Annual Results 2017

Date : 28-03-2018

Annual results for 2017 continued to reflect solid fundamental metrics for the TITAN Group, largely owing to the continuing strength of the US market. Consolidated turnover remained stable, at €1,505.8m, a marginal 0.2% decline compared to 2016. EBITDA reached €273.4 m, a 1.9% decrease. Non-recurring events (staff redundancy programs in Egypt and Greece and hurricane Irma in Florida) had a negative impact on EBITDA of about €17 m, against €6.7 m of such costs in 2016. Moreover, the significant devaluation of the Egyptian Pound in late 2016, as well as the strengthening of the Euro against the USD during 2017, weighed on Group operating results. At stable exchange rates, consolidated turnover would have been higher by €148 m and EBITDA by €18 m.

Net Profit after minorities and the provision for taxes was €42.7 m, compared to €127.4 m in 2016. It should be noted that net profit in 2016 included a €90 m deferred tax credit recognition in the US, associated with previously unrecognized carry-forward tax losses.

In the fourth quarter of 2017, consolidated turnover reached €361.3 m, recording a 6.1% decline while EBITDA reached €58.9 m, posting a 19.9% decline against the comparatively strong fourth quarter of 2016. Net Profit after minorities and the provision for taxes was €9.6 m. As with the full year results, the sharp devaluation of the Egyptian Pound and the weakening of the USD, negatively affected the reported figures.

The Board of Directors intends to propose to the Annual General Meeting of shareholders, scheduled for 1st June, 2018, a dividend distribution of €0.05 and a return of capital of €0.50 per issued share. The exact amounts to be distributed per share will be adjusted upwards to include the amounts corresponding to company treasury shares.

€ m	2017	2016	% Change	Q4 2017	Q4 2016	% Change

Turnover	1,505.80	1,509.20	0.20%	361.3	384.9	6.10%
EBITDA	273.4	278.6	1.90%	58.9	73.6	19.90%
Net Profit *	42.7	127.4	66.50%	9.6	5.5	73.80%

*after tax and minority interests

REVIEW OF OPERATIONS

In 2017, once again, the US market drove the Group's profitability. Demand for building materials continued on its secular growth trend, underpinned by an increasingly broad-based economic recovery, healthy consumer and investor confidence, employment and wage growth, low interest rates, and improving State finances. TITAN America was well placed to benefit from the improving markets, on the back of an extensive investment program of about €240 m. undertaken over the course of the previous three years, which improved operational efficiency and expanded ready-mix concrete, aggregates and fly-ash activities.

Results were held back by the temporary disruption to construction activity caused by hurricane Irma, which struck Florida in September 2017, as well as unfavorable weather conditions, especially in the final quarter of the year. Total turnover in the US for 2017 increased by 9.9% reaching €873.2 m while EBITDA increased by 27.5% to €185.1 m.

In Greece, building activity weakened further in 2017, following the completion of certain major public works projects in the first half of the year. Private building activity remained at extraordinarily low levels, despite increasing demand from the expanding tourism sector. Export volumes remained high, although the strengthening of the Euro against the US Dollar combined with the increased fuel prices, affected profitability margins. Included in results is also a €4m restructuring charge, as a result of a staff voluntary reduction program which took place in the fourth quarter of the year.

Total turnover in Group region Greece and Western Europe in 2017 reached €248.7 m, posting a 4.8% decline compared to 2016. EBITDA was €18.3m, versus €36.4 m in 2016, recording a 49.7% decline against 2016.

In Southeastern Europe building activity recovered and demand for building materials posted an increase. Operating margins were supported by Increased volumes, but negatively affected by higher fuel costs. Turnover in 2017 increased by 10.5% and reached €225.7 m while EBITDA increased by 1.2% to €56.9 m.

Egypt was severely affected by the sharp devaluation of the Egyptian Pound in late 2016. Cement demand declined by 4.7% compared to 2016. The cost of energy, substantially paid in hard currency, recorded a significant increase, which would have been much higher had the plants not converted to solid fuels and expanded the use of alternative fuels in a timely way. Selling prices increased in local currency but still recorded a substantial decline in Euro-terms, to levels that were insufficient to compensate for the effect of the devaluation and resulting inflation on costs. Furthermore, the implementation of a staff reduction restructuring program in Q3 adversely impacted 2017 results by €6.3 m. Turnover in the Eastern Mediterranean region in 2017 declined by 36.5% reaching €158.2 m, while EBITDA at €13.2 m posted a 67.8% drop compared to the previous year.

As regards the Group's joint ventures, demand in Brazil in 2017 continued to decline, albeit at a softer pace, while there was an increase in prices in the second half of the year, following the improvement recorded in the country's key macroeconomic fundamentals (GDP, private consumption, inflation etc.). Net results of our subsidiary attributable to the Group was a € 9.5 m loss in 2017. In Turkey, demand increased, stemming both from public works and projects carried out by public-private partnership schemes. Increased competition however, following the entry into operation of two new plants in the vicinity of Adocim, limited the scope of sales' increases while production costs were affected by higher fuel prices. The devaluation of the Turkish lira, further affected the profitability of the joint venture. Net profit of our subsidiary attributable to the Group amounted to €0.5 m in 2017, versus €3.6 m in 2016.

INVESTMENTS & FINANCING

Group capital expenditure in 2017 reached €123 m, €28 m lower than 2016 and was largely directed towards the expanding of activities in the US. Operating free cash flow for the full year 2017 was €118 m, €7 m below 2016 levels. Group net debt at the end of 2017 was €723 m, €62 m higher compared to the end of 2016.

In April 2017, the Group subsidiary TITAN Global Finance PLC (TGF) entered into a €300 m multi-currency revolving credit facility with a syndicate of Greek and international banks, maturing in January 2022. In November 2017 TITAN Global Finance PLC (TGF) issued notes of €250 m nominal amount at par, due in 2024, with annual coupon of 2.375%, guaranteed by TITAN Cement S.A. The notes are traded on the Global Exchange Market (GEM), the exchange regulated market of the Irish Stock Exchange. The proceeds were used to purchase prior to maturity €126.6 m of its outstanding 4.25% guaranteed notes due in July 2019, pursuant to the tender offer of 6 November 2017. The remaining proceeds were used for general corporate purposes including the repayment of bank and other commercial debt. Over the last years the Group has succeeded in diversifying its sources of funding and has consistently reduced its cost of debt.

In May 2017, Standard & Poor's acknowledging the improvement in Group results and prospects, upgraded TITAN's credit rating to "BB+" on a stable outlook.

The total number of treasury shares held by the Company on 31st December 2017 was 4,164,719 of which 4,054,246 were common shares and 110,473 were preferred shares. Voting rights held by the Company represented 5.26% of total voting rights.

POST BALANCE SHEET EVENTS

In January 2018, TITAN Global Finance PLC issued €100 m additional notes in connection with a reopening of the 2.375% notes of nominal value €250 m it issued in November 2017, resulting to a total issue of €350 m notes due in November 2024.

OUTLOOK FOR 2018

The outlook for the Group in 2018 appears broadly positive, with the US market remaining the main engine of growth and profitability, despite headwinds in Egypt and Greece.

According to the projections of the Portland Cement Association, demand in the US is projected to continue to grow over the period 2018 – 2022. Housing and infrastructure spending in the most important States in TITAN's footprint are increasing, driven by healthy fiscal balances and growing populations. TITAN is well positioned to grow with the market, with strong positions in expanding metropolitan areas and further operating leverage available from its existing asset base. Furthermore, shorter-term benefits for the construction segment should follow from the tax reform enacted early in the year.

In Greece, it is anticipated that demand will slip even further than 2017, due to the delay in the commencement of new public works and very weak private building activity, despite the emergence of certain tourism projects. Greek production in 2018 will once again be largely directed towards exports.

In Southeastern Europe, the political reengagement of the European Union, combined with the continuing economic recovery creates expectations for measured growth in the construction sector over time. The Group's plants, which are currently operating well below capacity, are well placed to address market demand.

In Egypt, the cement market continues to face challenges. On the one hand, demand is anticipated to return to growth, as the effects of the devaluation are absorbed, economic growth accelerates and major new infrastructure projects are launched. On the other hand, the existing oversupply is expected to be exacerbated by the imminent market entry of considerable new capacity, impacting plant utilization and creating new headwinds. TITAN Cement Egypt, already one of the most cost-efficient producers in the country, remains focused on further reducing costs and substantially improving prices.

In Turkey, demand should continue growing into 2018, spurred by major public investments and public-private partnership projects.

In Brazil, the improvement witnessed in key macroeconomic indicators and the anticipated stronger economic growth in 2018, are encouraging for the construction sector and create expectations that the market may stabilize and enter the early part of the recovery cycle within the year.

PARENT COMPANY TITAN CEMENT S.A.

In 2017, turnover at TITAN Cement S.A. declined by 10.9% to €234 m while EBITDA dropped to €15 m versus €30 m in 2016. Net Profit after Tax (NPAT) for 2017 reached €13 m versus €17 m in 2016 and includes €34 m dividend received from international subsidiaries; the corresponding amount in 2016 was €29 m.