

## CEO's message



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### Dear Shareholders and Stakeholders,

2018 was another year of stable, solid performance for TITAN. We navigated successfully the challenges of subdued demand and margin pressure in several of our regions and capitalized on the opportunities that the US market continues to offer. At the same time, we remained focused on our enduring objective of balanced, responsible and sustainable long-term growth, embracing change as an organization and innovating at an accelerated pace.

### Stable performance, tracking market demand in each region

Our markets in 2018 developed along the trends of the previous year: growth in Florida and the Mid-Atlantic in the USA, stable demand in SE Europe and Greece, a softening in Egypt and a recovery in Brazil. A major shift occurred in Turkey, with a sharp deceleration of the economy and a drop in construction activity in the second half of the year. Costs, notably energy, both solid fuels and electricity, as well as raw materials prices increased in most of our regions and were partly compensated by efficiency gains in our plants. Prices firmed up in the USA and remained broadly stable in the remaining regions, with a negative tendency in Turkey and Egypt towards the end of the year. The operation of a new 12 million tons cement plant in Egypt and the sharp demand drop in Turkey contributed to a growing overcapacity in the Mediterranean.

In the first half of the year, our performance was affected by exceptionally poor weather and prolonged maintenance shutdowns in the USA, as well as a slow start in the Greek domestic market. The second half showed a marked improvement, with turnover and EBITDA increasing and exceeding the performance of the second half of 2017, providing a positive momentum as we head into 2019.

The strengthening of the euro in 2018 in relation to the US dollar and the Egyptian pound, as well as the devaluation of the Turkish lira, had a negative translation impact on the Group's euro-reported results.

In this environment, TITAN closed the year at slightly lower consolidated turnover and EBITDA levels than in 2017, but with improved Net Profit, mainly due to an improved non-operating result from forex gains. The full year turnover was €1,490.1 million (down 1%), EBITDA was €259.7 million (down 5%) and NPAT €53.8 million (up 26%).

We continued to invest in our operations, with the implementation of a CapEx program of €119 million, mainly in our US business.

The market outlook for 2019 remains positive for the USA, where our plants are well positioned to serve the continuing growth. Growth should also return in Brazil. We expect stable to positive demand in South Eastern Europe and Greece, the latter depending heavily on whether new infrastructure projects will commence as planned. On the negative side, we anticipate some softness in demand in Egypt. The sharp slowdown in Turkey should continue over the next few months.

### Investing in our international footprint

In line with our strategy of international growth, TITAN acquired in October 2018 control of our joint venture in Turkey, raising our participation in the Adocim cement plant to 75% while disposing of our 50% stake in the company's former grinding plant. Even though the short-term outlook for Turkey is negative, we believe that the macro trends fully justify our position in the country.

In December, the shareholders of the Group parent company, TITAN Cement S.A., received a voluntary share exchange offer from a new Belgian entity, TITAN Cement International, owned by core shareholders of our Group. The aim of the offer was to facilitate the primary listing of the Group in Euronext Brussels and the provision of improved access to funding. While the offer received the support of TITAN's Board of Directors and the majority of its shareholders, the 90% acceptance threshold was narrowly missed for the ordinary shares; as a result, the transaction did not materialize. The long term objective, however, of a strategic positioning of the Group, in a way that reflects its international footprint and strengthens its financial competitiveness, remains a priority.

### Embracing change to deliver on our enduring commitment to a sustainable future

Looking beyond the horizon of the next few years, major shifts are occurring, which will affect our business. Climate change, the related transformation of the energy sector and the digital revolution are already sharply on our radar screen, for all our operations. At the same time, we are observing closely the shifting geopolitical situation, and in particular two factors affecting cement trade flows and investments: the continuously expanding role of China in the world market and the protectionist tendencies in world trade.

We have embraced the opportunities offered by the 4th industrial revolution, piloting the new technological possibilities in a wide range of applications. We have invested in extensive operational data capture, storage and connectivity infrastructure and have run successful, long range trials to improve the operational performance of specific production lines, to extend the scope of preventive maintenance, to apply Building Information Modeling to our own CapEx projects and to optimize the management of our supply chain. At the same time, we are improving the efficiency of our internal processes by rolling out globally a single enterprise management system and have launched a new digital platform supporting our HR management processes worldwide.

In 2018, we showed progress on several fronts related to the reduction of CO<sub>2</sub> emissions, contributing to the global effort to reduce global warming. We increased the usage of alternative fuels and expanded it to new plants. In energy efficiency, we achieved the certification of plants representing ca. 40% of our clinker capacity under the Energy Management ISO 50001. We

are participating in several collaborative R&D projects aiming to reduce the CO<sub>2</sub> footprint and ran a successful large-scale pilot production of low CO<sub>2</sub> clinker. Finally, we updated our environmental policy, rolled out a uniform approach across all regions to drive CO<sub>2</sub> reduction through to 2030 and introduced the requirement to assess all new major projects from the additional perspective of an internal CO<sub>2</sub> price, thereby highlighting the relevant risks and opportunities.

Continuing our long history of active engagement with the local communities, TITAN implemented new initiatives in its areas of operation, primarily related to the promotion of health and well-being, the support of quality education and the development of the skills required in today's workplaces. In parallel to wellness and personal development programs developed specifically for our employees, we reached out to tens of thousands of children and young adults, hosting them at events on our premises, in internships and in programs at their schools and universities.

We made good progress in our safety efforts through targeted campaigns, extensive training, increased near miss reporting and the launch of new tools for hazard identification. The fact that our safety performance indicators places us among the leading companies in our industry was unfortunately overshadowed by two contractor fatalities, one in road transportation and one in a quarrying operation. We will continue our efforts with ever greater resolve.

Our commitment to doing business in a financially, socially and environmentally responsible way is reflected in our renewed participation in the UN Global Compact and the endorsement of its principles. We are making good progress towards meeting our environmental and social targets set for 2020, as an intermediate step in our collaborative effort to achieve the Sustainable Development Goals.

Instead of treating the global shifts as part of a cycle that will revert to the old equilibrium, we are embracing change, to successfully adapt as an organization to the emerging new challenges and opportunities. We remain constant in our values and our respect for every individual, society and the environment.



**Dimitri Papalexopoulos**  
Chief Executive Officer