

# SOUTHEASTERN EUROPE



Stable financial and social performance with good prospects.

## Market overview

In the countries of Southeastern Europe, construction activity exhibited regional variations, with demand growing in the central Balkan countries but declining in the east and west. Building activity is broadly stable in the region, well below the total cement production capacity. Many local economies saw increases in GDP of around 3-4% in the region during 2016. However, low foreign investments, economic uncertainties and political volatility are slowing construction recovery across the region.

## 2016 Performance highlights

### Financial

#### Turnover

14% of Group

**€204 m**

(2015: €209 m)



#### EBITDA

20% of Group

**€56 m**

(2015: €56 m)



#### Total assets

18% of Group

**€489 m**

(2015: €496 m)



### Non-Financial

#### SOCIAL

Lost time injuries frequency rate (LTIFR) for employees in 2016 (per 1,000,000 man hours)

**1.98**

(2015: 3.42)

All plants and installations are certified against **OHSAS 18001**.

#### Total training hours

**63,536**

(2015: 40,034)

#### ENVIRONMENTAL

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



Kosjeric cement plant, Serbia

## Principal products/activities

Cement Ready-mix concrete Aggregates

Waste management and alternative fuels

## Key facts

**5**

Cement plants

**17**

Quarries

**8**

Ready-mix plants

**1**

Distribution terminals

**1**

Processed engineered fuel facility

# Management review

## Regional performance

There was an increase in total sales volumes in our markets of Southeastern Europe, but at lower average prices. Turnover in 2016 declined 2% at €204.3 million, while EBITDA increased slightly by 0.8% to €56.2 million, leading to an improvement in EBITDA margin from 26.8% in 2015 to 27.5% in 2016.

In 2016, cement consumption in Albania declined by about 7%, reaching the lowest level of cement consumption for 15 years. This reflects lower liquidity in the private sector, low public works spending and the difficulties in obtaining new construction permits. Our company and people have been involved in many community projects during the year, including: the reconstruction of deteriorating local roads; improving the school at Thumana; and the donation of cement for the construction of local houses. In December, our business also celebrated 1,778 days, without any loss time incidents.

In Bulgaria, cement demand declined by over 10% in 2016, mainly due to a decrease in EU-financed public infrastructure projects. The market is expected in the near future to remain dependent on EU financing and the volatile political situation in the country. During the year, we continued our efforts to increase the use of alternative fuels, with the total usage of RDF and used tires reaching 26%, compared to 20% alternative fuel usage in 2015.

Despite the political crisis in F.Y.R. of Macedonia, the construction sector remained a strong driver of the country's GDP in 2016 and cement consumption increased significantly. During the year, Usje cement plant launched a program to boost youth employment, supporting the aims of the European Pact for Youth, and continued to demonstrate its strong commitment for people development with a total of 15,000 training hours provided to 100% of our employees (an average of 50 training hours per employee).

The construction sector in Kosovo continued to grow in 2016, with an increase in cement demand of around 15% compared to 2015. This was driven by residential and infrastructure construction and Sharrcem cement plant achieved record volume sales, with a more competitive cost base. Strong competition from imports resulted in lower selling prices overall compared to 2015.

The Serbian cement market continued to grow in 2016, for the third consecutive year, recording growth of about 7%. The market of Montenegro – an important market for Kosjeric cement plant – saw an increase of over 10%, supported by the start of works on the Podgorica-Kolasin highway project and developments in projects related to tourism.

## Strengthening families in Thumana, Albania



In 2015, Antea cement plant, in cooperation with SOS Village, launched a project to assist children and families who live in deprived conditions in the commune of Thumana.

The project was extended in 2016 and now benefits 19 families and 47 children, under 18 years of age,

helping to ensure the children's rights to a decent life and development. The basic goal of this project is to create the optimal conditions for a family to thrive, as well as to ensure the protection of human rights, including the rights to education, health, sanitation and food.

## Looking ahead

In Southeastern Europe, economic recovery is still being affected by the economic weakness of nearby Eurozone countries – the region's main trading and investment partners. Although signs of recovery are evident in certain countries, construction in the region lacks momentum. Overall, the region remains stable with significant potential for improvement as conditions change in Europe.