33. Financial risk management objectives and policies

Financial Risk Factors

The Group, by nature of its business and geographical positioning, is exposed to financial risks. The Group's overall financial risk is managed by Group Finance and Treasury units, aiming to minimize the potential unfavorable impact arising from the markets' fluctuations on Group's financial performance. The Group does not engage in speculative transactions or transactions which are not related to its commercial, investing or borrowing activities.

a) Liquidity risk

The Group, in addition to its operating cash flows, maintains sufficient cash and other liquid assets, as well as extensive credit lines with several international banks to ensure the fulfilment of its financial obligations. Group Treasury controls Group funding as well as the management of liquid assets.
The table below summarizes the maturity profile of financial liabilities at 31 December 2015 & 2014 based on contractual undiscounted payments.
(all amounts in Euro thousands)

Group	Less than 1 month	1 to 6 months	6 to 12 months	1 to 5 years	>5years	Total
			Year ended 31 December 2015			
Borrowings	29,097	5,545	22,100	794,435	20,182	871,359
Derivative financial instruments (non-current)	-	-	-	924	-	924
Other non-current liabilities	-	-	-	1,513	-	1,513
Trade and other payables	163,497	63,844	4,944	-	-	232,285
	192,594	69,389	27,044	796,872	20,182	1,106,081
			Year ended 31 December 2014			
Borrowings	26,419	28,465	25,464	750,807	62,083	893,239
Derivative financial instruments (non-current)	-	-	-	2,438	-	2,438
Other non-current liabilities	-	-	-	24,696	-	24,696
Derivative financial instruments (current)	-	-	127	-	-	127
Trade and other payables	142,100	45,004	1,982	-	-	189,086
	168,519	73,469	27,573	777,941	62,083	1,109,586

Company	Less than 1 month	1 to 6 months	6 to 12 months	1 to 5 years	>5years	Total
			Year ended 31 December 2015			
Borrowings	16,267	1,472	8,355	325,945	-	352,039
Other non-current liabilities	-	9	8	129	-	146
Trade and other payables	28,264	6,139	156	-	-	34,559
	44,531	7,620	8,519	326,074	-	386,744
			Year ended 31 December 2014			
Borrowings	7,493	1,767	9,165	384,547	-	402,972
Other non-current liabilities	-	-	-	134	-	134
Trade and other payables	30,973	13,579	3,308	-	-	47,860
	38,466	15,346	12,473	384,681	-	450,966

Borrowings include the floating and fixed rate outstanding principal at year-end plus accrued interest up to maturity.

The amounts that are described as "less than 1 month" are on demand short-term uncommitted facilities and interest accruals.

b) Market risk

Market risk comprises three types of risk: currency risk, price risk, such as commodity risk and interest rate risk.

Group exposure to exchange rate (FX) risk derives from existing or expected cash flows denominated in currencies other than the Euro (imports / exports) and from international investments.

FX risks are managed using natural hedges, FX derivatives / swaps and FX forwards. Borrowings denominated in the same currency as the assets that are being financed and these create a natural hedge for investments in foreign subsidiaries exposed to FX conversion risk.
Part of the financing of Group activities in the USA, Egypt and Albania, is in different currencies (Euro) than their functional ones. Their refinancing in local currencies is examined at regular intervals.

33. Financial risk management objectives and policies (continued)

In the first semester of 2012, the Group's subsidiary Titan America LLC had entered into a two and a half year loan (up to December 2014) of €53.5 mil. from Titan Global Finance, while at the same time, it also entered into currency forward contracts with two financial institutions maturing in December 2014, hedging the foreign currency risk (€/$) associated with the borrowing. At the inception of the hedge transaction, Titan America LLC formally designated the hedge as a cash flow hedge, documented the risk management objective for undertaking the hedge and the hedge was assessed to be highly effective.

On 11 July 2014, Titan America LLC proceeded to an early repayment of the above mentioned loan to Titan Global Finance. Consequently, the aforementioned hedging relationship was terminated resulting in the reclassification adjustment of €370 thousand loss from the other comprehensive income to the income statement.

Simultaneously, the Group closed the open positions of the above currency forward contracts by entering into new reverse positions of currency forward contracts that were initially recognized at fair value on the effective date of the contract, and are being subsequently re-measured at fair value. The valuations of the above positions resulted in an €6 thousand net gain that was included in the account "gain from foreign exchange differences" in the income statement for the year ended 31 December 2014.

TALLC in July 2014 borrowed €177 mil. with five year maturity and fixed interest rate from Titan Global Finance (use of proceeds of the €300 million bond) and entered into cross currency interest rate swap agreements (CCS) with two financial institutions, essentially converting the fixed rate Euro-loan to a US dollar-floating rate based on 6-month LIBOR loan. The transactions were undertaken in order to hedge the foreign currency risk (€/$) on both the notional amount and the interest payments associated with the Euro denominated borrowing. The terms of the CCS perfectly match the terms of the loan. As at 31 December 2015, the mark to market valuation of the CCS was recorded as a liability of €764 thousand (31.12.2014: €2,438 thousand) in the statement of financial position.

TALLC in August 2015 entered into oil swap agreement, essentially converting the floating prices of the US oil to fixed oil prices on a monthly basis and up to December 2016. This transaction was undertaken in order to hedge the flactuation of oil prices on US diesel payments. As at 31 December 2015, the mark to market valuation of the oil swap was recorded as a liability of €160 thousand in the statement of financial position.

In Egypt, the Yen financing had been hedged up to its maturity, in December 2015, via FX forwards in US dollar/ Yen, that were executed through the Group's subsidiary Iapetos Ltd. In 2015, this transaction has been resulted in a loss of €115 thousand (2014: €173 thousand), which is recorded in the account "gain from foreign exchange differences".

Sensitivity analysis in foreign exchange rate changes

The following table demonstrates the sensitivity of the Group’s profit before tax and the Group’s equity to reasonable changes in the USA Dollar, Serbian Dinar, Egyptian Pound, British Pound, Turkish Lira and Albanian Lek floating exchange rates, with all other variables held constant:

(all amounts in Euro thousands)	Foreign Currency	Increase/ Decrease of Foreign Currency vs. €	Effect on Profit Before Tax	Effect on equity
Year ended 31 December 2015	USD	5%	1,084	24,633
		-5%	-981	-22,287
	RSD	5%	485	1,558
		-5%	-439	-1,410
	EGP	5%	-1,609	37,263
		-5%	1,456	-33,715
	GBP	5%	97	475
		-5%	-88	-430
	TRY	5%	274	1,357
		-5%	-248	-1,227
	ALL	5%	166	2,306
		-5%	-151	-2,086
Year ended 31 December 2014	USD	5%	-775	21,072
		-5%	701	-19,065
	RSD	5%	559	1,614
		-5%	-506	-1,460
	EGP	5%	1,366	35,015
		-5%	-1,236	-31,680
	GBP	5%	40	375
		-5%	-36	-339
	TRY	5%	309	1,289
		-5%	-280	-1,166
	ALL	5%	-13	2,127
		-5%	12	-1,924

Note: Calculation of "Effect on Profit before tax" is based on year average FX rates; calculation of "Effect on Equity" is based on year end FX rate changes.

33. Financial risk management objectives and policies (continued)

The ratio of fixed to floating rates of the Group's net borrowings is determined by market conditions, Group strategy and financing requirements. Occasionally interest rate derivatives may be used to mitigate the relevant risk and balance the mix of fixed and floating rates of the Group's borrowings.

In 2011, Titan Cement Company S.A. borrowed €100 mil. under floating interest rate (one month Euribor) from Titan Global Finance and subsequently entered into floating to fixed interest rate swaps for the same amount at terms matching the terms of the loan. The swap matured in December 2014. At the inception of the hedge transaction, Titan Cement Company S.A. formally designated the hedge as a cash flow hedge, documented the risk management objective and the hedge was assessed to be highly effective. The derivative financial instrument was initially recognized at fair value on the effective date of the contract, and subsequently re-measured at fair value until its maturity. After the expiration of the cash flow hedge, a €2,234 thousand loss was reclassified from the other comprehensive income into finance expenses of the income statement for the period ended on 31 December 2014.

Titan Cement Company S.A. had an interest rate swap amounting to €30 mil. since 2009, matured on November 2014, which was recognized as a fair value hedge. The valuation's result of €11 thousand of the abovementioned derivative was recorded as finance expense in the income statement for the year ended on 31 December 2014.

After the issuance of €300 million notes, which refinanced existing floating rate credit facilities and entering into the cross currency swaps, as of 31 December 2015 the ratio of fixed to floating rates of Group's debt results at 43:57.

The impact of interest rate volatility is limited in the income statement and cash flow from operating activities of the Group, as shown in the sensitivity analysis table below:

Sensitivity analysis of Group's borrowings due to interest rate changes

(all amounts in Euro thousands)

		Interest rate variation (+/-)	Effect on profit before tax (-/+)
Year ended 31 December 2015	EUR	1.0%	512
	USD	1.0%	2,412
	BGN	1.0%	117
	EGP	1.0%	1,342
	ALL	1.0%	366
Year ended 31 December 2014 Restated	EUR	1.0%	489
	USD	1.0%	2,223
	BGN	1.0%	165
	EGP	1.0%	659
	ALL	1.0%	329

Note: Table above excludes the positive impact of interest received from deposits.

Interest rate trends and the duration of the Group's financing needs are monitored on a forward looking basis. Consequently, decisions about the duration and the mix between fixed and floating rate debt are taken on an ad-hoc basis.

c) Credit Risk

The Group has no significant concentrations of credit risk. Trade accounts receivable consist mainly of a large, widespread customer base. All Group companies monitor the financial position of their debtors on an on-going basis.

When considered necessary, additional collateral is requested to secure credit. Provisions for impairment losses are made for special credit risks. As at 31st December 2015, there are no outstanding doubtful significant credit risks which are not already covered by a provision for doubtful receivables.

Credit risk arising from financial institutions' inability to meet their obligations towards the Group deriving from placements, investments and derivatives, is mitigated by pre-set limits on the degree of exposure to each individual financial institution. These pre-set limits are set in accordance to the Group Treasury policies. At December 31st 2015, the Group's majority financial assets and derivative financial instruments were held with investment grade financial institutions.

As at 31 December 2015, the Group's cash and cash equivalents were held at time deposits and current accounts. Note 21 includes an analysis on cash & cash equivalents.

33. Financial risk management objectives and policies (continued)

d) Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its operations and maximize shareholder value.

The Group manages its capital structure conservatively with the leverage ratio, as this is shown from the relationship between total liabilities and total equity as well as net debt and EBITDA.

Titan's policy is to maintain leverage ratios in line with an investment grade profile.

The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents.

	Group		Company	
(all amounts in Euro thousands)	2015	2014	2015	2014
Long term borrowings (note 24)	716,766	634,195	300,712	336,694
Short term borrowings (note 24)	26,313	49,522	9,324	95
Debt	**743,079**	**683,717**	**310,036**	**336,789**
Less: cash and cash equivalents (note 21)	121,733	142,946	8,626	16,971
Net Debt	**621,346**	**540,771**	**301,410**	**319,818**
Profit before interest, taxes, depreciation and amortization (EBITDA)	**216,422**	**181,591**	**43,768**	**30,617**
Total liabilities	**1,244,190**	**1,183,654**	**388,482**	**416,957**
Total equity	**1,705,285**	**1,627,595**	**860,544**	**823,301**