

# CEO message

## Dear Shareholders and Stakeholders,

Over the past year, marked by mixed but on balance favorable market developments, TITAN made further progress along its key priorities of balancing profitability and growth, building operational excellence and nurturing the long-term sustainability of its business.



### Strong results in the US drive organic growth

TITAN turnover and profitability continued growing for a third consecutive year, driven primarily by market growth in the USA and to a lesser extent operational improvements in Egypt. Consolidated turnover increased by 8% to €1,509 million and Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) increased by 28.7% to €279 million. Net Profit after minority interest and the provision for taxes (NPAT) rose to €127 million, which includes a gain from a deferred tax asset recognition of €90 million in the US, associated with previously unrecognized carry-forward net operating losses generated in previous years.

In the US, demand for building materials continued to grow within a generally positive economic environment of low unemployment, consumer confidence and infrastructure development. TITAN, having implemented a €200 million investment program over the last three years, was able to capitalize on the market growth to increase sales volumes, plant utilization and profitability, both in cement and in its vertically integrated activities.

Egypt enjoyed a growth in demand and benefited significantly from a decline in production costs as it progressed towards its goal of solid fuel self-sufficiency; the last component of the relevant capital expenditure program, the coal mill in Alexandria plant, commenced operations in December. As a consequence, in spite of the devaluation of the Egyptian pound by more than 50% in the course of the year, our operations managed to improve profitability, even in EUR terms, albeit from a low comparative basis.

In Greece, now in its seventh year of austerity, the construction market remains in deep recession, with limited spending on infrastructure projects and a virtual halt in private housing construction. Our Greek operations continued their strong export performance in volume terms, but profitability was negatively affected by competitive pressures in the international trade destinations.

The markets of Southeastern Europe provided a mixed picture, with our operations showing an overall stable performance. Our joint venture in Turkey benefited from the increased local demand for infrastructure and private housing, but was negatively affected, in EUR terms by the Turkish lira devaluation.

### Investing for organic growth and regional expansion

In line with our objective of geographical diversification in selected regions, we extended our geographical footprint in South America through the acquisition of an equity stake in Cimento Apodi, a Brazilian cement manufacturer.

Cimento Apodi operates an integrated cement plant and a grinding plant in the state of Ceará in Northeast Brazil, with a production capacity of over 2 million tons of cement per year. Current demand for building materials in Brazil is low; however, the fundamentals in terms of urban population growth indicate stronger longer term prospects.

Investments in existing operations stood at €151 million, primarily in relation to our activities in the US and the solid fuel conversion project in Egypt. Investment programs continued in the other regions as well, mainly linked to sustaining business and environmental improvements.

On the funding side, TITAN was able to raise a 5-year, €300 million bond with a 3.5% coupon; Standard & Poor's reconfirmed the company's "BB" rating, with a positive outlook, highlighting the strong liquidity of the Group.

### Group initiatives towards operational excellence

We continuously invest in improving our competitiveness, both through local initiatives led by our regional management teams and centrally at Group level. Current areas of focus include excellence in operational maintenance, new digital and IT infrastructure, enhanced product and process innovation capacity, as well as two major Group-wide initiatives, on procurement and people development.

Our Group Procurement Transformation program, which went through its first phase of implementation in 2016, aims to optimize the number of suppliers and build on long term value-added supplier relationships with an emphasis on "total cost" reduction, transparency and enhancement of our sustainability impact on the supply chain.

The "Titan Leadership Platform", a major program addressing our employees announced in 2015, was rolled out to all countries, promoting the behaviors that drive strong leadership performance, through a new personal development process. The program addresses the most material issues raised by our employees in the 2015 survey and provides an effective conduit through which our core values can be further disseminated.

### Aligning with the UN Sustainable Development Goals

Supporting the United Nations Agenda 2030 for sustainable development, launched in late 2015, we proceeded to complete materiality or social impact assessments at local level in all countries with majority owned operations, including a first alignment with the SDGs, which we will support through our existing and new local and global partnerships. On the basis of the regional inputs, the corporate materiality matrix was reviewed and re-confirmed as an up-to-date record of the priority issues that TITAN aims to address through its sustainability strategy.

Our sustainability governance has been further enhanced through the establishment of a Sustainability Committee, comprising members of the TITAN Board and its Executive Committee, overseeing our long-term commitment to sustainable development.

Indicative highlights of our sustainability efforts in 2016 include the Group's continuing focus on safety, which resulted in a reduction in lost time incidents; the increased use of waste or by-products as raw materials; the recognition of our Pennsuco operations in Florida for their "zero waste" performance; and the enhancement of the Group's partnerships with academia and educational-support programs, in line with our European "Pact for Youth" commitment.

Our investment in emission control and reduction, where needed, continued, leading to a further significant improvement in dust emissions; on the other hand, CO<sub>2</sub> emissions increased marginally, as the improvement achieved through the increased use of alternative fuels was not sufficient to counteract an unfavorable fuel and product mix. In the process of detailing our strategy in alignment with the UN Agenda 2030, we will define within 2017 our new long-range emissions targets.

### A positive outlook for 2017

Prospects for TITAN in 2017 appear positive, despite the considerable challenges and uncertainties around the globe. The USA business is expected to remain the main driver of growth and profitability, thanks to the growth in demand and the benefits accrued from our extensive investments.

In Greece, demand may decrease further due to a timing gap in the infrastructure projects pipeline; exports will continue, but under increasingly competitive pressures. Southeastern Europe, in a broader region of political instability and economic weakness, will remain at its current levels of activity. In Egypt, in spite of volatility in the short term, demand is likely to be sustained and our operations will benefit from the impact of the investment program completed in late 2016. In Turkey, the positive trend is likely to be reversed, as additional cement production capacity comes on stream and domestic challenges may affect demand. Finally, in Brazil, demand is expected to begin to stabilize in 2017.

Based on the 2016 results and the outlook for 2017, the Board of Directors is proposing to the General Assembly of Shareholders the payment of a dividend distribution of €0.10 per share and, in addition, a return of capital of €1.00 per share.

We would like to thank our shareholders and stakeholders for their support in the execution of our strategy to deliver on growth and profitability, to strengthen our competitiveness and to secure the long-term sustainability of our business.



**Dimitri Papalexopoulos**  
Chief Executive Officer