# Group performance

An overview of the Group's overall performance in 2017, focusing on our financial, social and environmental pillars.

Antea cement plant, Albania

# Group key performance indicators

Our Integrated Group Performance is measured and assessed against a set of key performance indicators (KPIs), based on our financial and non-financial results.

## Financial

**Turnover**
Revenue received from the sale of goods and services to customers

€1,505.8m

(2016: €1,509.2m)

**EBITDA**
Earnings before interest, tax, depreciation and amortization

€273.4m

(2016: €278.6m)

**NPAT**
Net profit after minority interests and taxes

€42.7m

(2016: €127.4 m)

**ROACE**
Return on average capital employed

Earnings before interest and taxes (EBIT)/Average capital employed

7.5%

(2016: 6.9%)

**CAPEX**
Expenditure on capital investment projects across the Group

€122.6m

(2016: €150.6 m)

**Earnings per share**
Net earnings attributable to shareholders/ weighted average number of common and preference shares

€0.53/share

(2016: €1.56/share)

## Non-financial*

### SOCIAL

**New hires across the Group**

707

(2016: 570)

**Lost Time Injuries Frequency Rate (LTIFR) for employees**

2.41

(2016: 1.92)

### ENVIRONMENTAL

**Specific water consumption****
(lt/$t_{Cement}$)

273.1

(2016: 255.1)

**Specific dust emissions****
(g/$t_{Clinker}$)

19.9

(2016: 23.9)

**Specific net direct $CO_2$ emissions****
(kg/$t_{Product}$)***

698.9

(2016: 699.5)

* Non-financial performance and statements of the Report do not include Brazil.
** Figures are calculated based on the equity of the specific year.
*** Product equals cementitious product as defined by WBCSD/CSI.

# Financial performance

In a business environment with strong regional disparities, TITAN Group delivered a solid, stable performance in 2017.

### Solid fundamental metrics

TITAN Group continued to register strong and stable fundamental metrics in 2017. Turnover remained practically stable at €1,506 million and EBITDA reached €273 million, a marginal drop of 1.8% versus 2016. EBIT at €157 million was up by 3.6%. The significant devaluation of the EGP in late 2016 and the strengthening of the euro against the USD had a marked negative effect on 2017 results. At stable exchange rates, consolidated turnover would have been higher by €148 million and EBITDA by €18 million. Furthermore, one-off adverse events caused a reduction in EBITDA of about €17 million, compared to €7 million of such costs in 2016. Net profit after tax was €43 million, compared to €127 million in 2016, which had included a one-off €90 million gain from the recognition of deferred tax credits arising from past losses in the USA.

Group results were led by US growth and profitability, despite the weaker USD and unfavorable weather in the second half of the year. Market fundamentals in the USA are strong and TITAN is well placed to benefit from the improving demand, capitalizing on the extensive investments of about €240 million undertaken over the previous three years.

In Greece, as expected, domestic demand weakened further, and exports absorbed more than two thirds of the production. Performance was negatively affected by lower export prices in euro terms, higher energy costs and a staff reduction restructuring charge taken in the last quarter of 2017.

In Southeastern Europe, building activity recovered and demand for building materials posted an increase. Operating margins were supported by increased volumes but were hit by higher fuel costs.

In Egypt, cement prices remained weak, with the increases achieved during the year being insufficient to offset the over 50% devaluation of the EGP in 2016 and inflation of over 30%. The overall market volume shrank, while our profitability contracted, further impacted by the staff restructuring charge taken in the third quarter.

For more information, see "Regional Performance" on page 28.

**Net debt/EBITDA ratio**

2.64

(2016: 2.37)

**Shareholder equity ratio**

Total shareholder equity over total assets

52.8%

(2016: 55.6%)

### Volume growth across all product lines

In 2017, the Group registered volume growth across all countries and products, with the exception of cement sales in Greece. On a consolidated level, cement and cementitious materials sales were up by 10%, reaching 19.2 million metric tons, driven by larger volume sales mainly in the USA and Southeastern Europe. As of September 2016, volume sales include sales from our joint venture in Cimento Apodi in Brazil, of about 1.2 million metric tons in 2017.

Group aggregates volumes grew in the US market but contracted in the Greek market, resulting in a small overall increase of 1% compared to 2016.

Ready-mix volumes posted gains of 14% year-on-year, with the growth coming mainly from the US market.

| | 2016 | **2017** | +/- |
|---|---|---|---|
| Cement (metric tons) | 17.5m | **19.2m** | +10% |
| Ready-mix concrete ($m^3$) | 4.90m | **5.58m** | +14% |
| Aggregates (metric tons) | 15.9m | **16.0m** | +1% |

### Stable cash flow generation

Operating free cash flow was €118 million, benefiting from reduced capital expenditures but counterbalanced by higher working capital needs. Group CAPEX amounted to €123 million, with the majority of investments targeting business growth in the USA. Operating free cash flow was used to fund equity investments of €48 million, mainly in Cimento Apodi in Brazil and payments of interest expenses, taxes and dividends, which amounted to €169 million, out of which €92 million was distributed to shareholders in June.

### Strong liquidity – Group net debt

At the end of December 2017, net debt stood at €723 million and was €62 million higher year-on-year, affected by distributions to shareholders and equity investments for the recent expansion in Brazil. Thanks to stable profitability and closely managed debt, the net debt/EBITDA ratio stood at a healthy 2.64 times and shareholder equity ratio stood at 52.8% at the end of 2017.

At year-end, 82% of Group debt was in bonds and 18% in bank loans. Total facilities, including capital markets, amount to €1.385 billion, while gross debt as of 31 December 2017 stood at €877 million, leaving over €500 million of unutilized bank facilities.

The Group has ample liquidity and over the last few years has succeeded in diversifying its sources of funding, while consistently reducing its cost of debt.

The Group had €154 million in cash at year-end. Out of the total, about 60% is kept in the operating companies and €64 million is kept by holding companies and deposited with international European banks.

# Financial performance

## Credit rating upgraded

In May 2017, Standard & Poor's acknowledged the improvement in Group results and prospects by upgrading TITAN's credit rating to "BB+" on a stable outlook, from "BB" positive outlook.

## Debt issuance

In November 2017, TITAN Global Finance issued notes of €250 million at par, due in 2024, with an annual coupon of 2.375%, guaranteed by TITAN Cement S.A. The notes are traded on the Global Exchange Market, the exchange regulated market of the Irish Stock Exchange. Pursuant to a tender offer in November 2017, the proceeds were used to purchase, prior to maturity, €127 million of outstanding July 2019 notes, which had a coupon of 4.25%. The remaining proceeds were used for general corporate purposes, including the repayment of bank and other debt.

The Group's next important maturity is in mid-2019 for the €160 million remaining notes of the 2014 issue and, after that, in mid-2021 for another €300 million notes.

## Improved return on capital employed

Return on capital employed improved year-on-year. ROACE in 2017 stood at 7.5% compared to 6.9% in 2016.

The Board of Directors intends to propose to the Annual General Meeting of shareholders a dividend distribution of €0.05 and a return of capital of €0.50 per issued share.

## Parent company financial results

In 2017, turnover at TITAN Cement S.A. declined by 10.9% to €234 million, while EBITDA dropped to €15 million versus €30 million in 2016. Net profit after tax for 2017 reached €13 million versus €17 million in 2016 and includes a €34 million dividend received from international subsidiaries; while the corresponding amount in 2016 was €29 million.

## Post balance sheet events

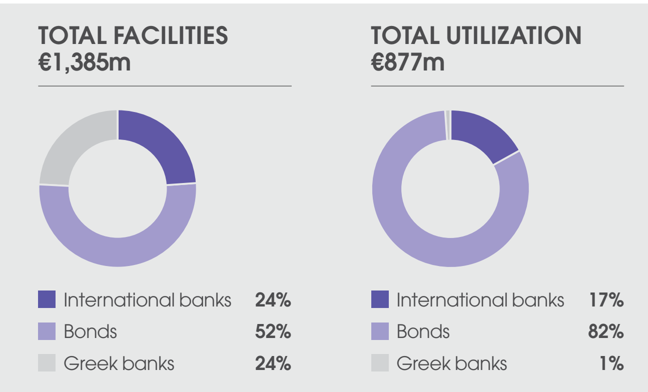
In January 2018, TITAN Global Finance issued €100 million additional notes following a reopening of the €250 million notes issuance of November 2017, resulting in a total issue of €350 million notes due in November 2024.

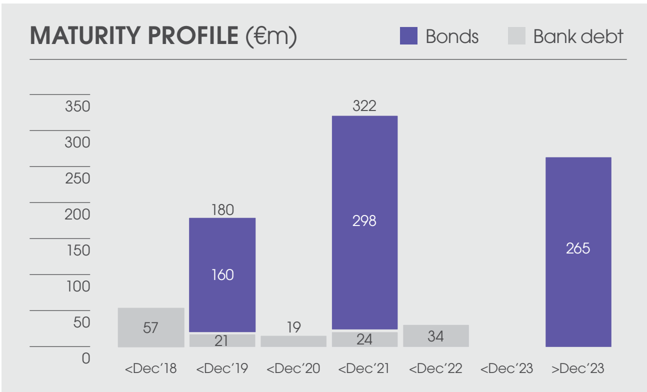
**Credit rating by Standard & Poor's**

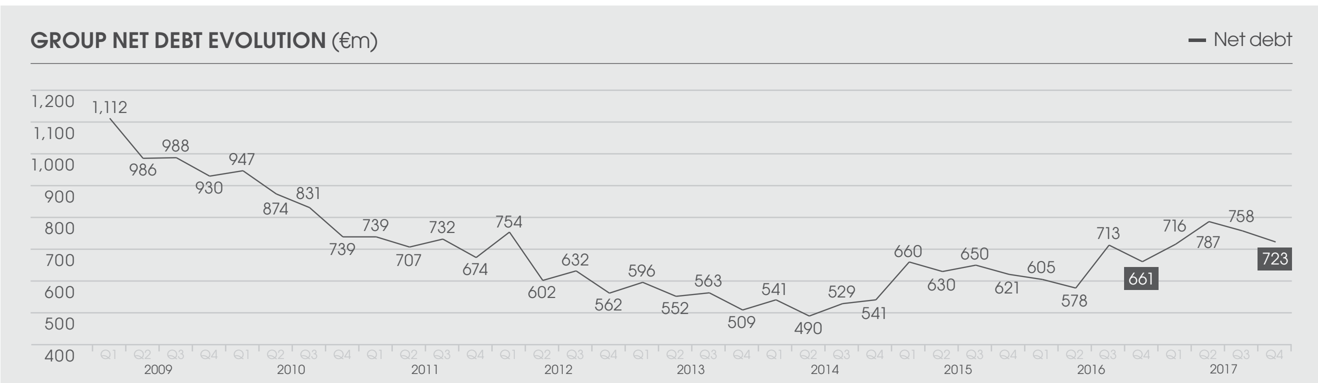
BB+ stable outlook

(2016: BB positive outlook)

### FACILITIES/UTILIZATION BY LENDER



# Equity market information

We build trust within the financial markets and long-term relationships with investors by demonstrating solid financial performance, a consistent strategy and the ability to deliver sustainable shareholder value.

## Our shares

TITAN's common shares have been traded on the Athens Exchange since 1912 and its preference shares since 1990.

TITAN's stock price closed at €22.90 per common share at the end of 2017, an increase of 2.7% in the year, while the ATHEX General Index increased by 24.7%, and the MSCI Emerging Markets Index and the S&P 350 increased by 34% and 7% respectively. TITAN common shares have posted compound growth of 13% per annum over the last five years. The closing price of TITAN's preference shares at the end of 2017 was €15.70 per share, which represents a 15% increase for 2017.

The share capital of TITAN Cement S.A. consists of 77,063,568 common shares and 7,568,960 preference shares without voting rights.

The total number of treasury shares held by the Company on 31 December 2017 was 4,164,719, of which 4,054,246 were common shares and 110,473 were preference shares. Voting rights held by the Company represented 5.26% of total voting rights.

TITAN's shares are components of the FTSE/ATHEX Large Cap Index, the MSCI Emerging Markets Index, the FTSE Emerging Markets Index and the FTSE4Good Emerging Index.

## SRI Investors

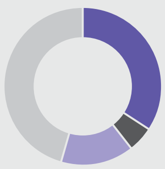
TITAN has been recognized as an "Advanced" level reporter in line with the United Nations Global Compact principles. TITAN is included in the FTSE4Good Emerging Index for its enduring commitment to sustainable development.

## More information

There is comprehensive information on the TITAN website for both equity and debt investors. It includes the Group's latest announcements, investor relations calendar, quarterly financial results and share price analysis tools. For details visit: ir.titan.gr or contact us at ir@titan.gr

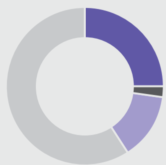
| Symbols | TITAN Common | TITAN Preference |
|---|---|---|
| Oasis | TITK | TITP |
| Reuters ticker | TTNr.AT | TTNm.AT |
| Bloomberg ticker | TITK GA | TITP GA |

**TITAN COMMON SHARES** as at 31 December 2017



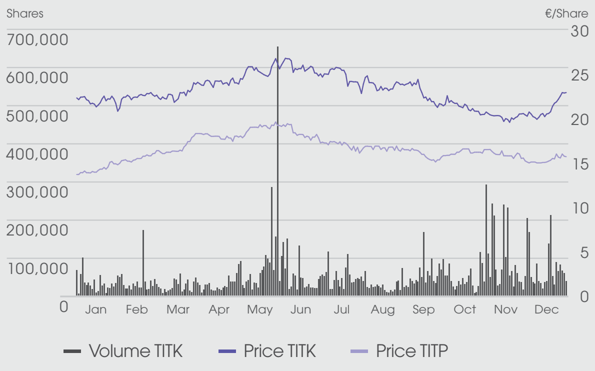
| | |
|---|---|
| Private investors | **34.3%** |
| Treasury stock | **5.3%** |
| Greek legal entities | **14.9%** |
| Foreign legal entities | **45.6%** |

**TITAN PREFERENCE SHARES** as at 31 December 2017



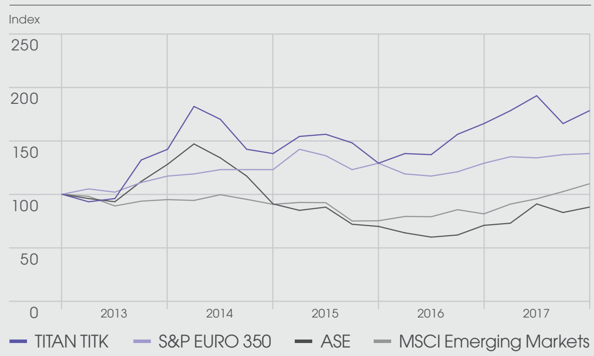
| | |
|---|---|
| Private investors | **25.3%** |
| Treasury stock | **2.0%** |
| Greek legal entities | **13.8%** |
| Foreign legal entities | **59.0%** |

**2017 Daily volume of transactions and price evolution of TITAN's common and preference shares**




Source: Bloomberg

**Share price performance of TITAN common shares relative to the ASE General Index, the MSCI Emerging Markets Index and the S&P Euro 350 Index**
(31 December 2012 = 100)




Source: Bloomberg

# Social performance

We empower our people across the business, so that they can reach their full potential by continuously developing their skills. We promote our health and safety standards throughout the value chain and collaborate to address local community needs.

### Monitoring our health and safety performance

Health and safety are material issues that affect the lives of our employees and contractors every day, as well as their families and communities. We focus on continuous improvement in our own health and safety performance and urge our suppliers and other business partners to adopt similar policies. We monitor performance and trends to address emerging issues and design and implement safety programs that target specific risks.

In 2017, while Lost Time Injuries (LTIs) among our employees and contractors increased from 29 to 34, we launched a new safety campaign and continued with others that are having a measurable impact in reducing our LTIFR. For example, our Group-wide Lock-out Tag-out (LOTO) campaign, launched in 2016, has succeeded in reducing the number of LOTO-related LTIs from nine in 2015 to just one in 2017. Based on this success, we have now launched a similar initiative to reduce slip-trip-fall LTIs in our ready-mix concrete operations.

We continued the Group-wide "Training for the Prevention of Serious Accidents" program, which is expected to be completed by the end of 2018.

At the start of the year, we launched a new Group-wide health surveillance system for dust, respirable crystalline silica and noise. This streamlines the way that our business units collect and categorize this data, helping to ensure a healthy working environment.

### Streamlining our people management and development processes

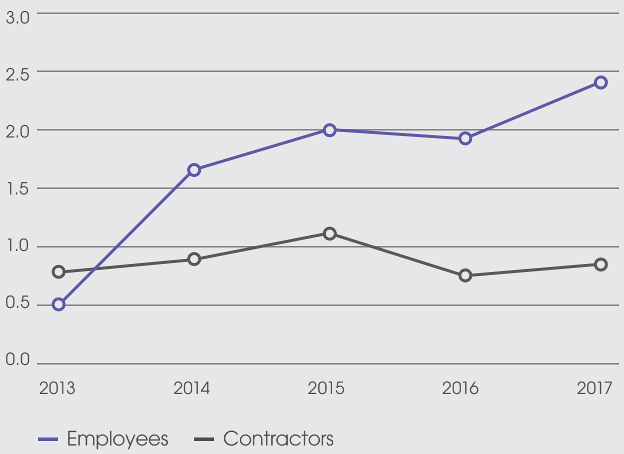
TITAN is a people-focused organization. Its performance and future growth depend on the talent, skills, character and creativity of its employees. Building long-term relationships with them includes integrating new technologies and performance management systems that can enhance the experience of working at TITAN.

In 2017, we focused on designing and implementing the new Group Human Resources Management System. The system streamlines talent management and performance processes and engages all employees in everyday people-related matters. We also rolled out additional building blocks of our Performance Development Process based on the leadership platform "Leading the TITAN Way," launching specialized training courses and a new performance calibration process.

To enhance our support for lifelong learning, we added experts to our HR team, focused on addressing our employees' development needs, and created a new Group learning and development function.

More than 80% of our employees participated in training courses during 2017, with the majority of our training man-hours focused on non-managers. Most of the training involved safety, while we also increased the training given on the environment, on compliance with our Code of Conduct and on sustainability-related policies.

**TITAN GROUP LTIFR**
Employees and contractors (all activities)




**New hires (gender)**
17.5%
women

**Internships resulting in new hires**
39

**Training man-hours**
155,587
(2016: 158,210)

### Contributing to sustainable communities

Developing and sustaining a working relationship with the communities where we operate is fundamental to building trust with local stakeholders and generating opportunities to support local prosperity, creating value for all.

We have acknowledged the sustainability of communities as a material issue and have set a 2020 target to develop and update our Community Engagement Plans in all key TITAN operations.

Our aim is to continue building on our distinctive approach, through a common global framework that is agile and can be adapted to local requirements.

Helping young people to build the skills they need for employment remains a focus area for us. Over the last two years, we have increased our efforts to support quality education, employment and entrepreneurship in our sphere of influence. In 2017, we launched the new Group Quality Internships Guide, which was built on the know-how and expertise we gained as co-initiators of the European Pact for Youth. The Guide emphasizes the importance of providing quality training and addresses the need to cover skills gaps. We also strengthened our collaboration with educational institutions and we now have more than 300 partnership agreements in place that have resulted in 910 offers for internships. Of these internships, 39 resulted in new hires.

TITAN Group donated in cash and in-kind the equivalent of €2.1 million to local communities in 2017 in support of community development programs focused on education, health and safety, the environment, poverty alleviation and unemployment.

### Supply chain sustainability

We acknowledge that through supply chain sustainability we can deliver long-term environmental, social and economic value for all stakeholders involved in the value chain. In 2017, we continued the Group Procurement Transformation program that was launched in 2016. The program aims to optimize the number of TITAN suppliers, build longer-term and more value-adding relationships, focusing on the "total cost of ownership" concept and driving greater focus on sustainability. We selected one of the world's leading providers of supply chain risk management solutions to pilot and test a standardized approach to supplier prequalification, including sustainability criteria, in our operations in the United States, in preparation for further rollouts in 2018.

Roanoke cement plant, USA

Kamari cement plant, Greece

# Environmental performance

TITAN is continuously improving its environmental performance, contributing to the sustainable use of natural resources as an active participant in the circular economy.

### Investing in environmental management

Over the last 15 years, TITAN has invested more than €220 million in best available techniques (BAT) to manage its environmental impact and has achieved advanced levels of environmental performance. This has included upgrading and modernizing all plants the Group has acquired, often introducing advanced industry standards to new markets. All our cement plants are certified under the ISO 14001 environmental management system, or, in the USA, a system aligned with local regulatory requirements.

### Achieving long-term reduction of emissions

TITAN's ongoing self-improvement efforts in the field of environmental management have also resulted in reducing air emissions significantly. Between 2003 and 2017, this has resulted in the avoidance of dust emissions of 46,850 tons, equivalent to 12 years' emissions (at 2003 emissions levels). Similarly, we have avoided NOx and SOx emissions of 196,200 tons and 28,770 tons respectively, representing 6.5 years' emissions (at 2003 emissions levels).

In 2017, we continued to drive significant reductions in each of these emissions types. Dust emissions were reduced from 23.9 to 19.9 $g/t_{Clinker}$, NOx emissions dropped from 1,702.9 to 1,340 $g/t_{Clinker}$ and SOx emissions declined from 205.6 to 199 $g/t_{Clinker}$.

### Preserving natural resources and biodiversity at our quarries

Regarding life on land, we aim to create a net positive impact on biodiversity in our quarries where possible, by mitigating the impacts of the extraction process. Quarry rehabilitation plans are developed and implemented for the majority of our quarries, aiming to protect and preserve natural capital and resources.

Since 2012, we have elaborated scientific-based methods to assess the status and biodiversity value of our quarries. TITAN has developed and is currently implementing Biodiversity Management Plans (BMPs) for eight quarries and is working to complete the assessment process and relevant Biodiversity Management Plans for the remaining two quarries that have been identified as sites of high biodiversity value.

**Avoided $CO_2$ emissions**

25m t

Avoided emissions 1990–2017
(Equivalent to 3.5 years at 1990 emissions levels*)

**Avoided dust emissions**

46,850 t

Avoided emissions 2003–2017
(Equivalent to 12 years at 2003 emissions levels**)

**Avoided water consumption**

21.3m $m^3$

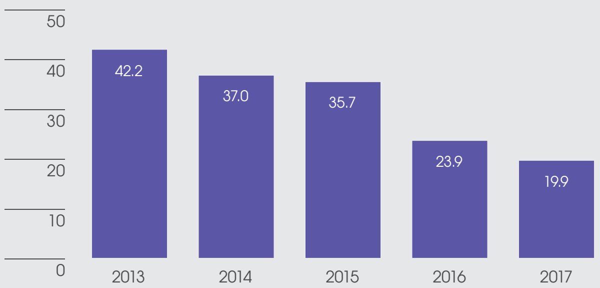
Avoided consumption 2003–2017
(Equivalent to 3.5 years at 2003 consumption levels**)

* 1990 is the base year for $CO_2$ emissions, in line with the Kyoto protocol.
** 2003 is the base year for environmental data other than $CO_2$ emissions.

### Optimizing water use across our sites

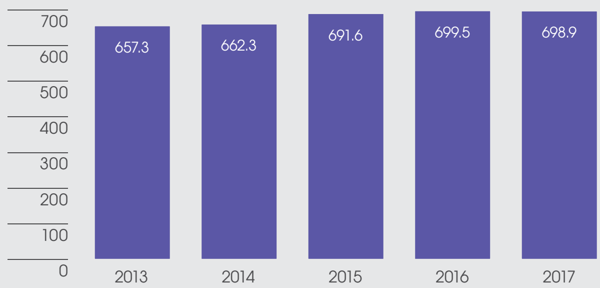
As a precious natural resource, water is a highly material issue both for our business and our key stakeholders. Since 2010, we have introduced tools such as an Integrated Water Management System (IWMS) to monitor and optimize water use across our sites, and report on water data in a consistent way. All of our operations have active continuous improvement plans and, while in 2017 specific water consumption increased slightly compared to 2016 (from 255.1 $lt/t_{Cement}$ to 273.1 $lt/t_{Cement}$) due to increased production needs from our American operations, significant decreases in water consumption have been achieved since 2003.

**SPECIFIC DUST EMISSIONS**
($g/t_{Clinker}$)*




* Specific emissions in each year are calculated based on the equity held by TITAN Group in that year.

**SPECIFIC $CO_2$ EMISSIONS (NET)****
($kg/t_{Product}$)*




* Specific emissions in each year are calculated based on the equity held by TITAN Group in that year.
** Product equals cementitious product as defined by WBCSD/CSI.

### Accelerating our efforts to tackle climate change

Climate change is one of the most significant challenges that the world faces, and undoubtedly a material issue for TITAN and its key stakeholders. We have long recognized the importance of improving the energy efficiency of cement production and reducing our carbon footprint with the use of alternative fuels and raw materials.

Since 2003, we have reported on the $CO_2$ emissions of our cement plants , using 1990 as the base year for comparisons, in line with the Kyoto Protocol. The avoided net $CO_2$ emissions between 1990 and 2017 were calculated to about 25.0 million tons of $CO_2$, equivalent to about 3.5 years at 1990 emissions levels. In 2017, our net specific $CO_2$ emissions remained at almost the same levels as in 2016 (698.9 $kgCO_2/t_{Product}$ in 2017 vs. 699.5 $kgCO_2/t_{Product}$ in 2016).

In 2017, we launched the Group $CO_2$ Initiative, in order to develop, prioritize and implement solutions for additional $CO_2$ reduction. Through collaboration in research and development programs, we are also testing new technologies, including carbon capture and conversion, low-$CO_2$ binders, calcined clays and cementitious materials with improved insulation properties.

### Supporting the circular economy

TITAN has adopted the circular economy as a material issue for sustainable growth, which promotes the "reduce, reuse, recycle, recover" approach over the traditional "take, make, use, dispose" approach.

STET and GAEA, two TITAN businesses, are good examples of how we put the circular economy at the heart of our operations.

ST Equipment & Technology (STET) is a developer and supplier of specialized processing equipment for the beneficiation of fine particle materials, such as fly ash, which are by-products from coal-burning thermal power plants. The company develops and promotes the use of waterless, energy-efficient and low-emission technologies replacing water-intensive mineral processes.

Our joint venture with the Evolution Environmental Group, GAEA Green Alternative Energy EAD, also supports the circular economy. Originally established in Bulgaria, GAEA works with local businesses to come up with solutions to waste management, environmental protection, waste use and alternative fuel production. It develops "win–win" scenarios that reduce costs, conserve fossil fuels, and enable safe and sustainable waste management.

Since then, GAEA launched GAEA Egypt, which supplies cement plants with fuel made from Alexandria's municipal solid waste.

In 2017, we increased the use of alternative raw materials to 5.5% of the total materials input for the production of clinker and cement (2016: 5.1%). In Greece and the USA, TITAN continued the implementation of programs to collect ready-mix concrete wastes, as an alternative raw material. More than 80% of the waste produced by Group operations was reused, recycled or recovered through authorized contractors in 2017.

**Specific dust emissions***

19.9 $g/t_{Clinker}$

(2016: 23.9 $g/t_{Clinker}$)

**Specific NOx emissions***

1,340.0 $g/t_{Clinker}$

(2016: 1,702.9 $g/t_{Clinker}$)

**Specific SOx emissions***

199.0 $g/t_{Clinker}$

(2016: 205.6 $g/t_{Clinker}$)

**Percentage of alternative fuels in the total fuel mix***

9.1%$_{\text{Thermal basis}}$

(2016: 8.6%$_{\text{Thermal basis}}$)

**Externally recycled waste material***

255,228
metric tons

(2016: 413,553 metric tons)

* Figures are calculated based on the equity of the specific year.