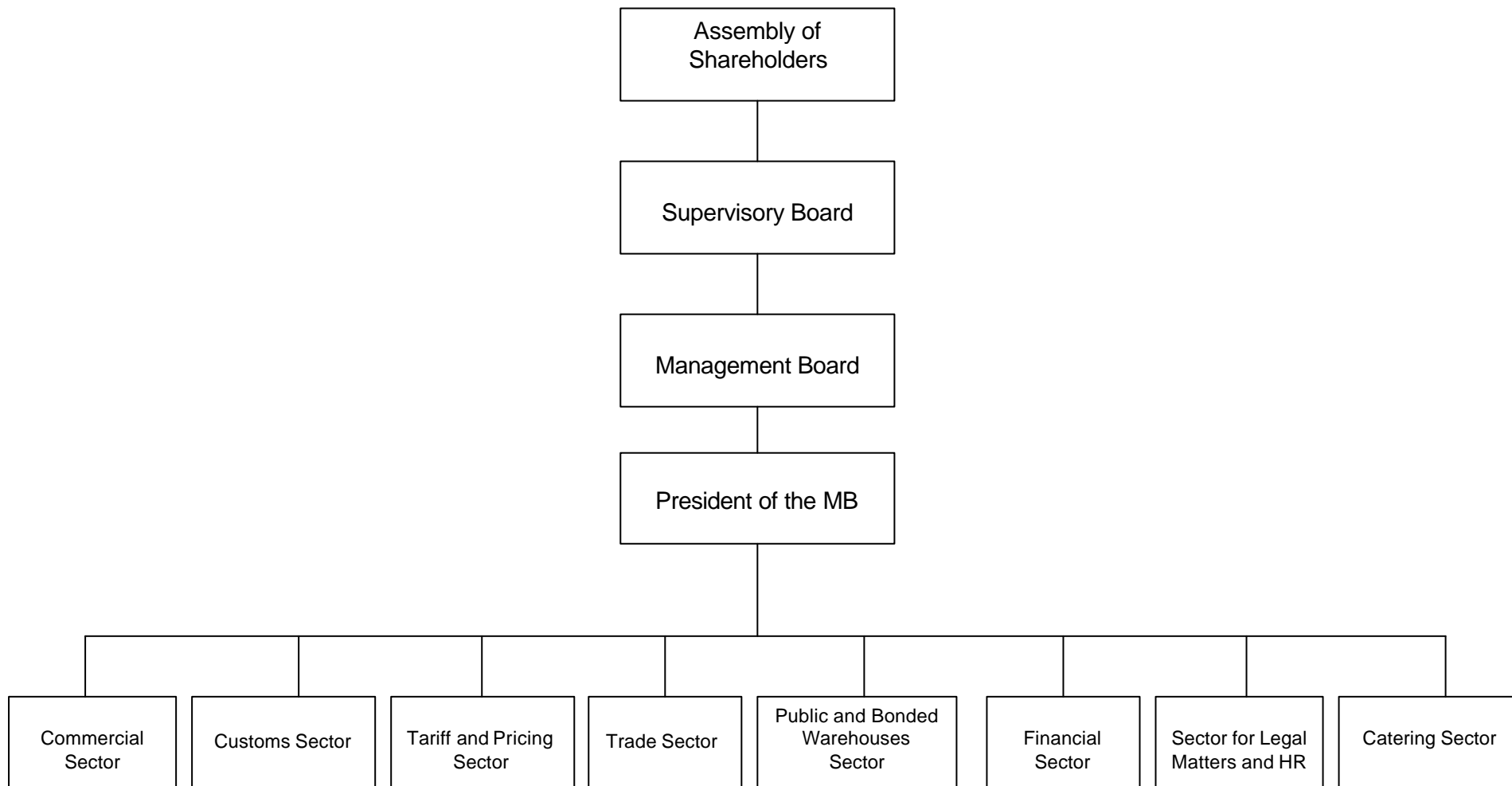
Within the catering branch, we would point Makedonija Turist AD Skopje as major competition, a firm that owns several bigger hotel objects in Skopje.

2.9. Organisational scheme of FERSPED AD Skopje

Below is the organizational scheme of Fersped AD Skopje presenting the organizational status of the company.

Organizational scheme

Section Break (Next Page)



3. FINANCIAL DATA OF FERSPED AD SKOPJE

3.1. Financial data for the period 2001-2003

	2003	2002	2001
Total assets (in thousands of denars)	4.207.240	4.417.143	5.548.508
Total liabilities (in thousands of denars)	2.075.361	2.479.097	3.797.160
Total equity (in thousands of denars)	2.131.879	1.938.046	1.751.348
Profit before tax (in thousands of denars)	268.353	267.232	304.300
Net profit (in thousands of denars)	229.290	228.087	258.566
Earnings per share (in denars)	13.500	13.429	15.179
Price / earnings per share ratio	1,41	1,42	1,26
Price / book value per share ratio	0,15	0,17	0,19
Dividends per share (in denars)	697	664	1.484
Dividends yield (in percentage)	3,66	3,48	7,79

3.2. Information on companies in which the issuer has a majority

of ownership

FERSPED AD Skopje has a majority of shares in four shareholding companies :SKOVIN AD Skopje, LOTTERY OF MACEDONIA AD Skopje, HOTELS-METROPOL AD Ohrid and FERSPED BROKER AD Skopje.

Hereby is a review of basic data for these companies in majority ownership of Fersped AD Skopje as at 31.12.2003.

Company with majority ownership:	SKOVIN AD Skopje
Address:	str. 15-ti Korpus No. 3, Skopje
Area:	Production of wine
Portion of the capital owned:	1.060.680 shares or 96,693%
Issued capital:	5.609 thousand EUR, 1.096. 954 shares
Legal reserves:	2.113 thousand denars
Profit after taxation:	5.703 thousand denars
Amount of paid dividend:	Not published and not paid
Amount of issuer's debt:	None
Amount of debt to issuer:	353.539 thousand denars

Company in majority ownership:	LOTTERY OF MACEDONIA AD Skopje
Adress:	str. Marsal Tito No.11-a, Skopje
Area:	Gambling, betting and chance games
Portion of the capital in ownership:	83.458 shares or 51,644%
Issued capital:	8.259 thousand EUR 161.540 shares
Legal reserves:	37.888 thousand denars
Loss after taxation:	53.929 thousand denars
Amount of paid dividend:	Not published and not paid out
Amount of Issuer's debt:	16.471 thousand denars
Amount of debt to issuer:	11.141 thousand denars

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Company with majority of ownership	HOTELS-METROPOL AD Ohrid
Address:	Dolno Konjsko b.b., Ohrid
Area:	Hotels and catering
Portion of capital in ownership:	653.701 shares or 63,160%
Issued capital:	5.292 thousand EUR, 1.035. 000 shares
Legal reserves:	15.590 thousand denars
Profit after taxation:	14.507 thousand denars
Amount of paid dividend:	Has published a dividend for payment of 1,443 denars per share or total 943.579 denars for the shares owned by Fersped
Amount of issuer's debt:	18.189 thousand denars
Amount of debt to issuer:	14.037 thousand denars

Company with majority of ownership	FERSPED BROKER AD Skopje
Address:	str. Marsal Tito No.11-a, Skopje
Area:	Brokerage in trade with securities
Portion of capital in ownership:	9.000 shares or 85,633%
Issued capital:	537 thousand EUR, 10.510 shares
Legal reserves:	7.060 thousand denars
Profit after taxation:	10.768 thousand denars
Amount of paid dividend:	Not published nor paid any dividend
Amount of issuer's debt:	23.005 thousand denars
Amount owed to issuer:	28 thousand denars

4. INFORMATION ON SHARES APPLIED FOR QUOTATION

4.1. Description of shares for which application is filed, number of shares and their nominal value

Application for quotation on the official market of the Macedonian Stock exchange for long-term securities AD Skopje is filed for 18.113 shares and total nominal value of 677.426.200 denars. The nominal value of one Fersped share is 37.400 denars.

Quotation is requested for the following types of shares:

- 16.918 ordinary vote bearing shares in total nominal value of 632.733.200 denars; and
- 1.195 preferred shares with total nominal value of 44.693.000 denars. Preferred shares do not hold a voting right and are owned by the Pension and Disability Insurance Fund of the Republic of Macedonia. These preferred shares are transferred into ordinary shares after sale.

As at 30.06.2004 the shareholders' book of Fersped AD Skopje has 350 registered shareholders.

4.2. Review of rights belonging to shares

Pursuant to FERSPED AD Skopje Statute, ordinary shares entitle their owners to:

- vote in the Assembly of the company;
- be paid a part of the profit in a form of a dividend;
- a proportional participation, in case of bankruptcy or liquidation, in sharing bankruptcy or liquidation proceeds.

Preferred shares issued to the Pension and Disability Insurance Fund of the Republic of Macedonia give to their owners the following rights:

- a dividend of minimum 2% annually and proportional participation in the balance from the profit if a dividend exceeding this amount is paid out to ordinary shares. Preferred shares are not cumulative;
- not a right to vote, they are not controlling;
- proportional participation in sharing balance from proceeds in case of bankruptcy or liquidation;
- the Fund can sell the preferred shares whereas the sale shall turn them into ordinary shares.

Shares are freely transferable. Shareholders will be those persons entered in the Shareholders' Book which is held at the Central Depository for Securities, in accordance with the legal regulations.

4.3. Review of more important provisions of FERSPED AD Skopje Statute regulating shareholders' rights

Assembly of Shareholders

The Assembly of company's shareholders consists of owners of vote bearing shares. The Management Board call the Assembly. Meetings are held minimum once a year. The annual meeting of the Assembly is called upon at the latest three months from the date of producing the annual balance sheet.

The Assembly of the company decides especially on issues as : change of the Statute, approval of annual Balance Sheet, financial statements and annual report on company's work; profit distribution; selection/election and release of members of Supervisory Board; approval of the work and managing the company by the managing and supervisory bodies, change of the rights related to individual types and classes of shares; increase and decrease of the principal of the Company; issuance of shares and other securities, appointing of authorised auditor for auditing the annual Balance Sheet and other financial statements, if the company is obliged to make, transformation of the Company into another form; statutory changes of the Company; termination of the Company.

The Assembly may function if verified participants at the Assembly meeting are present who hold at least majority of total number of vote bearing shares. Decisions of the Assembly are passed by the majority of vote bearing shares represented at the Assembly.

Notification to shareholders

The Assembly is called by a public announcement to the shareholders. The public announcement is published in at least one daily newspaper. The period running from day of publishing the announcement until the day of holding the Assembly meeting, may not exceed 50 days nor be less than 21 days.

Right to Vote

Each share bearing a right to vote entitles the owner to one vote at the Assembly. Number of votes at the Assembly is 16.918 votes.

Payment of dividend

The Assembly of shareholders decides on allocation of profit. Part of the profit may be distributed to pay dividend to shareholders. The dividend is paid latest within 9 months after closing of the business year. Dividend may be paid either in cash or in shares. An advance money in a form of expected dividend may be paid out to shareholders even in the course of the business year.

Termination of the Company

Decision for a company to cease is passed by the Assembly by two thirds of the majority of vote-bearing shares represented at the Assembly.

The Company shall cease if:

- measure to forbid activities has been brought in case the company does not fulfil conditions for carrying out its activities;
- natural and other conditions for carrying out the specialized activities of the Company cease to exist;
- the insertion in the trade register has been identified by an enforceable court decision as void;
- bankruptcy proceeding takes place;
- merger, split, separation of the Company, division of company by separation and establishing and separation by undertaking.

Company shall cease without liquidation if merged with another company or split into more companies.

Purchase of treasury

Part of the company's profit may be allocated to purchase of treasury.

Keeping Shareholders' Book

The Shareholders' Book is held non-materialized in the Central Depository for Securities in accordance with the legal regulations.

4.4. Statistical data on trading with shares of FERSPED AD Skopje for the period of three years

In the period from 1999 to 2004 the shares of Fersped AD Skopje were traded with on the unofficial market of the Macedonian Stock Exchange for securities. Maximum price per share was achieved on 03.04.2002 and was paid 20.001 denars, whilst minimum price per share was achieved on 15.04.1999 and was 14.400 denars.

In the period from August 2002 till May 2004 the shares of the company could not be traded with because of the ban to change the Shareholders' book of Fersped brought by the Commission for securities. In the period that followed after lifting the ban, the maximum achieved price per share was made on 12 and 19 July, 2004 and amounted to 19.000 denars, while the lowest price per share was reached on 28 September, 2004 and amounted to 15.000 denars.

Here below is a graphical chart for trading with shares of Fersped AD Skopje on the unofficial market of the Macedonian Stock Exchange for long-term securities.

4.5. Amount of dividend per share for the period 2001-2003

	2003	2002	2001
in denars			
Dividend per share	697	664	1.484

Dividend is payable latest by 30 September, to comply with the legal regulations.

5. INFORMATION ON THE MANAGEMENT

5.1. Details about the members of the managing bodies and the management

Management of FERSPED AD Skopje has been arranged as per a two-degree system, Supervisory Board and the Management Board.

5.1.1. Management Board

The Management Board of Fersped AD Skopje has eight members. The Management Board members mandate is six years with a possibility for another mandate. The Supervisory Board nominates the members of the Management Board.

The President of the Management Board represents and presents the Company in relations to third persons.

Here below is a list of members of the Management Board with number of shares they possess in Fersped AD.Skopje.

Name and Family Name	Title	Number of shares in FERSPED
Sterjo Nakov	President	4.236
Kiraca Trajkovska	Vice President	1.609
Violeta Tatabitovska	member	251
Angel Najdovski	member	246
Stojan Nastovski	member	245
Nevenka Ristovska	member	179
Zoran Todorovski	member	177
Caca Zikova	member	29

Short resum#s of the members of the Management Board of Fersped

Sterjo Nakov is a President of the Management Board of Fersped holding at the same time the title managing director. He was born in 1948. Graduated from the Faculty of Economy, his total work age is 31 years, out of which 21 in Fersped.

Kiraca Trajkovska is a Vice President of the Management Board of Fersped. She was born in 1953, graduated from the Faculty of Economy. Her total work age is 27 years, out of which 19 years in Fersped.

Angel Najdovski is managing the Sales-Commercial sector. Born in 1946, graduated from the Faculty of Economy with total work age of 33 years, out of them 14 in Fersped.

Stojan Nastovski is managing the Sector for Public and Bonded Warehouses. Born in 1949, graduated from the Faculty of Economy, his total work age 32 years, out of them 19 in Fersped.

Zoran Todorovski is a manager of the Sector for Customs Matters. He was born in 1952 and graduated from the Faculty of Economy. His total work age is 28 years and all of it spent in Fersped.

Violeta Tatabitovska is managing the Sector for Tariff and Pricing matters. Born in 1953, graduate from the Faculty of technology and metallurgy with total work age 27 years out of which 19 in Fersped.

Nevenka Ristovska is managing the Sector for Legal Matters and Human Resources. Born in 1958, graduate from the Law Faculty. Her total work age is 22 years, 18 in Fersped.

Caca Zikova is managing the Sector for Financial Matters. She was born in 1960, graduated from the Faculty of Economy. Her total work age is 18 years, all of it in Fersped.

5.1.2. Supervisory Board

The Supervisory Board of Fersped AD Skopje has 5 members. The mandate of the members of the Supervisory Board is six years, with a possibility of reelection. The members of the Supervisory Board are elected by the Assembly of the company.

The Supervisory Board is obliged to report annually to the Assembly of the company about its work.

Here below is a list of members of the Supervisory Board with number of shares of Fersped they have been holding:

Name and Family Name	Title	Number of shares in FERSPED
Todor Trpcevski	President	247
Dimitar Petrusevski	member	137
Borce Petrusevski	member	40
Boris Josevski	member	39
Tasko Mincevski	member	3

Short resum#s of the members of the Supervisory Board

Todor Trpcevski is a President of the Supervisory Board of Fersped. He was born in 1948. He graduated from the Law Faculty. His total work age is 29 years, out of them 20 years in Fersped.

Dimitar Petrusevski is a Managing director of Skovin AD Skopje. He was born in 1942, graduated from the Faculty of Technology. His total work age is 29 years, 26 out of them in Fersped.

Borce Petrusevski is an assitant manager for commercial matters. Born in 1954, graduate from the Faculty of Economy. His total work age is 23 years, all of them in Fersped.

Boris Josevski is a pensioner, shareholder in Fersped. Born in 1941.

Tasko Mincevski is an assistant manager in the sector for commercial matter. Born in 1947, graduated from the Faculty of Economy. His total work age is 32 years, 9 spent in Fesped.

5.1.3. Management

Here below is a list of the members of the management of FERSPED AD Skopje who are heading the sectors in accordance with the organizational scheme.

Name and Family Name	Title	Sector	Number of shares in FERSPED
Sterjo Nakov	President of the Management Board and Managing director	FERSPED AD	4.236
Kiraca Trajkovska	Vice President	FERSPED AD	1.609
Angel Najdovski	Director	Sales-Commercial	246
Stojan Nastovski	Director	Public and Bonded Warehouses	245
Zoran Todorovski	Director	Customs	177
Violeta Tatabitovska	Director	Tariff Pricing	251
Caca Zikova	Director	Finance	29
Nevenka Ristovska	Director	Legal and HR	179
Blagoja Naumovski	Director	Trade	none
Milan Vukovic	Director	Catering	none

Short resum#s of the members of the management of Fersped

Biographical data about the members of the Management of Fersped AD Skopje who are simultaneously members of the Management Board have already been given in the section dealing with the Management Board. Here below are the personal data about the other members of the management.

Blagoja Naumovski is a manager of the Trade Sector. Born in 1954, graduated fom the Faculty of Economy, his total work age is 22 years and 5 of them is in Fersped.

Milan Vukovic is a manager of the Catering Sector. He was born in 1962. He graduated from High School-gymnasium. Total work age is 10 years, one year in Fersped.

5.2. Information on number of shares of the members in the managing bodies and the management

Point 5.1 of this prospectus, contains the number of shares held by each of the members of the Supervisory and Management Board. The members of the Management Board hold total 6.972 shares and of the Supervisory Board 466 shares.

The members of the management hold total 6.972 shares. It is necessary to mention that all 8 members of the Management Board are part of the management of Fersped as well, and they hold 6.972 shares.

Neither of the members of the Management Board, Supervisory Board and management of Fersped AD Skopje as at 30.09.2004 holds shares in any of the subsidiary legal subjects, i.e. in companies where majority of shares is in the hands of Fersped, except for Mr.Dimitar Petrusevski who holds 9 ordinary shares in Skovin AD Skopje.

6. DEVELOPMENT PERSPECTIVES

6.1. Information on development perspectives in the business activities for the period 2004 - 2006

No drastic changes are to be expected in the business activities of Fersped AD in the period from 2004 to 2006 compared to the performance over the last two years.

FERSPED AD Skopje realizes its income from rendering forwarding services, services of public and bonded warehouses, hotels and catering and wholesale trade. The activities of Fersped are directly connected to the macroeconomic conditions on a country level. As a result of the planned GDP on the level of Macedonia over the next period, the management team of Fersped is planning a mild increase of the financial results in the period 2004 - 2006.

Here is a table showing planned amount of income and expenditures in the 2004-2006 period.

in thousands of denars	2004	2005	2006
Total revenues	3.504.556	3.609.693	3.717.984
Total expenses	-3.223.452	-3.315.320	-3.409.807
Profit before tax	281.104	294.373	308.177
Income tax	-42.166	-44.156	-46.227
Net profit	238.938	250.217	261.950

To support execution of the projected financial results the following investments have been planned:

- investment to introduce a system for a high shelf storage of goods by which the useful area of the storage would be significantly increased;
- investments to build cooling chambers in the part of the storage capacities to cover about 3.500 square meters;
- investments into building a container terminal and needed transshipment and other handling mechanisation such as derricks, autolifts, selfloaders, trailers with low bed; diverse container conveyors; forklifts and other helping devices for loading or off loading of containers;
- investment to replace part of the existing forklifts for on/offloading at warehouses, with forklifts of higher capacity;
- investing in computer equipment for on-line connection with all customs and other branches on the territory of Macedonia.

The necessary funds to complete mentioned investments will be raised from the calculated amortization of the existing fixed assets.

6.2. Basic assumptions and estimation about profit in 2004 -2006 period

Related to indicated data about the development perspective in the business activities for the period 2004-2006, the average annual growth of the total revenues is planned as 3%, while average expenses as 2,85% in relation to financial results obtained in 2003.

Resulting from planned total revenue and total expenses and in unchanged conditions in the Tax Law in the segment of tax facilitations and exemptions, as well as in the rate of tax on profit of 15%, the profit after tax indicates an increase of 4,2 % in 2004 and 4,7% both in 2005 and 2006.

In case of non-fulfilment of planned macroeconomic indicators for development on the level of the country, it is to expect also a deviation from the projected financial results of Fersped AD Skopje in 2004-2006 period.

7. CONSOLIDATED FINANCIAL STATEMENTS

7.1. Independent Auditors' Report

To the Shareholders and Management Board of FERSPED AD Skopje

1. We have audited the accompanying consolidated balance sheet of the Group FERSPED Skopje at 31 December 2003 and related consolidated statement of income, statement of changes in equity and cash flows statement for the year then ended.

These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provide a reasonable basis for our opinion.

3. In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group FERSPED as at 31 December 2003 and the results of its operations, changes in shareholders' equity and cash flows for the year then ended in accordance with the Accounting Standards accepted in Republic of Macedonia.

Skopje, 25 June 2004

Certified Auditors

Borislav Atanasovski

Ljupco Pecev

Audit, valuation and
financial services
B & Lj, Boro & Ljupco
ltd - Skopje

7.2. Consolidated Income Statement

in thousands of denars	Notes	2003	2002	2001
Sales	4	3.817.945	3.692.267	4.109.357
Other operating income	5	259.158	382.373	380.717
Income from use of own products, goods, materials and services		1.877	-	30.359
Total revenue		4.078.980	4.074.640	4.520.433
Changes in inventories of finished goods and work in progress		146.451	-54.731	-62.645
Raw material and consumables used	6	-343.498	-185.136	-259.544
Staff costs	7	-397.036	-378.033	-380.736
Depreciation		-297.033	-169.297	-132.561
Cost of commodities sold		-806.416	-806.425	-1.105.553
Other operating expenses	8	-2.166.836	-2.330.016	-2.187.675
Total operating expenses		-4.010.819	-3.868.907	-4.066.069
Profit from operations		214.612	151.002	391.719
Finance income		183.092	233.858	87.825
Finance expenses		-141.590	-144.275	-152.984
Profit before tax		256.114	240.585	326.560
Income tax		-40.490	-40.797	-50.096
Profit after tax		215.624	199.788	276.464
Minority interest	17	18.998	19.909	-2.071
Profit of the Group		234.622	219.697	274.393

The accompanying notes form an integral part of these consolidated financial statements

7.3. Consolidated Balance Sheet

in thousands of denars	Notes	2003	2002	2001
ASSETS				
Non-current assets				
Intangible assets	9	162.609	149.487	153.059
Property, plant and equipment	9	2.312.908	2.512.829	2.478.923
Negative goodwill	10	-157.848	-167.133	-176.418
Investments	11	283.347	320.349	488.164
Long term loans		13.731	29.233	32.001
Total		2.614.747	2.844.765	2.975.729
Current assets				
Inventories	12	452.189	284.822	1.271.024
Trade receivables	13	1.046.103	1.426.510	1.651.370
Other current receivables	14	46.868	121.449	52.484
Short term loans	15	661.824	567.316	246.785
Payments in advance		28.009	33.631	36.508
Prepaid expenses and accrued revenues		1.926	2.646	19.774
Cash and cash equivalents	16	76.204	103.553	119.477
Total		2.313.123	2.539.927	3.397.422
TOTAL ASSETS		4.927.870	5.384.692	6.373.151
EQUITY AND LIABILITIES				
Capital and reserves				
Shareholders' capital		644.500	468.623	468.623
Legal reserves		436.508	419.585	389.248
Revaluation reserves		425.383	425.379	382.867
Accumulated profit		676.737	670.380	538.068
Total		2.183.128	1.983.967	1.778.806
Minority interest	17	398.068	417.246	436.631
Non-current bearing borrowings	18	279.654	196.420	175.823
Current liabilities				
Trade payables	19	1.041.610	1.740.511	1.996.315
Other current liabilities	20	221.268	241.086	188.348
Customers prepayments	21	13.911	14.748	986.428
Short-term borrowings	22	788.654	789.349	808.021
Accrued expenses and deferred revenues		1.577	1.365	2.779
Total		2.067.020	2.787.059	3.981.891
TOTAL EQUITY AND LIABILITIES		4.927.870	5.384.692	6.373.151

The accompanying notes form an integral part of these consolidated financial statements

7.4. Consolidated Statement of Changes in Equity

	Shareholders' capital	Legal reserves	Revaluation reserves	accumulated profit	Total equity
in thousands of denars					
Balance, 01.01.2003	468.623	419.585	425.379	670.380	1.983.967
According the decision for appropriation of net profit for 2002	175.877	40.085	-	-215.962	0
Dividends from net profit for 2002	-	-	-	-12.126	-12.126
Covering the loss of Ogledalo ltd	-	-23.334	-	-	-23.334
Net profit for 2003	-	-	-	234.622	234.622
Revaluation of property, plant and equipment	-	-	8	-	8
Consolidation adjustment of revaluation reserves	-	-	-4	-	-4
Other	-	172	-	-177	-5
Balance, 31.12.2003	644.500	436.508	425.383	676.737	2.183.128
Balance, 01.01.2002	468.623	389.248	382.867	538.068	1.778.806
According the decision for appropriation of net profit for 2001	-	40.085	-	-40.085	0
Dividends and awards from net profit for 2001	-	-	-	-47.300	-47.300
Covering the loss of Fersped Commerce	-	-9.748	-	-	-9.748
Net profit for 2002	-	-	-	219.697	219.697
Revaluation of property, plant and equipment	-	-	15.659	-	15.659
Consolidation adjustment of revaluation reserves	-	-	26.853	-	26.853
Balance, 31.12.2002	468.623	419.585	425.379	670.380	1.983.967

The accompanying notes form an integral part of these consolidated financial statements

	Shareholders'	Legal	Revaluation	accumulated	Total
in thousands of denars	capital	reserves	reserves	profit	equity
Balance, 01.01.2001	445.956	343.603	371.237	417.974	1.578.770
According to the decision for appropriation of net profit for 2000	22.667	45.645		-68.312	0
Dividends and awards from net profit for 2000	-	-	-	-85.987	-85.987
Net profit for 2001	-	-	-	274.393	274.393
Consolidation adjustment of revaluation reserves	-	-	11.630	-	11.630
Balance, 31.12.2001	468.623	389.248	382.867	538.068	1.778.806

The accompanying notes form an integral part of these consolidated financial statements

7.5. Consolidated Cash Flows Statement

in thousands of denars	2003	2002
A. Cash flows from operating activities		
Net profit	215.624	199.788
Depreciation of tangible and intangible assets	297.033	169.297
Amortization of negative goodwill	-9.285	-9.285
Gain / loss from sale of fixed assets	-14.908	115
Gain from sale of investments	-58.238	-
Provision for long-term investments and loans	59.665	-
Inventories	-167.367	986.202
Trade receivables	380.407	224.860
Other short-term receivables	74.581	-68.965
Payments in advance	5.622	2.877
Prepaid expenses and accrued revenues	720	17.128
Trade payables	-698.901	-255.804
Other short-term payables	-5.503	-69.769
Customers prepayments	-837	-971.680
Accrued expenses and deferred revenues	212	-1.414
Cash inflow from operating activities	78.825	223.350
B. Cash flows from investing activities		
Purchase of fixed assets	-141.667	-155.781
Purchase of intangible assets	-12.697	-
Proceeds from sale of fixed assets	59.362	788
Proceeds from long-term loans	1.184	2.768
Payments for short-term loans	-94.508	-320.531
Payments for investments in subsidiaries	-23	-1.005
Proceeds from investments	49.893	167.815
Cash outflow from investing activities	-138.456	-305.946
C. Cash flows from financing activities		
Proceeds from noncurrent interest bearing borrowings	83.234	20.597
Payments / Proceeds form short-term borrowings	-15.010	103.835
Payments for covering the loss of Fersped Komerc	-	-9.748
Payments for covering loss of Ogledalo ltd Skopje	-23.334	-
Additionally paid in capital	-	-
Dividends and awards from net profit	-12.608	-48.012
Cash inflow from financing activities	32.282	66.672
DECREASE IN CASH DURING THE PERIOD	-27.349	-15.924
Cash balance at the beginning of the period	103.553	119.477
Cash balance at the end of the period	76.204	103.553

The accompanying notes form an integral part of
these consolidated financial statements

7.6. Basis of Preparation of the Consolidated Financial Statements

These consolidated financial statements of the FERSPED Group have been prepared in accordance with legal regulation and accepted accounting standards in Republic of Macedonia.

Consolidated financial statements have been prepared in accordance with historical cost accounting convention, modified for revaluation of fixed assets and depreciation, if there is an increase of the production price of industrial goods in Republic of Macedonia.

The financial statements are expressed in thousands of Macedonian denars unless otherwise stated.

Consolidated financial statements of FERSPED Group are presented as all together to consist a single enterprise. The FERSPED Group includes a parent company FERSPED AD Skopje, and its subsidiaries SKOVIN AD Skopje, LOTARIJA na MAKEDONIJA AD Skopje, HOTEL-METROPOL AD Ohrid and FERSPED BROKER AD Skopje.

The carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated. Difference between cost of a subsidiary and carrying amount of a subsidiary is recognized as negative goodwill. In consolidation process, intragroup balances are eliminated in full.

Consolidated income statements contain intragroup transactions (sales and expenses) because companies' books haven't provided all necessary data.

7.7. Significant Accounting Policies

The most significant accounting polices applied in the preparation of the consolidated financial statements are set out bellow.

7.7.1. Revenue Recognition Policy

The Group recognizes revenues from the sale of its products, goods and services when they are sold to customers. Revenues are recorded on an accrual basis.

7.7.2. Interest income

Interest calculated on trade receivables not collected or trade receivables not collected on time and interest on bank deposits is shown as finance income.

7.7.3. Interest expense

Interest calculated on interest bearing borrowings and on trade payable not paid on time is shown as finance expense.

7.7.4. Exchange gains and exchange losses

Transactions denominated in foreign currencies are converted in the middle exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Macedonian denars at the National Bank of the Republic of Macedonia middle exchange rate on the last day of the reporting period. All gains and losses resulting from foreign currency translation or exchange are included in the consolidated statement of income as other operating income or other operating expenses in the period in which they arose.

7.7.5. Investment income

Income on investments in banks, other financial organizations and other companies is shown in the income statement as other operating income.

7.7.6. Maintenance and repairs

The costs of maintenance and repairs are charged to income as incurred.

Reconstruction and improvements that change the capacity or the purpose of fixed assets are added to the value of fixed assets as incurred.

7.7.7. Property, Plant and Equipment

Property, plant and equipment are revalued at the end of year by using legal coefficients based on the manufactured goods price increase index. Such coefficients are applied to cost or previously revalued amounts, to accumulated depreciation and to depreciation. The effect of the revaluation of property, plant and equipment is credited to the revaluation reserve, forming part of equity.

Additions during the year are recorded at cost. Cost is represented by price paid to suppliers and all costs incurred before the utilization of assets.

Property, plant and equipment are divided into groups or subgroups. Depreciation is calculated until cost to be fully charged.

Gain on disposal of property, plant and equipment is credited to other operating income. Loss on disposal of property, plant and equipment is debited to other operating expenses. Book value of disposed or written off property, plant and equipment is debited to other operating expenses.

7.7.8. Depreciation

Depreciation of property, plant and equipment is calculated at rates prescribed by Macedonian legislation. There are new depreciation rates from the beginning of 2003. Depreciation on cost or revalued amount of property, plant and equipment is calculated on a straight-line basis over their estimated useful lives.

The principal depreciation rates in use within the Group are:

	<u>2003</u>	<u>2002, 2001</u>
Buildings	2,5 - 7,5%	1 - 5%
Production equipment	10%	10 - 20%
Motor vehicles	25 - 37,5%	16%
Computers	25 - 37,5%	20%
Furniture and office equipment	20%	12 - 20%
Other equipment	10%	-

The depreciation charge for the year is revalued for the periods for which depreciation was charged. The amount of revalued depreciation is charged to the income statement as a part of revaluation expense (revaluation of depreciation) and revaluation reserves are increased by the same amount.

7.7.9. Negative goodwill

In acquisition process, as a result of lower cost than the carrying amount of its subsidiaries SKOVIN AD Skopje, LOTARIJA na MAKEDONIJA AD Skopje and HOTELMETROPOL AD Ohrid, negative goodwill is recognized in the Parent company FERSPED AD Skopje. Management Board decided negative goodwill to be amortized in period of twenty years, with 5% per year amortization rate.

7.7.10. Investments

Investments include investments in the equity and shares of other companies. Investments are primarily valued at cost less any provision for permanent diminution in value.

Investments in subsidiaries and associates are accounted for using the cost method in the accounts of the Parent Company.

7.7.11. Inventory

Inventory of materials, spare parts and commodities are stated at cost, including all expenses related to it's purchasing. Inventory of finished goods and production in progress is valued at the lower of manufacturing cost and net realizable value. Manufacturing costs include direct material, direct labor and manufacturing overheads, including depreciation expenses.

Tools and consumable stores are written off in full when coming into use.

7.7.12. Trade receivables

Trade receivables include all amounts for goods, commodities and services sold. The Group has made provision for all receivables not considered collectible. The provision is based on the year-end evaluation of trade receivables.

7.7.13. Cash and cash equivalents

Cash and cash equivalents include bank deposits, foreign currency accounts, cash on hand and other cash.

7.7.14. Legal reserves

The legal reserves are created by appropriation of the Company's annual net profit. The legal reserves can be used for covering the losses of the Company.

7.7.15. Income tax

According to Macedonian legislation, income tax is calculated on taxable profit at tax rate of 15%. Taxable profit is primarily calculated as profit before tax accordingly accounting regulations, adjusted for deduction for investments, capital expenditures and other items plus certain non-deductible expenses.

If the amount of tax is higher than profit before tax, the difference is loss.

7.8. Notes to Consolidated Financial Statements

1. Sales

in thousands of denars	2003	2002	2001
Sales on domestic market	2.793.818	2.835.426	3.006.889
Sales on foreign markets	1.024.127	856.841	1.102.468
Total	3.817.945	3.692.267	4.109.357

2. Other Operating Income

in thousands of denars	2003	2002	2001
Rental income	72.591	85.902	92.332
Investment income	7.029	18.116	19.407
Liabilities written off	109	2.193	35.259
Collected written off receivables	9.095	1.738	42.019
Gain from sale of fixed assets and investments	95.592	-	-
Income from previous years	1.675	244.729	142.305
Amortization of negative goodwill	9.285	9.285	9.285
Other	63.782	20.410	40.110
Total	259.158	382.373	380.717

3. Raw Materials and Consumable Used

in thousands of denars	2003	2002	2001
Cost of raw materials	327.236	165.188	248.683
Cost of spare parts and consumable used	16.262	19.948	10.861
Total	343.498	185.136	259.544

4. Staff Costs

in thousands of denars	2003	2002	2001
Gross salaries and wages	318.332	329.019	355.585
Other employee costs	78.704	49.014	25.151
Total	397.036	378.033	380.736

5. Other Operating Expenses

in thousands of denars	2003	2002	2001
Energy	58.776	51.582	50.353
Transportation services	1.370.390	1.318.916	1.388.794
Maintenance services	34.404	36.891	37.145
Customs	113.676	138.748	305.746
Taxes and contributions regardless the financial result	46.294	137.761	82.274
Commission	56.703	44.088	44.632
Insurance premiums	18.906	14.114	17.862
Entertaining and advertising	99.394	104.956	81.209
Write off and provision for bad debts	49.824	321.030	3.454
Expenses for slot machines and casino	83.943	69.985	-
Write off for investments	16.456	-	-
Other operating expenses	218.070	91.945	176.206
Total	2.166.836	2.330.016	2.187.675

6. Tangible and Intangible Assets

Revalued cost of tangible and intangible assets and related accumulated depreciation are as follows:

2003

	Land and		Construct.		Other	Total	
in thousands of denars	buildings	Equipment	in progress	Plant	fixed	fixed	Intangib.
					assets	assets	assets
Cost or revaluation							
Balance 01.01.2003	2.362.381	1.309.570	41.054	43.069	10.902	3.766.976	246.865
Additions	5.552	29.971	60.404	-	174	96.101	57.060
Transfer from construction in progress	13.866	34.618	-49.688	-	-	-1.204	1.204
Transfer from equipment to buildings	187.152	-187.152		-		0	-
Revaluation	2	179		-		181	20
Disposals and written of	-9.582	-78.302		-	-	-87.884	-
Balance 31.12.2003	2.559.371	1.108.884	51.770	43.069	11.076	3.774.170	305.149
Accumulated depreciation							
Balance 01.01.2003	440.241	780.808	-	33.098	-	1.254.147	97.377
Depreciation	71.313	176.570	-	3.778	-	251.661	45.161
Transfer from equipment to buildings	78.478	-78.478		-		0	-
Revaluation	-	86	-	-	-	86	2
Disposals and written of	-2.952	-41.680	-	-	-	-44.632	-
Balance 31.12.2003	587.080	837.306	0	36.876	0	1.461.262	142.540
NET BOOK VALUE							

2002

	Land and		Construct.		Other	Total	
in thousands of denars	buildings	Equipment	in progress	Plant	fixed	fixed	Intangib.
					assets	assets	assets
Cost or revaluation							
Balance 01.01.2002	2.263.992	1.211.786	59.927	42.601	10.738	3.589.044	213.786
Additions	19.006	52.006	54.310	-	44	125.366	30.958
Transfer from construction in progress	37.406	35.142	-72.548	-	-	0	-
Revaluation	41.977	11.787	23	468	120	54.375	2.121
Disposals and written of	-	-1.151	-658	-	-	-1.809	-
Balance 31.12.2002	2.362.381	1.309.570	41.054	43.069	10.902	3.766.976	246.865
Accumulated depreciation							
Balance 01.01.2002	398.771	681.396	-	29.955	-	1.110.122	60.727
Depreciation	36.686	93.375	-	2.783	-	132.844	35.963
Revaluation	4.784	6.943	-	360	-	12.087	687
Disposals and written of	-	-906	-	-	-	-906	-
Balance 31.12.2002	440.241	780.808	0	33.098	0	1.254.147	97.377
NET BOOK VALUE							

2001

	Land and		Construct.		Other	Total	
in thousands of denars	buildings	Equipment	in progress	Plant	fixed	fixed	Intangib.
					assets	assets	assets
Cost or revaluation							
Balance 01.01.2001	2.145.538	1.129.325	99.828	42.601	10.541	3.427.833	75.741
Additions	46.395	49.379	102.695	-	24	198.493	138.045
Transfer from construction in progress	86.750	55.622	-142.545	-	173	0	-
Revaluation	-	-	-	-	-	0	-
Disposals and written of	-14.691	-22.584	-	-	-	-37.275	-
Other	-	44	-51	-	-	-7	-
Balance 31.12.2001	2.263.992	1.211.786	59.927	42.601	10.738	3.589.044	213.786
Accumulated depreciation							
Balance 01.01.2001	365.865	616.893	-	27.172	-	1.009.930	47.466
Depreciation	34.032	82.485	-	2.783	-	119.300	13.261
Revaluation						0	-
Disposals and written of	-1.126	-17.983				-19.109	-
Balance 31.12.2001	398.771	681.395	0	29.955	0	1.110.121	60.727
NET BOOK VALUE							

As a security for interest bearing borrowings, the following buildings are under mortgage: hotel Aleksandar Palas with 10.612 square meters space, administrative offices in Skopje in place Kapistec street Naroden Front no. 17 with 1.761 square meters space, two administrative offices in Skopje street 15 Korpus no. 3 with 905 square meters space and warehouse in Skopje street 15 Korpus with 7.200 square meters space, two workshops in Skopje street 15 Korpus with 1.630 square meters space and 18 wine inox tanks with a capacity of 400.000 liters per tank, in Skopje street 15 Korpus.

7. Negative Goodwil

in thousands of denars	2003	2002	2001
Acquisition value	185.703	185.703	185.703
Accumulated amortisation, beginning of year	18.570	9.285	-
Amortisation or the year	9.285	9.285	9.285
Accumulated amortisation, end of year	27.855	18.570	9.285
Total net book value	157.848	167.133	176.418

8. Investments

in thousands of denars	2003	2002	2001
8.1. Investments in subsidiaries that are not consolidated			
- Savings bank Fersped Skopje	24.770	23.661	20.477
- TK Jug Skopje	22.819	22.819	22.819
- Other	1.786	1.533	3.144
Total	49.375	48.013	46.440
8.2. Investments in bank and other financial organizations			
- Komercijalna banka AD Skopje	62.715	77.872	84.036
- Teteks banka AD Skopje	48.740	48.740	48.740
- Invest banka AD Skopje	21.334	21.334	21.013
- Izvozno kreditna banka AD Skopje	15.000	15.000	15.000
- Balkanska banka AD Skopje	5.000	5.000	5.000
- Ohridska banka AD Ohrid	4.555	4.555	3.918
- Tabak insurance AD Skopje	17.517	17.517	7.727
- KJUBI Makedonija AD Skopje	7.880	7.880	-
- Other	11.801	6.227	5.811
Total	194.542	204.125	191.245
8.3. Other investments			
- Makstil AD Skopje	29.549	29.549	29.549
- Ugotur AD Skopje	57.001	57.001	57.001
- Topilnica AD Skopje	40.500	40.500	40.500
- Valavnica za lenti AD Skopje	13.500	13.500	13.500
- Fenimak Kavadarci	14.686	14.686	14.686
- Toranica Kriva Palanka	14.000	14.000	14.000
- Goldmak AD Radovis	6.177	6.177	6.177
- Panorama Skopje	-	-	203.467
- Other	33.458	33.348	12.149
Total	208.871	208.761	391.029
Allowance	-169.441	-140.550	-140.550
Total	39.430	68.211	250.479
Total Investments	283.347	320.349	488.164

As a security for interest bearing borrowings, 17.520 ordinary shares of Komercijalna banka AD Skopje with carrying amount of 62.715 thousands of denars are under mortgage.

9. Inventories

in thousands of denars	2003	2002	2001
Materials	33.293	40.519	34.299
Spare parts	2.121	2.341	2.975
Consumable stores	96.521	89.871	70.831
Production in progress	5.710	8.975	30.869
Finished goods	316.159	147.316	175.481
Commodities	94.993	84.862	1.025.947
Total gross inventories	548.797	373.884	1.340.402
Less: provision	-96.608	-89.062	-69.378
Total net inventories	452.189	284.822	1.271.024

10. Trade Receivables

in thousands of denars	2003	2002	2001
Domestic customers	1.522.375	1.834.369	1.723.208
Foreign customers	368.627	424.374	457.005
Total	1.891.002	2.258.743	2.180.213
Less: provision for doubtful receivables	-844.899	-832.233	-528.843
Total trade receivables, net	1.046.103	1.426.510	1.651.370

11. Other Current Receivables

in thousands of denars	2003	2002	2001
Tax receivables	7.811	8.011	8.350
Other receivables from state	-	55.418	-
Receivables from employees	8.327	268	18.435
Receivables for damages	3.500	3.500	-
Interest receivables	3.486	1.915	3.681
Other	23.744	52.337	22.018
Total	46.868	121.449	52.484

12. Short Term Loans

in thousands of denars	2003	2002	2001
- Nova Makedonija Skopje	7.086	7.086	7.086
- MZT FOP Skopje	17.963	17.963	17.963
- Zletovo akumulatori	-	-	26.346
- Jugohrom Jegunovce	17.429	17.429	17.429
- Silika Gostivar	14.715	14.715	14.715
- Godel Skopje	6.988	6.988	6.988
- Komercijalna banka AD Skopje	347	31.220	31.248
- Ohridska banka AD Ohrid	10.704	3.148	5.337
- Teteks banka AD Skopje	13.488	34.443	41.792
- DHT Panorama Skopje	104.463	102.886	42.812
- KK Fersped Rabotnicki	28.154	28.148	17.564
- Ugotur Skopje	19.855	19.855	19.855
- Er servis	16.285	16.285	11.362
- Fersped Komerc - related party	-	-	25.416
- Busiko dooel Skopje	30.701	29.047	-
- Mepkom Skopje	32.875	-	-
- Stokopromet	12.501	-	-
- Other	417.344	334.061	86.536
Total	750.898	663.274	372.449
Less: provision	-89.074	-95.958	-125.664
Total	661.824	567.316	246.785

13. Cash and Cash Equivalents

in thousands of denars	2003	2002	2001
Cash deposits	20.044	33.150	16.937
Cash on hand - denars	18.621	35.419	24.663
Foreign currency accounts	27.117	30.136	71.135
Cash on hand - foreign currency	10.120	4.617	6.661
Other	302	231	81
Total	76.204	103.553	119.477

14. Minority Interest

in thousands of denars	2003	2002	2001
Balance, beginning of year	417.246	436.631	429.878
Changes in minority interest	-180	524	4.682
Minority interest in net profit / loss	-18.998	-19.909	2.071
Changes during the year	-19.178	-19.385	6.753
Balance, end of year	398.068	417.246	436.631

Minority interest is participation of other shareholders in share capital and equity in companies under control of FERSPED AD Skopje.

15. Non-Current Borrowings

in thousands of denars	2003	2002	2001
15a. Payable to banks			
Komercijalna banka AD Skopje	151.667	95.158	45.873
Tutunska banka AD Skopje	23.207	33.478	33.494
Invest banka AD Skopje	45.861	-	-
Svetska banka (through Komercijalna banka)	4.230	12.334	20.415
Nova Ljubljanska banka (through Stopanska banka Skopje)	-	-	11.990
Teteks banka AD Skopje	-	3.116	5.241
Sileks banka AD Skopje	1.785	3.185	3.185
Total	226.750	147.271	120.198
Less current portion of non-current interest bearing borrowings	-6.407	-9.499	-2.125
Non-current portion of interest bearing borrowings	220.343	137.772	118.073
15b. Other non-current liabilities			
Collective consumption fund	59.311	58.648	57.750
Other	-	-	-
Total	59.311	58.648	57.750
Total Non-Current Borrowings	279.654	196.420	175.823

16. Trade Payables

in thousands of denars	2003	2002	2001
Domestic suppliers	462.108	796.907	661.306
Foreign suppliers	566.975	930.515	1.322.165
Uninvoiced goods and services	12.527	13.089	12.844
Total	1.041.610	1.740.511	1.996.315

17. Other Current Payables

in thousands of denars	2003	2002	2001
Gross salaries	1.266	7.498	7.676
Taxes and contributions	12.204	14.898	10.153
Tourist tax	5.622	4.740	3.962
Liabilities to the employees	2.480	2.480	2.534
Dividends and awards	120.465	141.230	114.608
Lottery and other chance games liabilities	69.971	61.963	41.868
Other	9.260	8.277	7.547
Total	221.268	241.086	188.348

18. Customers' Prepayments

in thousands of denars	2003	2002	2001
Domestic customers prepayments	12.998	13.835	985.515
Foreign customers prepayments	913	913	913
Total	13.911	14.748	986.428

19. Short-term Borrowings

in thousands of denars	2003	2002	2001
Short-term Borrowings			
Komercijalna banka AD Skopje	194.867	282.500	441.741
Tutunska banka AD Skopje	97.136	97.447	60.942
Invest banka AD Skopje	-	50.600	5.180
Ohridska banka AD Ohrid	18.373	29.023	-
Sileks banka AD Skopje	5.000	5.000	-
Teteks banka AD Skopje	34.417	55.479	61.380
Izvozno kreditna banka AD Skopje	-	11.000	-
LHB Internacional	295.874	152.436	-
Panorama Skopje	1.298	4.093	153.577
Mepkom Skopje	17.222	5.064	-
Other	118.060	87.208	83.076
Total	782.247	779.850	805.896
Current portion of non-current interest bearing borrowings	6.407	9.499	2.125
Total Short-term Borrowings	788.654	789.349	808.021

20. Exchange Rates and Revaluation Coefficients

The middle official exchange rates used to convert balance sheet items denominated in foreign currencies, as of 31 December were as follows:

in denars	2003	2002	2001
EUR	61,2931	61,0707	60,9600
USD	49,0502	58,5979	69,1716
CHF	39,3055	41,1978	41,1092

Official price index used for revaluation of fixed assets were as follows:

in percentage	2003	2002	2001
percentage of revaluation	negative	1,1	negative

21. Management with Financial Risks

In its operating the Group is exposed to different kind of financial risks, such as: foreign currency risk, credit risk and interest rate risk. Management Board is authorized to manage financial risks. The base for management of financial risk consists of finding ways for minimizing potential negative effects.

Foreign Currency Risk

The Group enters into international transactions related to the purchase of commodities and production equipment. These purchases are all denominated in foreign currencies. A part of its non-current interest bearing borrowings is denominated in foreign currencies. Therefore, the Group is exposed to market risk related to possible foreign currency fluctuations. The Group does not use any special financial instruments to hedge against these risks since no such instruments are in ordinary use in the Republic of Macedonia.

Credit Risk

The Group is exposed to credit risk in the event where its customers fail to meet their payment obligation.

The trade receivables are owed from a large number of customers on normal credit terms and therefore there is minimal concentration of credit risk.

Interest Rate Risk

Interest rate risk is risk that the value of the Groups term interest bearing borrowings will fluctuate due to changes in market interest rate. The Groups term interest bearing borrowings include borrowings of a variable interest rate type and thus expose the Group to possible interest rate risk.