

## 32. Contingencies and commitments

### Contingent liabilities

(all amounts in Euro thousands)

Guarantees to third parties on behalf of subsidiaries  
Bank guarantee letters  
Other

	Group		Company	
	2012	2011	2012	2011
	-	-	809.060	944.815
	51.951	57.570	18.048	22.071
	6.364	5.611	3.006	2.343
	<b>58.315</b>	<b>63.181</b>	<b>830.114</b>	<b>969.229</b>

### Litigation matters in Egypt

In 2007, Beni Suef Cement Company S.A., a Group subsidiary in Egypt, obtained the license for the construction of a second production line at the company's plant through a bidding process run by the Egyptian Trading and Industrial Authority for the amount of LE134.5mil. The Egyptian Industrial Development Authority subsequently raised the value of the license to LE251mil. In October 2008, Beni Suef Cement Company S.A. filed a case before the Administrative Court against the Minister of Trade and Industry and the chairman of the Industrial Development Authority requesting an order obliging the Industrial Development Authority to grant the expansion license to Beni Suef Cement Company S.A. for LE500. Alternatively, if the court rejects this request, Beni Suef Cement Company S.A. is requesting the price to be the EGP134.5m offered by Beni Suef Cement Company S.A. in the bid. BSCC's view is that the case has a high probability of being won.

A non-governmental organization, the Nile Agricultural Organization, has raised a court case against Beni Suef Cement Company S.A., a Group subsidiary in Egypt, claiming that Beni Suef Cement Company S.A. has illegally occupied the plaintiff's land and is seeking compensation to the amount of LE300mil. The contested land however has been legally allocated to Beni Suef Cement Company S.A. since many years by the relevant authority, the New Urban Communities Agency, and since 1988 Beni Suef Cement Company S.A. has held the licenses for the exploitation of the quarries on this land. BSCC's view is that the case has a high probability of being won.

Two former employees of Beni Suef Cement Company S.A.E. (BSCC), a Titan Group company in Egypt, have filed an action before the Administrative Court of Cairo, seeking the nullification of the sale of the shares of BSCC, which was effected in 1999 to Financiere Lafarge after a public auction. Titan Group acquired in 1999 50% and in 2008 the balance of Lafarge's interest in BSCC. Approximately 99.98% in the share capital of BSCC is held today by Alexandria Portland Cement Company S.A., a Titan group company listed in the Egyptian Stock Exchange. BSCC's view is that the action will be dismissed as it is devoid of any legal and factual ground.

An individual residing in the vicinity of the plant of Alexandria Portland Cement Company SA (APCC), a Titan Group company in Egypt has filed an action before the Administrative Court of Alexandria against the Governor of Alexandria, the Head of El-Agamy District, the Minister of Trading and Industry, the Minister of Environment, the President of Alexandria Environmental Affairs Agency, the President of Industrial Development Authority and APCC, seeking the abolition of the administrative decision of the competent Egyptian authority which issued the operating license for the APCC plant in Alexandria, alleging violations of environmental and related regulation. APCC's view is that the Court will dismiss the action as the plant's operating license has been issued lawfully and in full compliance with the relevant Egyptian laws and regulations.

An ex-employee of Alexandria Portland Cement Company SA (APCC), a Titan Group company in Egypt, has filed an action before the Administrative Court of Alexandria against the President of the Republic of Egypt, the Prime Minister, the Minister of Investments, the Minister of Industry, the Governor of Alexandria, the Manager of the Mines and Salinas Project in Alexandria and the Manager of the Mines and Quarries Department in Alexandria seeking the annulment of the sale of the shares of APCC to Blue Circle Cement Group in 1999. APCC is not named as defendant in the action.

It should be noted that following a capital market transaction concluded in 2001, Blue Circle Cement Group was acquired by Lafarge Group, which subsequently sold its interest in APCC through two private transactions to Titan Group in 2002 and 2008. APCC's view is that the action will be dismissed by the Court as it is devoid of any legal or factual ground.

### US- Pennsuco silo roof collapse

The roof of a concrete silo collapsed at the Group's subsidiary cement plant in Pennsuco (USA) on August 17, 2012, resulting in the fatality of one employee. The U.S. Department of Labor, Mine Safety and Health Administration ("MSHA") immediately started an investigation into the cause of the incident. While the subsidiary has complied with all of MSHA's demands for information and documents, MSHA has not yet issued any determinations.

The Group's own investigation has indicated that the collapse occurred due to a latent construction defect when the silo was built approximately 30 years prior by a contractor when the facility was owned by a company unrelated to Titan Group and its Florida subsidiary, Tarmac America LLC. It is premature to give an opinion as to the outcome both with respect to the MSHA investigation and any actions by the deceased's estate (note 4).

There are no other litigation matters which may have a material impact on the financial position of the Company and the Group.

## 32. Contingencies and Commitments (continued)

### CO2 emissions

Given the reduced demand resulting from the underlying economic crisis, it is estimated that the Group's available carbon dioxide emissions allowances, will exceed the Group's production needs for the 2012. For the period 2013-2020 and according to the European legislation currently in force, it is estimated that the Group will not face shortfall of carbon dioxide emissions allowances, in the near future.

### Put option in Antea

The Group has granted to non-controlling interest shareholders, European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC) the option to have the Group to purchase their shares in ANTEA Cement SHA at predetermined conditions. The Group recognize this put option under the method as it is described in the note 1.2.d. On 31.12.2012 the put option's fair value recognized as liability is €21.1 million (2011: €14.3 million) (note 27).

### Contingent tax liability

The financial years, referred to in note 36, have not been audited by the tax authorities and therefore the tax obligations of the Company and its subsidiaries for those years have not yet been finalized.

### Contingent assets

(all amounts in Euro thousands)

	Group		Company	
	2012	2011	2012	2011
Bank guarantee letters for securing trade receivables (note 20)	18.304	12.435	11.258	10.689
Other collaterals against trade receivables (note 20)	6.558	1.338	1.337	1.338
	24.862	13.773	12.595	12.027
Collaterals against other receivables	3.916	4.341	3.916	4.341
	<b>28.778</b>	<b>18.114</b>	<b>16.511</b>	<b>16.368</b>

### Commitments

#### Capital commitments

Capital commitments contracted for at the balance sheet date but not recognized in the financial statements is as follows:

	Group		Company	
	2012	2011	2012	2011
Property, plant and equipment	3.869	13.269	3.237	4.658

#### Purchase commitments

(all amounts in Euro thousands)

	Group		Company	
	2012	2011	2012	2011
Energy supply contracts (Gas, electricity, etc.)	180.185	213.239	-	-

The Group's US subsidiary has contracted to purchase raw materials and manufacturing supplies as part of its on going operations in Florida. This includes a contract to buy construction aggregates through a multi-year agreement at prevailing market prices.

In addition, the Group's subsidiaries in Egypt have purchase agreements for the purchase of specific minimum amounts of gas in the coming years.

#### Operating lease commitments - where a Group Company is the lessee

The Group leases motor vehicles, properties and other equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

	Group		Company	
	2012	2011	2012	2011
Not later than 1 years	8.079	7.181	674	729
Later than 1 years and not later than 5 years	22.298	20.521	1.040	1.200
Later than 5 years	18.591	17.086	-	-
	<b>48.968</b>	<b>44.788</b>	<b>1.714</b>	<b>1.929</b>

(all amounts in Euro thousands)