

EASTERN MEDITERRANEAN



Significant cement consumption over two countries with production levels increasing to meet growing demand.

Market overview

Cement consumption in Egypt reached 56.5 million metric tons in 2016, up by 4.7% from the previous year. Demand was again mainly driven by national projects, including new cities, roads, infrastructure and housing projects.

The economic situation in Egypt remains very challenging, with devaluations of the Egyptian pound of 17% in March and over 40% in November. The economy is fragile, with tourism suffering, high inflation (currently at around 30%) and increasing costs of imported basic food supplies. However, Egypt's demand for housing remains high, mainly driven by the country's fast-growing population. Large budgeted investments by the government in the real estate and construction sectors also provide a significant upside for the market.

Turkey's GDP grew by an estimated 2.5% in 2016. Fueled by the growing economy, domestic cement consumption increased by 3% year on year, reaching 66 million metric tons. Cement exporters managed to increase volumes by around 3% during 2016, but with additional capacity in the market, the gap between excess supply and domestic demand is widening.

2016 Performance highlights

Financial¹

Turnover

16% of Group

€249 m

(2015: €241 m)



EBITDA

15% of Group

€41 m

(2015: €15 m)



Total assets

17% of Group

€475 m

(2015: €888 m)



Non-Financial

SOCIAL

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

0.91

(2015: 0.43)

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

Total training hours

34,160

(2015: 21,816)

ENVIRONMENTAL

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

Principal products/activities

Cement Ready-mix concrete Aggregates

Waste management and alternative fuels

Key facts

3	16	6	2	2	1
Cement plants	Quarries	Ready-mix plants	Distribution terminals	Grinding plants	Processed engineered fuel facility



Alexandria cement plant, Egypt

¹ Turkey is not consolidated (50/50 JV)

Management review

Regional performance

We have operations in two countries in the region with diverse social and economic needs. In recent years, we have focused on supporting employees and their families during political and social unrest, addressed health issues and engaged in community outreach activities.

Operating results in Egypt showed a significant improvement for four consecutive quarters in 2016. TITAN Cement Egypt's cement sales in 2016 increased nearly 14% year on year. Despite the devaluation of the Egyptian pound by more than 50% in 2016 and the volatility of market prices, turnover increased by 28.3% in local currency terms, and by 3.5% when converted to euros, reaching €249.2 million. EBITDA more than doubled, reaching €40.8 million in 2016 compared to €15 million the previous year.

The major devaluation of the currency resulted in FX losses and the Balance Sheet of our Egyptian operations shrunk by about 50% in euro terms due to the devaluation, while fixed assets' value in real terms remains virtually unchanged.

In 2016 we achieved fuel sufficiency as, subsequent to the investments of the last two years in coal mills, both Beni Suef and Alexandria can now grind locally and use solid fuels.

In Turkey, Adocim benefited from strong demand in 2016, due to private housing construction and public works in infrastructure projects. Cement production remained close to record levels, while financial performance was in line with the previous year. Net profit attributable to the Group stood at €3.6 million in 2016, versus €4 million in 2015, negatively impacted by a 14% decline in the value of the Turkish pound.

Improving education in Wadi El Kamar, Egypt



The Wadi El Kamar Elementary Public School was built more than 30 years ago, and no major restorations have taken place since then, with some limited maintenance organized by the school management. The 1,300-student school is very important to the neighborhood as there are no other elementary schools in the area.

Supporting education is a priority for TITAN Cement Egypt (TCE), in line with

both its 2015 neighborhood social study and the SDGs. After coordinating a visit to the local school, with the Alexandria Educational Building Authority and a National NGO, TCE undertook to fully renovate the school and also rebuild some parts. The project is realized by TITAN employees and a local contractor active in the neighborhood.. Work began in August 2016 and is scheduled for completion in September 2017.



Looking ahead

In Egypt, by completing our investments for the use of solid fuels at our plants, the Group has ensured fuel sufficiency and improved its cost structure. Egypt's recent adjustment and reforms program, accompanying a €12 billion loan agreement with the IMF, lays the foundation for sustainable longer term growth. With the country in such a transition and coupled with the massive devaluation of the currency, however, these reforms create short-term pressures and volatility.

In Turkey, following several years of continued economic growth and increase in construction activity, it is expected that the macro-economic challenges of the country, in combination with the increasing surplus of installed capacity, will negatively impact the cement sector.