Regional performance: Eastern Mediterranean

Resilience in the face of uncertainty

Despite political uncertainty in both Egypt and Turkey, demand for building materials remained resilient. As a result, turnover was up, although operating profit declined.

Performance summary

- Challenging environment due to political uncertainties, operational difficulties and local currency depreciation in Egypt
- Operating profitability in the region remains resilient, despite challenges
- Total turnover up 1% to 299.7 million euros
- EBITDA of 87.3 million euros down by 7%
- The Group is addressing public health issues such as Hepatitis C in Egypt

Management review

Market overview

Egypt and, to a lesser extent, Turkey both faced political turmoil in 2013. Despite the uncertainties, demand for building materials in Egypt was resilient and in Turkey demand grew at a fast pace.

Financial performance

Total turnover for the region grew by 1% to 299.7 million euros. Operating profit declined by 7% to 87.3 million euros. At constant exchange rates, operating profit would have posted a 5% increase and sales would have increased by 14.5%. Clinker imports to Egypt supported the production output of TITAN plants in a challenging business environment.

Non-financial performance

TITAN's Eastern Mediterranean operations have two distinctive countries with diverse social and economic needs. TITAN Egypt continues to focus on supporting employees and their families during the ongoing political crisis. The Group is also addressing health issues among employees and the wider community, particularly the impact of Hepatitis C, which is a major public health issue in Egypt.

In Turkey, where economic development has been positive, TITAN has continued its ongoing community outreach activities. The Group has also focused on raising awareness around alternative uses of concrete in road paving.

In both countries, safety remains of paramount importance. The Group has targeted safety standards among suppliers and the drivers who deliver goods to our operations, with a view to cultivating a precautionary approach to safety.

Regional performance

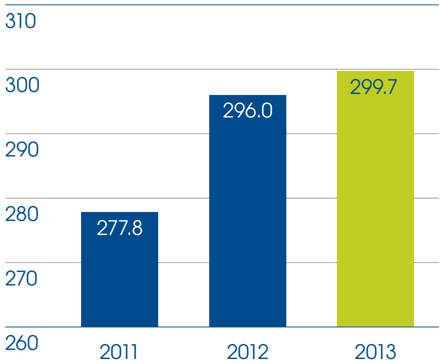
Regional revenue % of Group

26%

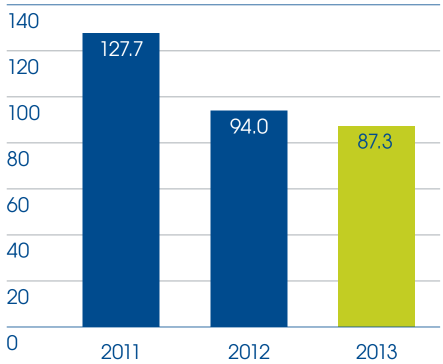
Regional EBITDA % of Group

45%

Revenue €m



EBITDA €m



Outlook for 2014

TITAN Group anticipates that its biggest challenges will come from the Eastern Mediterranean region as uncertainty builds and economic risks increase. Although demand for building materials in the region appears to be maintaining momentum, short-term forecasts are unreliable.

In Egypt, fuel shortages and rising production costs are creating an increasingly challenging business environment. Meanwhile, rising interest rates in Turkey could lead to a slowdown in economic growth. Exchange rate volatility could also continue to negatively affect Group results.

Country profiles

Egypt

Despite severe political turmoil and economic pressures in 2013, demand for building materials remained resilient. Domestic cement consumption reached 50.1 million metric tons and declined by just 2% vs 2012. During the year, fluctuations in energy supplies negatively affected production volumes and margins for all cement producers.

TITAN Cement Egypt's dispatches from its plant in Alexandria and Beni Suef (south of Cairo) in 2013 reached 4.3 million metric tons compared to 4.4 million metric tons in 2012.

The TITAN Beton and Aggregates Egypt (TBAE) plant performed well. In October 2013 it opened a new ready-mix plant in Cairo and its planned expansion into the aggregates business in late 2014 should create further value for shareholders.

Turkey

In 2013, the Turkish economy rebounded from its slowdown in 2012, despite political tension in the second half of 2013.

Turkey's construction sector continued to grow in 2013 and cement consumption increased by an estimated 10% year-on-year.

Adocim, TITAN's 50–50 joint-venture operation in Turkey, benefited from strong demand both from private housing and public infrastructure projects and posted another year of record cement production.

Lost Time Injury Frequency Rate LTIFR