First Half Results 2014

Date : 31-07-2014

In the first half of 2014, performance improved in the majority of the Group's markets, and especially the US, but the lack of supply of natural gas in Egypt prevented a further increase in operating profitability. The Group posted a small net profit after three consecutive semesters of losses.

Consolidated turnover reached €571m, posting a 4% increase compared to the first half of 2013. Earnings before interest, taxes, depreciation and amortization (EBITDA) stood broadly unchanged at €89m, whereas net profits after taxes and minorities (NPAT) stood at €3m, compared to €22m losses in the same period last year.

The weakening of local currencies against the Euro had an adverse impact on first half results. At stable exchange rates, turnover and operating profitability would have increased by 7% and by 4%, respectively.
The period April – June 2014 was the 9th consecutive quarter of top-line growth, as turnover in the second quarter increased by 2% to €319m. EBITDA dropped by €6.5m to €58.5m, due to a €14m reduction in the operating contribution of Egypt. NPAT rose to €14m from €5m in 2013.

€m	Q2 2014	Q2 2013	% change	H1 2014	H1 2013	% change
Turnover	319,4	314,7	1,5%	571,2	549,9	3,9%
EBITDA	58,5	65,0	(9,9%)	89,0	88,3	0,8%
Pre-tax profits	16,4	11,2	46,9%	6,7	(12,3)	
Net profit*	13,9	5,3	164,2%	2,9	(21,8)	

*after taxes and minority interest

Note: 2013 results have been restated following the adoption of IFRS11, according to which the Group accounts for the joint venture operations in Turkey through the equity method.

OPERATING RESULTS

In Greece, cement consumption increased from the very low levels of 2013, as a result of some degree of activity in public works and particularly, the restart of the major road works. However, despite the slight improvement of the economic climate, private building activity remains depressed.

Hence, the utilization rates of the plants in Greece continues to depend on export potential, amidst intense international competition, particularly from countries with low energy costs and no limits on carbon dioxide emissions. The investments to reduce energy costs and the environmental footprint of the plants have so far allowed export activity to continue unabated.

In the first half of the year, the region of Greece and Western Europe posted a 22% rise in turnover, which reached €148m. EBITDA increased to €16m, up from €9m in the same period last year.

Poor weather conditions in the beginning of the year had an adverse effect on the results of the US region. Nonetheless, profitability improved considerably in the first half as a whole, confirming the continuation of positive trends in the country's construction sector. In Florida, the recovery of the housing market, which is fueling demand for building materials, is particularly strong.

Driven by both higher volumes and improved prices, turnover in the region grew by 14% to €220m while EBITDA rose by €8m to €18m.

In Southeastern Europe, construction activity benefited from the mild winter, in the beginning of the year. The level of activity in the second quarter was similar to that of last year, far below the capacity of the plants. Economic growth in the region remains weak.

In the first half, turnover in the region increased by 3% to €102m, while EBITDA increased by 30% to €30m, partly due to the improvement in the energy efficiency of the Group's operations.

In Egypt demand for cement posted a marginal increase compared to last year. However, continuous gas supply shortages and the resulting production disruptions, in conjunction with delays in permitting investments for the use of solid fuels, led to a significant loss of production volumes. Clinker imports helped the Group meet the high demand for cement, but their contribution to operating profitability was limited. In Turkey, demand continued on a positive trend.

In the first half of the year, turnover in the Eastern Mediterranean region dropped by 26% to €101m. EBITDA fell by 46% to €25m.

Following the adoption of IFRS11, as of 1.1.2014 the Group accounts for the joint venture operations in Turkey, within the Eastern Mediterranean region, through the equity method and not through proportionate consolidation as was the case until now. To facilitate comparability, 2013 results have been restated accordingly.

The Group's net debt was further reduced by €19m since the end of 2013 and €62m since 30.06.2013. At the end of the first half 2014, net debt amounted to €490m. In parallel, capital expenditure increased to €28, against €18m in the first half last year, mainly due to the investments in Egypt and the USA.

SIGNIFICANT POST BALANCE SHEET EVENTS

On 10.7.2014, Group subsidiary Titan Global Finance PLC issued Euro denominated notes with a five year tenure. The nominal value of the notes is €300m, with an annual coupon of 4.25%. The proceeds from the issue will be used to refinance existing credit facilities of the Group.

PROSPECTS FOR 2014

The recovery in the U.S. market continues and the Portland Cement Association (PCA) expects an 8% increase in cement consumption in 2014, and double-digit growth rates in 2015 and 2016. This improvement will be driven by residential building activity, which is still at relatively low levels.

In Greece, cement demand is predicted to increase for the first time after seven years, mainly due to the implementation of infrastructure projects. Expectations for residential construction are modest at best, despite a slight improvement in the economic climate of the country.

The level of construction activity in Southeastern Europe is broadly unchanged from last year without any signs of a substantial recovery in 2014.

The inadequate supply of natural gas in Egypt will continue to negatively affect results in the short run, if the problem persists. To address the issue, the Group is implementing investments to enable the use of solid and secondary fuels. The first mill is expected to be operational by the end of the year. Finally, in Turkey, demand for cement remains strong, for the time being.

FINANCIAL RESULTS OF THE PARENT COMPANY TITAN CEMENT S.A.

Turnover of Titan Cement S.A. increased by 13% in the first half 2014 to €134m, while EBITDA increased to €12m, up from €7m in the first half of 2013. The company received €20m in the form of dividends from overseas subsidiaries. As a result, a net profit of €8m was recorded, compared to a €22m loss in the first half of 2013.

TITAN is an independent cement and building materials producer with over 110 years of industry experience. Based in Greece, the Group owns cement plants in nine countries and is organized in four geographic regions: Greece & Western Europe, the USA, Southeastern Europe and the Eastern Mediterranean. Throughout its history TITAN has aimed to combine operational excellence with respect for people, society and the environment.

In 2013 the Group sold 17.2m tons of cement and cementitious materials, 3.4m m3 of ready mixed concrete, 12.3m tones of aggregates and various other building materials like concrete blocks, dry mortars etc.

Detailed financial and other information is available on the Titan Group website: www.titan-cement.com

The above announcement was communicated to the ASE and the HCMC, and was also posted on the website of the Athens Stock Exchange.