CEO message

"We are cautiously optimistic on the outlook for 2014. In light of lingering uncertainties, we continue to focus on areas which we can control – ensuring that our business remains financially, socially and environmentally stable and demonstrating our enduring commitment to long-term sustainable development".

Dear Shareholders and Stakeholders,

Welcome to our second integrated report, which not only contains information about our financial performance but also our social and environmental results. We believe this approach, in line with what is today increasingly viewed as best practice, better reflects the fact that sustainability is not ancillary to our business, but forms an integral part of it.

2013: Emerging from the trough

In 2013, TITAN Group operating results improved for the first time in seven years. The recovery of the housing market in the US, resilience of demand in Egypt, and perseverance on exports enabled the Group to increase sales, generate positive free cash flow, and further reduce net debt, against a backdrop of prolonged weakness in its home market and subdued construction activity in Southeastern Europe.

Consolidated turnover in 2013 increased by 4% to €1,176 million. Earnings before interest, taxes, depreciation and amortization (EBITDA) improved marginally, reaching €196 million. At stable exchange rates, EBITDA would have been 6% higher. Bottom line results, after minority interests and the provision for taxes, amounted to a loss of €36 million, burdened by foreign exchange losses and extraordinary tax impacts.

Thanks to the strict prioritization of investments, the curtailment of working capital requirements and the reduction in costs, the Group was able to generate €142 million in positive cash flow, versus €140 million generated in 2012. This allowed the Group to further decrease its net debt by €57 million during the year.

Sustainability: at the heart of our business

On the sustainability front, we can demonstrate progress during 2013, but are still facing challenges.

Most indicators related to safety at work continued to improve. We achieved a significant reduction in the lost time injuries among both our employees and our contractors. Benchmarking our performance against the Cement Sustainability Initiative (CSI) data, indicates top quartile performance globally. However, the fact that we were unable to avoid the loss of a human life underscores the fragility of our achievements and the importance of continuing to improve.

The most notable progress on the environmental front was achieved in dust emission reduction and the use of alternative non-fossil fuels, although on the latter, we are still falling short of our goals.

We also continued to build our engagement with our stakeholders both locally and more broadly, as described in many points throughout this report.

Looking back

TITAN's recent history can be divided into two periods. During the decade prior to 2008, TITAN profited from attractive market and growth conditions. We rode the wave to transform the Group from a Greek producer with a stake in a US plant and a total capacity of a little over 6 million tons to a 25 million ton vertically integrated producer, with a diversified geographical footprint across four continents. In the process, we maintained a return on capital employed well in excess of our cost of capital, creating value for our shareholders. We achieved this while living by our values of respect for people, society and the environment. And we did so proactively, going above and beyond what was required of us: we not only tried to "do less harm", but pursued opportunities to "do more good".

Starting in 2008, we shifted priorities in order to adjust to new realities. For the past five years we have been single-mindedly and consistently focused on a few key priorities: generating free cash flow to increase financial flexibility, reducing costs to adjust to lower demand, and pursuing bolt-on growth initiatives, mostly to grow our presence in emerging markets.

Since 2008, and despite the collapse of our two most important markets, Greece and the USA, we have reduced debt by over 50% to just €539 million at the end of 2013. We have expanded capacity by almost 20%, mostly in emerging markets. We have reduced fixed costs by 16%, SG&A by 24%, and we achieved this without making a capital call on our shareholders.

As importantly, throughout this crisis, we have also retained our focus on the triple bottom line: we have accelerated our efforts to improve our safety culture; we have invested to reduce our carbon footprint; we have taken a number of – often innovative – initiatives to engage our stakeholders at the local level; and we have intensified our engagement at the global level, in particular through our own commitment to the Cement Sustainability Initiative within the WBCSD and to the UN Global Compact.

	2008	2013	Variance
Cement Capacity, million tons [1]	20.9	**24.9**	19%
% Cement Capacity in Emerging Markets	45%	**53%**	+8 points
Cement Sales, million tons [2]	17.2	**17.2**	0%
Revenue, € million	1,579	**1,176**	-26%
EBITDA, € million	380	**196**	-48%
% EBITDA in Emerging Markets	45%	**77%**	+32 points
Fixed Cost, € million	254	**213**	-16%
SG&A Cost, € million	145	**110**	-24%
Employees (like-for-like) [3]			-29%
Net Debt, € million	1,114	**539**	-52%
Total Equity, € million	1,434	**1,539**	+7%
Total Assets, € million	3,194	**2,701**	-15%

	31 Dec '08	31 Dec '13	Variance
Share Price (TITK)	13.90	**19.80**	+42%
ATHEX General Index	1,787	**1,163**	-35%
Share Capital (Number of shares excl. treasury shares)	81,353,158	**81,565,194**	

[1] Cement capacity includes cementitious materials
[2] Cement sales include clinker and cementitious materials
[3] For employees in production activities in 2008

CEO message
continued

Looking ahead

Recent trends in the Group's markets justify a certain degree of reserved optimism for 2014, despite lingering uncertainties.

Cement consumption in the U.S.A. is expected to continue growing at a robust pace, largely owed to the recovery in the residential market. According to the estimates of the Portland Cement Association (PCA), all construction segments are expected to expand in 2014 and cement consumption should grow by at least 8%. The PCA estimates that cement consumption will grow at an even higher rate in the Southeast of the country where the majority of TITAN's US operations are located. In Florida, cement consumption is forecast to grow by double-digit figures over the next four years.

In Greece, cement demand is expected to increase for the first time since 2006, from the extremely low levels of 2013. The anticipated improvement is largely owed to infrastructure spending, including road works. Prospects for the residential market remain muted.

The outlook for construction in Southeastern Europe is stable, without expectations for meaningful growth in the current year, as the region continues to be held back by the crisis in neighboring European countries.

The Group's biggest challenges are anticipated in the Eastern Mediterranean. Egypt, and to a lesser extent Turkey, are facing uncertainty and heightened economic risks. Although demand has remained resilient, it is a difficult backdrop against which to make a forecast. Furthermore, obtaining sufficient fuel to operate the production facilities in Egypt has evolved into a key challenge.

The improvement in Group operating profitability during 2013, in conjunction with a more optimistic outlook for 2014, allows the Board of Directors of TITAN Cement S.A. to propose to the Annual General Meeting of Shareholders, scheduled for June 20, 2014 the distribution of €0.10 per share from the Contingency Reserve.

Our enduring commitment

As we gradually move from crisis management to positioning ourselves for renewed growth, we need to make sure we hold on to the productivity gains made during the crisis, keep our effective focus on free cash flow generation and improve our return on capital employed.

At the same time, we are developing a roadmap to guide our sustainability ambitions for the next five years. Our enduring commitment to economic, social and environmental sustainability is a core element of our overall business approach – and the theme of this year's integrated report.

Our people face very different challenges and opportunities across the Group. We are all united, however, by a clear set of strategic priorities and a common set of values. Our employees have shown remarkable creativity and resilience over the years in supporting our shareholders and stakeholders alike. I would like to thank them for their enduring commitment.

Dimitri Papalexopoulos
Chief Executive Officer