Eastern Mediterranean

Strong demand underlines potential for growth

Fuel self-sufficiency in Egypt is the key to ensuring all our plants can run at full capacity and meet growing consumer demand in the construction sector.

Location

Principal products

Cement
Ready-mix concrete
Aggregates

Employees

1,025

Business activities

Cement plants
3

Quarries
17

Ready-mix plants
5

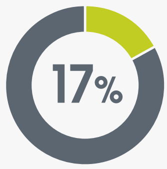
Distribution terminals
1

Grinding plants
2

Performance summary

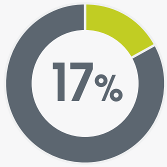
- Increasing demand in both Egypt and Turkey
- Turnover: €197 million -22% year-on-year
- EBITDA: €31 million -60% year-on-year
- Cement plants in Egypt running at around 50% of our capacity due to gas supply shortages
- Imported clinker from Greece and Albania helped contain the loss of market share
- Strategic investment in a solid fuels grinding mill at the Beni Suef cement plant completed and became operational in Q4 2014
- Addressed health issues among employees and the wider community in Egypt

Regional turnover **€197 million**



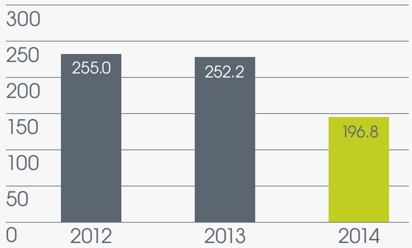
% of Group
Eastern Mediterranean

Regional EBITDA **€31 million**

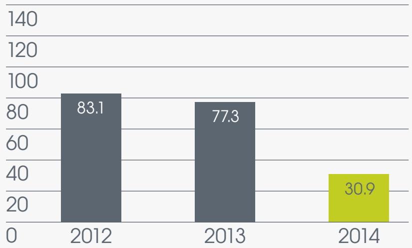


% of Group
Eastern Mediterranean

Turnover €m

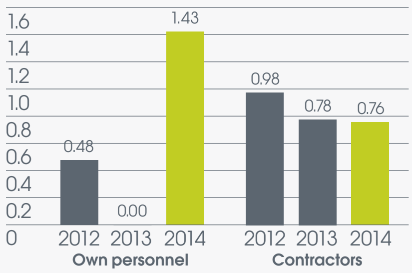


EBITDA €m



Note: For comparability reasons, the above two graphs have been adjusted in order to exclude Turkey (IFRS 11).

Lost Time Injury Frequency Rate LTIFR



Management review

Market overview

In Egypt, the construction sector continued to grow and cement demand was higher by 2.4% compared to 2013. Turkey's economy grew in 2014 and domestic cement consumption increased by 3% year-on-year to 62 million metric tons.

Regional performance

Our Eastern Mediterranean region has operations in two countries with diverse social and economic needs. In Egypt, we focus on supporting employees and their families during the ongoing political crisis, while also addressing health issues among employees and the wider community. In Turkey, we prioritize community outreach activities.

Profitability in Egypt was severely affected in 2014 as a direct result of the energy shortages. Lower clinker production led to reduced sales and increased costs, as we imported clinker to make up part of the production shortfall. In the second half of the year, results were also affected by higher energy prices, both on electricity and natural gas.

Before the advent of the fuel shortages, we had moved swiftly to invest in fuel self-sufficiency in Egypt. As a result, and despite significant delays in obtaining permits, our first solid fuels grinding mill at the Beni Suef cement plant came on stream at the end of the year. A second mill is scheduled to be operational in Q3 2015, while the Group is also implementing a comprehensive investment plan to enable us to use alternative fuels.

Construction activity in Turkey continued to grow. Adocim operations in Turkey, TITAN's 50–50 joint-venture operation, benefited from strong demand both from private housing and public works in infrastructure projects.

Turnover in the region was €197 million, down by 22% on 2013, while EBITDA dropped by 60% to €31 million.

Outlook for 2015

In Egypt, demand for building materials is expected to remain high, supported by both private and public construction.

We expect to recover production and sales volumes in 2015, following investments to ensure we move toward gradual fuel self-sufficiency of our plants.

In the Turkish market our prospects remain positive. Domestic demand is expected to continue strong, while new housing and transportation projects should continue turning population. growth into strong demand for the construction sector.