

Regional performance: Southeastern Europe

Stable performance and efforts for improvement

Despite slight growth across the economies of Southeastern Europe, construction activity remains stable at relatively low levels, affected by Eurozone uncertainties.



Performance summary

- Construction activity stable at relatively low levels, affected by Eurozone uncertainties
- Increasing use of alternative fuels by the Group's plants in the region
- Turnover of 215.5 million euros, down 4% year-on-year
- EBITDA of 62.7 million euros, down 2% year-on-year
- Modernization of Kosovo plant brought emissions well below European standard

Management review

Market overview

The growth rates of most Balkan economies improved slightly in 2013 but were hampered by weakness in neighboring Eurozone countries, such as Italy and Greece. Construction activity for the region remained at stable but relatively low levels in 2013.

Financial performance

Despite modest gains in prices in the second half of the year, margins in TITAN's Southeastern Europe business units continued to lag well behind pre-crisis levels. Turnover in the region declined by 4% to 215.5 million euros, while operating profit posted a marginal decline of 2% to 62.7 million euros.

Non-financial performance

TITAN has continued to improve safety in the region and implemented a program of awareness building and training of contractors. Improvements in environmental management and performance were addressed in Kosovo through organized efforts to apply for

IPPC permits. Meanwhile, the modernization of the local plant contributed significantly to the minimization of dust emissions now well below European standards.

In F.Y.R. of Macedonia, a new water management and treatment investment was completed that has attracted international interest as an example of good practice.

The Group continues to promote a more transparent and accountable business model through stakeholder meetings that prioritize action on social and environmental issues. As a result of this, a new CSR Report was issued by SharrCem in Kosovo, and a new long-term community development program was developed with the participation of local interests.

Similarly, in Serbia the 3rd CSR Report was issued by TITAN and independently verified for GRI assurance level B+. This improves the Company's credibility, strengthening its relationship with relevant stakeholders.

Regional performance

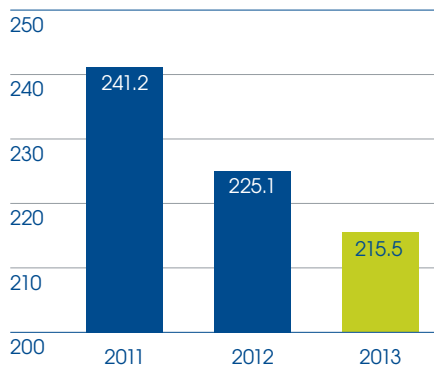
Regional revenue % of Group

18%

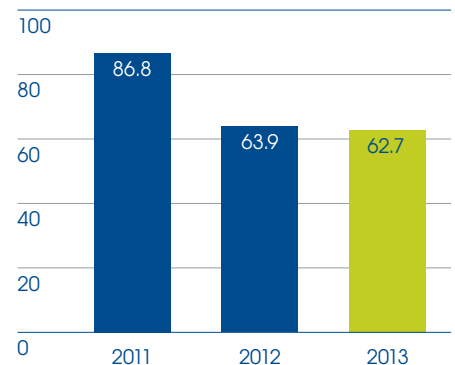
Regional EBITDA % of Group

32%

Revenue €m



EBITDA €m



In Albania, the first integrated management system was successfully completed. This follows the full certification of the Company's management systems according to ISO standards for quality and environment, OHSAS and SA 8000. In addition, TITAN has successfully established a local CSR network and taken on the responsibility to chair the network's Board during its first year.

Last but not least, Bulgaria has accomplished a thorough analysis of community needs and developed a new partnership agreement with other local businesses, NGOs and authorities. They will now initiate a program focused on developing and promoting adequate services to local people, especially the young, to give them a better and more sustainable future.

Outlook for 2014

The outlook for construction in Southeastern Europe is stable, without expectations for significant growth in the current year. The region continues to be held back by the weakness in neighboring Eurozone countries.

Country profiles

Albania

In 2013, GDP growth was estimated at 1.8%, with the economy still suffering from the euro crisis and continued difficulties for traditional trading partners (Italy and Greece). Year on year, cement consumption remained at the same level as 2012 but slowed in the second half of the year.

Bulgaria

GDP growth rate in 2013 slowed for the second year in a row, reaching 0.5%. Demand for cement stands at 2011 levels, having partially recovered from a severe drop since 2009. EU-funded infrastructure projects have helped maintain stability of demand for building materials.

F.Y.R. of Macedonia

The economy started to recover in 2013 with a GDP growth of 3.3% (vs a decline of 0.4% in 2012), mainly due to an improvement in the construction sector. In 2013, cement demand increased year-on-year approximately by 5%.

Kosovo

GDP growth of 3% was recorded in 2013. The construction sector continued to grow, mainly from demand in the residential sector with some limited public investment projects. The cement market (by volume) increased 5% year-on-year.

Serbia

In 2013, the Serbian economy showed signs of recovery and recorded an increase of 2.4% in GDP, though the increasing public debt and budget deficit continue to pose risks. The cement market in 2013 shrank by over 8%, despite a strong increase from ongoing infrastructure projects.

Lost Time Injury Frequency Rate LTIFR

