

Regional performance: Greece and Western Europe

Challenging market conditions

Historically low demand in the construction sector continues to have a significant impact on turnover and profitability. However, signs suggest that the bottom of the market has been reached.



Performance summary

- Construction activity reached an all-time low in the domestic market
- Soft domestic demand offset to a degree by robust exports
- Turnover of 249.8 million euros, up by 4% year-on-year
- EBITDA of 13.9 million euros, down 57% year-on-year
- TITAN maintained and even improved its additional benefits policy and increased corporate volunteering programs

Management review

In Greece, demand for cement and building materials declined for the seventh consecutive year albeit at a slower pace. Punitive tax rate levels on real estate, limited disposable income, the high inventory of unsold homes and lack of liquidity in the mortgage market have brought private residential building activity to a virtual standstill.

Public spending on infrastructure remained weak in 2013, while the expected resumption of four major road works was postponed until 2014. In total, cement demand in 2013 was at one fifth of 2006 levels.

Financial performance

Turnover in the region increased by 4% to 249.8 million euros, though operating profit declined by 57% to 13.9 million euros. Given the dramatic drop in domestic demand, the Group's Greek plants are heavily dependent on exports to support production levels. TITAN's commercial presence in export markets, built through the years with long-term relationships, has enabled us to develop our export trade despite fierce global competition and volatility.

Non-financial performance

TITAN's long-term commitment to its values, often expressed through its history, remains an important feature of the Company today. During the recent years of financial crisis, we have concentrated on safeguarding, as much as possible, our employees and their jobs, while also reaching out to the wider community.

TITAN has maintained and even improved its additional benefits policy and increased corporate volunteering programs. Employees participated in over 30 volunteering initiatives to support vulnerable groups and charities working to lessen the impact of the crisis. A good example was the bone marrow donation program which TITAN employees became involved with, in cooperation with the Bone Marrow Donor Center at Patras University.

Almost all environmental and safety investments in Greece targeted equipment that aimed to reduce gas emissions, enhance the use of secondary fuels and upgrade Health and Safety conditions at the workplace. There was a clear

Regional performance

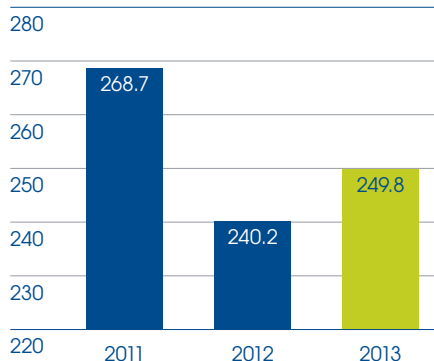
Regional revenue % of Group

21%

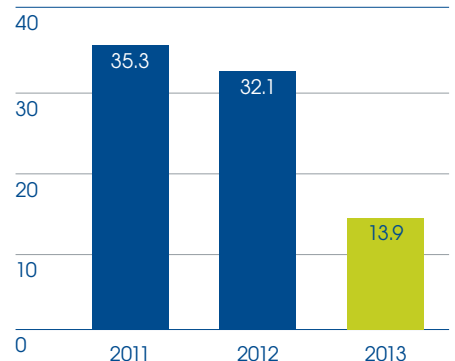
Regional EBITDA % of Group

7%

Revenue €m



EBITDA €m



improvement as reflected in the lost time incidents and frequency index, which fell compared to 2012. The specific total emissions of the Cement division in Greece also reached close to the European average, 852 vs 849 kg CO₂/ton^{Clinker}.

The total quantity of alternative raw materials used reached 525,000 metric tons, with an equal reduction in the use of natural (primary) raw materials. This quantity represents the highest substitution of primary raw materials by alternative materials in the past few years.

In 2013, a significant area of focus has been on variable cost containment, primarily through increased use of secondary fuels and alternative raw materials, combined with an optimization of our product mix. An increase in the use of secondary fuels contributed to the containment of fuel cost, although still below the European average rate (33.8%). The goal remains to increase the substitution rates of conventional fuels.

TITAN Group continues to participate in consultations and industry forums which inform public debate on the use of secondary fuels and alternative raw materials.

Outlook for 2014

In Greece, cement demand is expected to increase for the first time since 2006, from the extremely low levels of 2013. This is largely due to the resumption of major infrastructure projects, including road works. Expectations regarding the residential market remain low.

Operation profiles

Cement operations

In 2013, year-on-year production levels increased, supported by exports of cement and clinker which increased significantly. The continued operation of the Group's plants in Greece is dependent upon the competitiveness of exports, amid intense international competition, particularly from countries not subject to EU legislation on carbon dioxide emissions. In 2013, one of our main priorities was the control of our variable costs through an increased use of secondary fuels and alternative raw materials, combined with product mix optimization.

TITAN Group's continued investment in alternative fuels has also played an important role in helping us compete globally, as, alongside its environmental benefits, it actively allows us to contain our fuel costs.

Concrete operations

Concrete sales at INTERBETON fell by around 7-8% vs 2012, in line with the overall market decline.

Aggregates operations

Sales in the aggregates business grew compared to 2012, which was an encouraging result given the significant restrictions in public and private sector works. During the year, we continued investing in the modernization and infrastructure of our quarry units.

Lost Time Injury Frequency Rate LTIFR

