

Eastern Mediterranean



As the effects of currency devaluation are absorbed, supply-side factors create new headwinds, impacting the short-term potential of our operations in Egypt.

Market overview

Egypt's national cement consumption was 54 million metric tons in 2017, down 5% from the previous year. The decline in cement demand has been largely driven by the impact of the major devaluation of the EGP in 2016.

The cost of energy, which is mainly paid in hard currency, recorded a significant increase. This would have been much higher had TITAN's plants not converted to solid fuels and expanded the use of alternative fuels in a timely way. Selling prices increased in local currency but still recorded a substantial decline in euro terms, to levels that were insufficient to compensate for the effect of the devaluation and the resulting cost inflation.

2017 PERFORMANCE HIGHLIGHTS

Financial



Non-Financial

Social

Lost Time Injuries Frequency Rate (LTIFR) for employees in 2017 (per million man hours)
1.63
(2016: 0.91)

All plants and some installations are certified under **OHSAS 18001**

% of employees from the local community
81.55%
(2016: 86%)

Environmental

All cement plants and some of the installations related to our other activities are certified under **ISO 14001**



Alexandria cement plant, Egypt

PRINCIPAL PRODUCTS/ACTIVITIES

-  Cement
-  Ready-mix concrete
-  Aggregates
-  Waste management and alternative fuels

OPERATIONAL UNITS

2	12	2	1	1
Cement plants	Quarries	Ready-mix plants	Distribution terminal	Processed engineered fuel facility



Beni Suef cement plant, Egypt

Regional performance

Turnover in the Eastern Mediterranean region in 2017 declined by 36.5% reaching €158.2 million, while EBITDA at €13.2 million represented a 67.8% drop compared to the previous year. This was the result of the prevailing low prices, combined with high inflation and the fragile economic environment, as well as higher electricity costs and the implementation of a staff reduction program. The one-off charge for the redundancies (20% staff reduction) in Egypt was €6 million in Q3 2017.

The increased use of alternative fuels is helping to offset rising fuel prices, while continuing to reduce the environmental footprint of the business. Our Alexandria plant has increased its use of alternative fuels to over 14% of the fuel mix, and both plants in the country have completed the environmental compliance action plan agreed with the Egyptian government. At the same time, the Beni Suef plant achieved zero Lost Time Injuries (LTIs) for the first time in three years.

SUPPORTING HEALTH NEAR OUR BENI SUEF CEMENT PLANT



Hepatitis C viral infection (HCV) is a major health problem in Egypt, with the highest prevalence in the world and up to 170,000 new cases every year adding to the millions of patients already suffering from the disease.

In 2017, we supported efforts to combat HCV in the Beni Suef area. As part of the national plan for the field health survey of HCV, TITAN Cement Egypt (TCE) collaborated with the Beni Suef Health Affairs Directorate (Preventive Affairs Department - Viral hepatic management). We supported the survey initiative and contributed

to the cost of Polymerase Chain Reaction (PCR) tests, which help establish whether the virus is still active and needs treating.

The objective of the program was to identify HCV in people who were not aware that they had the virus, urge them to start treatment and ultimately to play an active role in the government initiative to defeat the virus completely. The program reached more than 5,000 people from four East of Nile villages near our Beni Suef cement plant, plus 410 contractors' employees working at the plant itself.

Looking ahead



The cement market in Egypt continues to face serious challenges, as the current oversupply is expected to be exacerbated by the opening of a new cement plant with 12 million metric tons of capacity in 2018. However, we believe that these challenges will be offset to some extent by the country's continued strong population growth of 2% per year, demand from the upcoming public works projects and the government's commitment to attracting foreign investment. TITAN Cement Egypt, already one of the most cost-efficient producers in the country, remains focused on further reducing costs and substantially improving prices. This allows us to look at 2018, when market consumption is expected to grow, with guarded optimism.