

# Southeastern Europe



The region continues to deliver stability, with the construction sector improving following several years of GDP growth.

### Market overview

The outlook for Southeastern Europe continues to improve. Consistent GDP growth and political stability provide strong scope for future growth. Overall building activity recovered in 2017, as demand for building materials posted an increase and cement consumption increased.

Cement consumption in 2017 was supported by a number of infrastructure projects that are in progress in the region and are due for completion in 2018–2019, and private demand.

## 2017 PERFORMANCE HIGHLIGHTS

### Financial



### Non-Financial

**Social**  
**Lost Time Injuries Frequency Rate (LTIFR) for employees in 2017** (per million man hours)  
**4.26**  
(2016: 1.98)

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

**% of employees from the local community**  
**62.11%**  
(2016: 62.59%)

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



Kosjeric cement plant, Serbia

## PRINCIPAL PRODUCTS/ACTIVITIES

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

## OPERATIONAL UNITS

<b>5</b> Cement plants	<b>20</b> Quarries	<b>8</b> Ready-mix plants	<b>1</b> Distribution terminal	<b>1</b> Processed engineered fuel facility
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## Regional performance

Sales growth for TITAN businesses kept pace with the expansion of the cement market in the region. Our turnover for the year increased by 11% to €226 million, with volume sales growth coming from both public and private construction projects, particularly in the central and western Balkans. Pricing remained broadly flat year-on-year due to competitive pressures.

Increases in energy prices had an impact on our efforts to contain costs; however, our previous investments in alternative fuels have helped to partially offset the increases.

Albania experienced its strongest rate of GDP growth since 2010. The economy grew by 3.7% on the back of increased government spending and a more flexible fiscal policy. This helped drive an estimated 20% increase in cement consumption from the historically low levels of 2016. TITAN's Antea plant benefited from increased economic activity in Albania to grow sales and significantly improve its financial performance.

In Bulgaria, our Zlatna Panega operation kept pace with a growing market, with renewed EU funding of infrastructure projects likely to support continued growth over the next few years. Cement demand in Bulgaria rebounded by 6%, spurred by a third consecutive year of GDP growth, which reached 3.7% in 2017. Cement consumption remains at just 44% of its pre-crisis level, indicating the potential for future growth.

In FYROM, the improvement of the political climate in the country helped to maintain positive GDP growth at a rate of 1.6%, with both consumers' and investors' confidence improving. However, cement consumption dropped by 5% as a result of residential and commercial construction declining from the high levels of 2016.

Kosovo's construction sector continued to grow as a result of increased residential activity, growing infrastructure investment and low interest rates. It has also benefited from the general expansion in the economy resulting from the remittances of Kosovo nationals living abroad. Cement consumption grew to reach an estimated record level of 1.4 million metric tons.

Foreign Direct Investment (FDI) continued to be the main driver of GDP growth in Serbia, with demand for infrastructure projects helping to expand cement consumption moderately. The re-emergence of private real estate and commercial construction in Belgrade supports a generally positive outlook for the market.

## PROTECTING THE RIGHTS OF WHISTLEBLOWERS



Respecting human rights and protecting the rights of people who report unlawful or inappropriate behavior is a vital part of TITAN's approach to good corporate governance. All TITAN Group operations have established procedures to report grievances, incidents or issues related to TITAN's Code of Conduct and policies. In 2017, TITAN Usje took a step further by introducing a rulebook that is designed to protect the rights of both whistleblowers and an appointed authorized person, who is responsible for receiving whistleblowers' reports.

The new rulebook sets down the procedures for

whistleblowing, including the steps that should be taken to protect the anonymity of those raising concerns. Setting down procedures helps embed the right culture and ensures a supportive approach.

In 2018, Usje cement plant will introduce yellow boxes throughout the premises of the cement plant, which employees and other concerned parties can use to report any inappropriate behavior. The company will continue to train all employees, to ensure that the new guidelines are understood and that whistleblowers have the support and protection that they deserve.

## Looking ahead



In Southeastern Europe, the political reengagement of the European Union, combined with the continuing economic recovery creates expectations for measured growth in the construction sector over time. The Group's plants, which are currently operating well below capacity, are well placed to address any increase in market demand.