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# Message from the Chairman of the Group Executive Committee



“We are well placed to simultaneously navigate the market cycles of our business and participate in the major transformational changes that will affect our sector and beyond, focusing on operational excellence and profitability, as well as on adaptability, agility and long-term sustainability”.

## **Dear Shareholders and Stakeholders,**

In 2019, we successfully managed the traditional cycles of economic and construction activity in each of the regions we operate, delivering another year of solid financial performance. At the same time, we rose to the challenges and opportunities brought about by the urgent need to tackle climate change and the advent of the digital revolution, pursuing our strategic priorities of operational excellence and long-term sustainability.

Looking at the market cycles and their development in 2019, the USA, our largest market, continued on its positive trajectory in the regions of Florida, Mid Atlantic and NY Metro regions, where we operate. The Greek market showed some first signs of growth, mainly in the tourism and private sector construction; most of our markets in Southeastern Europe benefited from increased demand; and Brazil appears to be turning to moderate growth. On the downside of the cycle, Egypt recorded a decline in demand, which, together with the commencement of the operation of the army owned mega-plant in the country, led to a substantial deterioration of capacity utilization. The situation in Turkey is similar, where, following a major drop in demand, there are signs of stabilization at low utilization levels.

Our operations were affected positively by lower global fuel costs, but faced, in most regions, increased electricity costs. Logistics costs, notably those related to sea transportation and local US distribution, increased as well. Some of the cost increases were passed on through price increases to the markets, particularly in the areas of substantial growth.

The net effect of the regional performances was stable to positive for the Group, with revenue increasing to €1,609.8 million (8.0%) and EBITDA to €267.1 million (2.8%). NPAT decreased to €50.9 million (-5.5%), the reduction being attributable to the losses in East Med.

We continued investing in our operations, spending €109 million in capital expenditures in 2019. The Group also financed the acquisition, through a squeeze out process, of the minority of TITAN Cement Company S.A. shares which were not tendered in the exchange offer. Furthermore, in line with our long-term business strategy in Southeastern Europe and Egypt, we acquired the minority stakes held by the International Finance Corporation (IFC) in our local companies.

Up until the emergence of the coronavirus crisis, our planning for 2020 was based on a broadly positive outlook: In the USA, the long period of growth was expected to continue, with favorable macroeconomic indicators driving the residential market. The regions of Southeastern Europe, Greece and Brazil were also

on a positive domestic market trajectory, though Greece will be affected negatively by a reduction in exports, as European cement production is replaced by exports from countries without CO<sub>2</sub> pricing. Turkey and Egypt were expected to continue to experience low demand in 2020, although the long-term fundamentals that drive demand in both countries remain robust.

The coronavirus outbreak creates a major source of uncertainty. It is expected to have a negative effect on the global economy and on our original expectations, which at this point in time cannot be quantified. At the time of this writing (15 March), we have not yet witnessed a negative impact on demand in our markets, or suffered a significant disruption in our operations. We are taking the necessary measures to prepare for all eventualities.

Moving to the second pattern of longer-term trends, we are observing and actively participating in the fundamental shifts that the digital revolution will bring to our sector and beyond. The changes start with new ways to capture operational efficiencies in our plants, where in 2019 we rolled out several new digital pilots relating to production optimization and predictive maintenance. We expect our digital evolution to go well beyond that, experimenting with tools and platforms that will enhance and possibly redefine our supply chain and the interface with our customers. At this point in our journey, we are focusing primarily on developing our digital capability through accelerated experimentation within our organization. This trajectory is enabled by numerous collaborations with academic institutions and technology partners as well as by initiatives such as the Digital Academy for young professionals.

Looking at the longer-term sustainable growth of our business, our main priority is the reduction of the carbon footprint of our own operations and our participation in the decarbonization of the construction value chain, contributing towards the global effort of climate change mitigation. We have made further progress in CO<sub>2</sub> reduction, in particular through the increase in the use of alternative fuels; we expect to meet our 2020 target of a 20% reduction of specific emissions compared to the base year 1990 with a short delay, due to regulatory and market conditions that influence product and fuel mix. In 2019, our total emissions were reduced by 7% year on year, driven primarily by lower clinker production. Furthermore, through our participation in European and international consortia, we are developing low carbon cementitious products and are collaborating in R&D projects that will pilot carbon capture technologies in our plants.

While climate change justifiably dominates the sustainability agenda, we have also progressed on other environmental, social and governance issues, which are material to our stakeholders and

us. On environmental issues, we are on track on all our targets, which relate to SO<sub>x</sub>, NO<sub>x</sub> and dust emissions, water consumption and energy efficiency. On social issues, we have set up an internal platform to record and share best practices in community engagement; we improved our safety performance; and promoted Diversity and Inclusion by auditing our internal policies and processes for relevant biases. On governance, we finalized a group-wide employee hotline policy; integrated our key policies in our digital learning platform for employees; and set up the governance systems under the new Group parent company, building on our established track record of transparency and accountability on both financial and non-financial performance. We also ran a survey covering all our employees worldwide and conducted a group materiality assessment review in order to incorporate up-to-date stakeholder perspectives in our strategic planning in 2020. We are collaborating at both local and global level towards the achievement of the Sustainable Development Goals 2030, in accordance with our commitment under the UN Global Compact.

We are well placed to simultaneously navigate the market cycles of our business and participate in the major transformational changes that will affect our sector and beyond, focusing on operational excellence and profitability, as well as on adaptability, agility and long-term sustainability. We know we can rely on the partnership and collaboration with all our stakeholders to successfully address our common future challenges.



Dimitri Papalexopoulos  
*Chairman of the Group Executive Committee*