

31. Contingencies and commitments

Contingent liabilities

(all amounts in Euro thousands)

	Group		Company	
	2016	2015	2016	2015
Guarantees to third parties on behalf of subsidiaries	-	-	874,835	728,819
Bank guarantee letters	24,740	45,077	4,499	4,429
Other	7,580	5,831	-	-
	32,320	50,908	879,334	733,248

Litigation matters in Egypt

A. Privatization cases

1. In 2011, two former employees of Beni Suef, filed an action before the Administrative Court of Cairo, seeking the nullification of the privatisation of Beni Suef which took place in 1999 through the sale of Beni Suef's shares to Financiere Lafarge after a public auction. Titan Group acquired in 1999 50 per cent and in 2008 the balance of Lafarge's interest in Beni Suef. Approximately 99.98 per cent in the share capital of Beni Suef is held today by Alexandria Portland. The Administrative Court of Cairo issued on 15 February 2014 a first instance judgment which entirely dismissed the request for cancellation of the privatisation of Beni Suef. The Court further judged the re-employment of ex-employees who had left the company in the framework of voluntary redundancy schemes. Beni Suef and the plaintiffs have already appealed against the judgment of the first instance court. On 19 January 2015, the Supreme Administrative Court issued a judgment suspending the case until the issuance of a ruling by the Supreme Constitutional Court on a lawsuit challenging the constitutionality of Law no. 32/2014 ("Appeal Procedures on State Contracts Law"). The case is still suspended and no further action has been taken until now. The view of Beni Suef's lawyers is that the plaintiffs' action is devoid of any legal or factual ground.

2. In June 2013, Beni Suef was notified of another action filed before the Administrative Court of Cairo seeking as in the above case to cancel the sale of the shares of Beni Suef to Financiere Lafarge. The Administrative Court of Cairo issued on 25 June 2015 a first instance judgment referring the case to the Investment Circuit no. 7. The latter has recently referred the case to the commissioners' panel and no hearing date has been scheduled until now. The view of Beni Suef's lawyers is that the action is devoid of any legal or factual ground.

3. In 2012, an ex-employee of Alexandria Portland brought an action before the Administrative Court of Alexandria against the President of the Republic of Egypt, the Prime Minister, the Minister of Investments, the Minister of Industry, the Governor of Alexandria, the Manager of the Mines and Salinas Project in Alexandria and the Manager of the Mines and Quarries Department in Alexandria seeking the annulment of the sale of the shares of Alexandria Portland to Blue Circle Cement Group in 1999. Alexandria Portland was not named defendant in the action. Following a capital market transaction concluded in 2001, Blue Circle Cement Group was acquired by Lafarge Group, which subsequently sold its interest in Alexandria Portland through two private transactions to Titan Group in 2002 and 2008. The Administrative Court of Alexandria issued on 31 January 2015 a first instance judgment which suspended the case initially until 28 May 2016 and subsequently until 15 October 2016, provided that by such date the Supreme Constitutional Court had ruled on the lawsuit challenging the constitutionality of Law no. 32/2014 ("Appeal Procedures on State Contracts Law"). The case has been referred to the Administrative Court of Cairo, Investment Circuit no.1 but no hearing has been scheduled until now. The view of Alexandria Portland's lawyers is that the action is devoid of any legal and factual ground.

4. In May 2013, a new action was filed by three ex-employees of Alexandria Portland seeking as in the above case the annulment of the sale of the shares of Alexandria Portland to Blue Circle Cement Group. The action has been raised against the Prime Minister, the Minister of Investment, and the Chairman of the holding company for chemical industries, the President of the Central Auditing Organization, the legal representative of Alexandria Portland and the legal representative of Blue Circle industries. The case has been repeatedly adjourned and no judgment will be handed down from the administrative Court until the issuance of a ruling by the Supreme Constitutional Court on the lawsuit challenging the constitutionality of Law no. 32/ 2014. The view of Alexandria Portland's lawyers is that the action is devoid of any legal and factual ground.

31. Contingencies and Commitments (continued)

B. Other cases

1. An individual residing in the vicinity of the plant of Alexandria Portland has filed a claim before the Administrative Court of Alexandria against the Governor of Alexandria, the Head of El-Agamy District, the Minister of Trading and Industry, the Minister of Environment, the President of Alexandria Environmental Affairs Agency, the President of Industrial Development Authority and Alexandria Portland, seeking the abolition of the administrative decision of the competent Egyptian authority which issued the operating license for the Alexandria Portland plant in Alexandria, alleging violations of environmental and related regulation. On 25 May 2014 the court decided to refer this case to the Cairo Administrative Court due to lack of jurisdiction. The case has been repeatedly adjourned and on 24 October 2015 it was referred to another division of the Court for deliberation. The case has been again repeatedly adjourned and a new hearing has been scheduled on 3 May 2017. Alexandria Portland's view is that the plant's operating license has been issued lawfully and in full compliance with the relevant Egyptian laws and regulations.

2. In 2007, Beni Suef obtained the license for the construction of a second production line at the company's plant through a bidding process run by the Egyptian Trading and Industrial Authority for the amount of EGP 134.5 million. The Egyptian Industrial Development Authority subsequently raised the value of the license to EGP 251 million. In October 2008 Beni Suef filed a case before the Administrative Court against the Minister of Trade and Industry and the chairman of the Industrial Development Authority requesting an order obliging the Industrial Development Authority to grant the expansion license to Beni Suef for EGP 500. Alternatively, if the court rejects this request, Beni Suef is requesting the price to be the EGP134.5 million offered by Beni Suef in the bid. The case was referred to the State Commissioners in August 2014 and it has been postponed until 24 May 2017 for reviewing. The view of Beni Suef's lawyers is that the outcome of the case will be positive.

3. A non-governmental organisation, the Nile Agricultural Organization, has raised a court case against Beni Suef claiming that Beni Suef has illegally occupied the plaintiff's land and is seeking compensation to the amount of EGP 300 million. The contested land however had been legally allocated to Beni Suef many years ago by the relevant authority, the New Urban Communities Agency, and since 1988 Beni Suef has held the licenses for the exploitation of the quarries on this land. A new hearing of the case has been scheduled for 26 September 2016. The case was then postponed until 27 March 2017 for reporting. The view of Beni Suef's lawyers is that the case has a high probability of being won.

Put option in Antea

The Group had granted to non controlling interest shareholders, European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC) the option to sell their shares in ANTEA Cement SHA (Antea) at predetermined conditions.

On 5 February 2015, the Group acquired from EBRD the 20% of its share in Antea. Instead, IFC continues to have the aforementioned exercisable option to sell an equivalent percentage. On 31 December 2016, the option's fair value of €9.7 million (31.12.2015: €8.3 million) is recognized as a current liability in the statement of financial position.

Contingent tax liability

The financial years, referred to in note 35, have not been audited by the tax authorities and therefore the tax obligations of the Company and its subsidiaries for those years have not yet been finalized.

Contingent assets

(all amounts in Euro thousands)

	Group		Company	
	2016	2015	2016	2015
Bank guarantee letters for securing trade receivables (note 20)	20,904	19,486	10,390	8,569
Other collaterals against trade receivables (note 20)	6,385	8,333	354	2,147
	27,289	27,819	10,744	10,716
Collaterals against other receivables	1,421	2,348	1,421	2,348
	28,710	30,167	12,165	13,064

31. Contingencies and Commitments (continued)

Commitments

Capital commitments

Capital commitments contracted for at the balance sheet date but not recognized in the financial statements are as follows:

(all amounts in Euro thousands)

	Group		Company	
	2016	2015	2016	2015
Property, plant and equipment	702	1,616	-	-

Purchase commitments

Energy supply contracts (Gas, electricity, etc.)

(all amounts in Euro thousands)

	Group		Company	
	2016	2015	2016	2015
Not later than 1 year	600	81,481	-	-
Later than 1 year and not later than 5 years	-	402,808	-	-
Beyond 5 years	-	368,486	-	-
	600	852,774	-	-

The Group's subsidiaries in Egypt had entered into agreements for the purchases of certain minimum quantities of gas in the subsequent years. As of 2014, the state company of natural gas in Egypt does not supply gas, due to lack of reserves. In the last two years, the Group's subsidiaries had no obligation to pay and they did not pay the agreed minimum quantities. There is no indication that the gas supplier will have the capacity to supply gas in the foreseeable future.

Also, the Group's US subsidiaries have entered a contract to purchase raw materials and manufacturing supplies as part of their on-going operations in Florida. This includes a contract to buy construction aggregates through a multi-year agreement at prevailing market prices.

Operating lease commitments - where a Group company is the lessee

The Group leases motor vehicles, properties and other equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

(all amounts in Euro thousands)

	Group		Company	
	2016	2015	2016	2015
Not later than 1 year	9,517	11,760	672	594
Later than 1 year and not later than 5 years	25,040	27,916	1,367	1,111
Beyond 5 years	7,864	10,322	-	-
	42,421	49,998	2,039	1,705

32. Related party transactions

Titan Cement Company S.A. is the parent company of the Group. The Company and its subsidiaries enter into various transactions with related parties during the year. The sales to and purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. Intra-group transactions are eliminated on consolidation. Related party transactions exclusively reflect transactions between the companies of the Group.

The following is a summary of transactions that were carried out with related parties during the year:

(all amounts in Euro thousands)

Group	Year ended 31 December 2016			
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Other related parties	-	624	-	344
Executives and members of the Board	-	-	15	-
	-	624	15	344