CEO message

Dear Shareholders and Stakeholders,

In 2017, operating in a business environment of strong regional disparities, we were able to deliver a solid, stable performance. Working together with you, we built further on our enduring commitment to a balanced, responsible and sustainable long-term growth, in a world of growing environmental and social tensions and rapid technological change.

Stable performance thanks to continuing growth in the US

Consolidated turnover for 2017 stood at €1,506 million, at the same level as 2016, whereas Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) decreased by 1.9% and reached €273 million. Net Profit after minority interest and the provision for Taxes (NPAT) was €43 million, the main difference being the extraordinary gain of €90 million recognized in 2016. This stable performance reflects our ability to capitalize on the opportunities offered by the continuing growth in the US market and to minimize the impact of adverse developments in Egypt and Greece.

The US construction market growth was driven primarily by increased private residential construction activity, albeit at a slower pace than in 2016. Having invested significantly, €238 million, in our operations over the last three years, we were well positioned to serve the growing demand with increasing profitability, leveraging our scale-economies and improved operating efficiencies.

Egypt, following the sharp devaluation of the EGP, faced a bigger challenge than originally anticipated, both in terms of volumes and margins. Construction activity slowed down, while costs, particularly those dependent on imports, rose significantly ahead of pricing.

The construction market in Greece posted, as expected, a new record low in 2017 due to the slowdown in infrastructure project construction. With residential construction activity remaining heavily subdued, the only positive trend was registered in hotel construction. Exports remained the main contributor to the Greek plants' utilization, albeit at lower margins due to increased competition and the weakening USD.

To address the sharp drop in profitability in both Egypt and Greece, cost reduction programs have been designed and implemented, encompassing energy, raw materials, transportation and spare parts. Voluntary employee leave programs were also offered under fair, favorable terms and were taken up accordingly.

In Southeastern Europe, the construction market was marked by a slow recovery which benefited our turnover and profitability in the region. With regards to our joint ventures: in Turkey demand growth largely compensated for increased supply in our areas of operation; in Brazil, with the market declining at a slower pace than in 2016, our operations managed to improve margins and cash flow.

The strengthening of the euro resulted in a negative translation effect for our businesses outside the euro area, mainly the US and Egypt. At stable exchange rates, Group turnover for 2017 would have been higher by €148 million and EBITDA higher by €18 million.

We continue to invest in our operations to ensure future growth and competitiveness. Investment for 2017 reached €123 million, covering a wide range of initiatives: a new quarry started operations in the US; the Group re-entered the maritime transportation business; efforts to improve energy efficiency, increase alternative fuels usage and reduce our carbon footprint progressed; upgrading our IT infrastructure, embracing digital initiatives and enhancing innovation capability became areas of increased focus.

Having successfully established our position in the capital markets over time, we were able to issue a €350 million seven-year bond (including the supplementary issue of January 2018) with a coupon at 2.375%, thereby further extending the maturity profile and lowering the cost of debt.

The Group's prospects for 2018 are mixed, with growth anticipated in the US, renewed headwinds in Greece, and the anticipation of a supply shock in Egypt.

In the US, the construction market stands to benefit from infrastructure development and continuing growth of private building investment. The US tax reform is also expected to have a positive effect, enabling further investment and growth.

On the other end of the construction cycle, Greece is expected to reach a new low in building activity. The investment activity in hotels and tourism is not sufficient to counterbalance the lack of residential investments and infrastructure projects, at least during the current year.

Egypt will benefit from stronger economic growth, as well as increased building activity linked to megaprojects, such as the construction of the New Capital. At the same time, the substantial increase in the supply of cement as major new plants come on-stream will exacerbate the oversupply in the market.

The markets of our operations in Southeastern Europe and our joint ventures in Brazil and Turkey are expected to move on a stable to positive trend.

Building our future together

At the same time as we are implementing initiatives to drive growth, restore profitability and take operating excellence to higher level, we also continue to focus on the long-term sustainability of the business.

The sustainability of our business is nurtured by our active engagement with all our stakeholder groups, guided by the principles of transparency, open dialogue and collaboration. This is an ongoing process with a long history and a long-term perspective; 2017 marks our 15th year of annual reporting on issues material to our stakeholders, covering, in addition to financial results, our impact on the environment and society. In 2017, we renewed our commitment to the UN Global Compact under its new operating model, as Participant, having also aligned our objectives with the UN Sustainable Development Goals covering the next years through to 2030.

We have set and published specific sustainability KPIs for our next milestone, 2020. Among those, we recognize climate change and greenhouse gas emissions as a top priority for our industry; we are on track to meet our 2020 target for reduced CO_2 emissions by 20% v. 1990 and have a longer-term action plan in place for further substantial reductions, within the limits inherent in the cement making process, by 2030.

Our engagement with local communities continued unabated in 2017; in addition to the various site-specific initiatives, a common theme remains our support for youth education and employability. The collaborative effort at EU level under the "Pact for Youth" came to a successful conclusion; new scholarship programs were launched in the US; Bulgaria expanded its "Teach for All" program; Egypt completed the restoration of a local school; and Greece launched a project providing support to local start-ups.

For our employees, the TITAN Leadership Platform has been the base for a revised performance and development process, which aims to enhance meritocracy and facilitate constructive feedback for personal development. Health and safety remain unwaveringly at the top of our priorities. We implemented, with good results, targeted campaigns addressing two of our major causes of accidents, namely LOTO and slips-trips-falls.

Our collaboration with suppliers, under the Group Procurement Transformation project, expanded to a second wave of materials' categories. Our aim is to create synergies, develop stronger supply chain relationships, promote sustainability and improve competitiveness. The same principle applies to our collaboration with our customers.

We are grateful for the trust of our stakeholders and shareholders as we work to build our future together, focusing on balanced profitability and growth, operational excellence and long-term sustainability.

Dimitri Papalexopoulos
Chief Executive Officer