HOLCIM (LIBAN) S.A.L
BOARD OF DIRECTORS REPORT
FOR THE GENERAL ASSEMBLY OF **15** JUNE **2016**

Dear Shareholders,

Market update

The ongoing unstable political and economic situation in the Middle East for the year 2015 affected negatively the Lebanese market in both cement and construction . Grey cement volumes decreased by -8% to 5.04 million tons in 2015, compared to 5.48 million tons the previous year.
The issuance of new construction permits is down by -9% and the number of real estate transactions is down by -11%, Beirut has been the most affected region.
Demand has shifted from large scale apartments to smaller size flats of around 140 square meters. New Infrastructure and other public projects are on hold.
The slowdown in the real estate market has impacted the liquidity flow negatively. Efforts to collect cash and to limit the credit risk have been a priority for the company.

Holcim Liban sold 1.864 million tons of grey cement in 2015 which, compared to 2014, is a decrease of -10% (0.207 million tons).

Local white cement sales decreased as well in 2015 by -11.6% to 59'400 tons.

<u>Exports are limited to white cement</u>
In order to concentrate on the supply of the local market and to maintain a certain stock level, the company decided not to export grey cement.
White cement exports have reached a similar level than the year before being around 24000 tons, mainly delivered to the Syrian market.

<u>Northern Cyprus (Boğaz Endüstri ve Madencilik Ltd – (BEM))</u>
Supported by a high market demand, sale volumes in Cyprus have increased by 32.7% and reached 240'000 tons in 2015 compared to 180'000 tons in the previous year.

<u>Ready mix</u>
The ready mix market is facing many challenges, leading to both volume and price decrease. Holcim Beton has further optimized its cost structure and succeeded to maintain a relatively slight decrease in volumes compared to 2014.

Investments to improve productivity and environmental impact

In 2015 the following main investments were done:

- Phase 2 of "FAME", this project was planned with the support of the Group. Main target is to improve the operational efficiency, the processes and the reduction of energy consumption.
- Upgrade of the hydraulic system of the kiln
- The Commissioning and the go-live of a new automation system for the cement transport which allows a better control of the supply
- Start upgrading the automatic system of the packing plant, the commissioning will be done in 2016

- Upgrade of the automation system in the power plant in order to improve the operational control (efficiency) of the power generators
- Improvement of the dust emission from the cement transport vehicles by adding a new filter and redesign the fan of the filter
- Replacement of the turbine 427-FN1 and FN2 in order to increase the dynamic flow
- Phase 3 of the upgrade project to renew the high & medium voltage lines
- Start of the silo 1 rehabilitation, which will be finalized in 2016
- Installation of a spray water system for the cement mills 16, 17 and 18 which will improve the product quality
- Start of the project to install a hot gas system for the coal mill which will lead to reduced fuel consumption, project will be finalized in 2016

The main projects in 2016 are the following:

- Go-live and commissioning of the automation system for the packing plant
- Installation of the turbine 427-FN1 and FN2
- Finalization of last phase of the upgrade project to renew the high & medium voltage lines
- Finalization of the rehabilitation works on silo 1
- Go-live of the hot gas system for the coal mill
- Replacement of all bag filters of the kiln circuit

Sustainable Development

In 2015, Holcim Lebanon published the fourth Sustainable Development Report outlining environmental, social and economic performance and addressing priority issues in sustainability. The report provides a framework for Holcim Lebanon's sustainability approach for the period between 2012 and 2014 and presents performance indicators against key objectives and legal requirements. The report covers our environmental performance in terms of monitoring and reducing emissions, biodiversity initiatives under our partnership with the International Union of Conservation of Nature (IUCN) - Regional office of West Asia (ROWA) and the challenges pertaining to co-processing alternative fuels in the local context. On the social side, the report presents our commitment to maintaining a safety culture and respecting diversity, integrity and employee engagement.
With regards to monitoring emissions, we succeeded in maintaining low levels of atmospheric emissions in 2015 and significantly below the legal requirements. Average levels of fugitive dust were 35 µg/m3 and below the legal limits of 120 µg/m3. Average levels of dust at stack were 28 mg/Nm3 and below the legal limits of 150 mg/Nm3. Net specific CO_2 emissions achieved were 707 Kg per ton of cement produced.

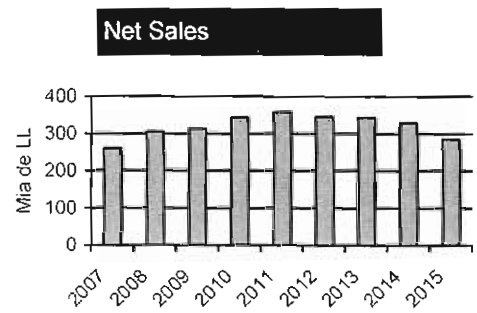
30 March 2016

For the Board of Directors
Horia Adrian
Chairman

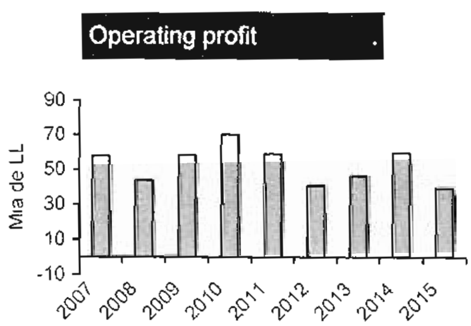
Analyses

Volumes
Following the lower demand, especially for the local grey and white cement sales, the consolidated sale volumes decreased by 6.2% compared to 2014 reaching 2.198 Mt versus 2.34 Mt in the previous year. However, BEM volumes increased by 32.7% in the context of a higher demand and higher market share.
In ready mix, volumes dropped due to the fierce competition in Beirut region and the lower activity in the North, reaching 120 thousand cubic meters in 2015 (128 thousand cubic meters in 2014)

Consolidated Net sales
The consolidated net sales show a decline of -12.33 % (or -40 bn LL). They reached a level of 287 bn LL due to the decrease in cement sale volumes, lower prices and concrete sale.

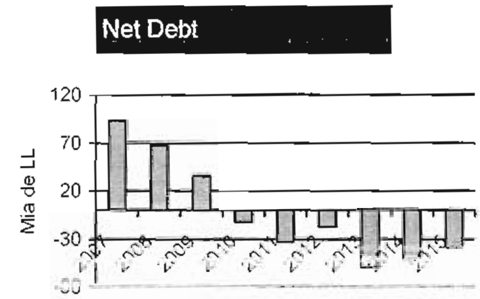


Consolidated operating profit
Impacted by the lower sales revenue and higher provisions considered in 2015, the operating profit decreased by -34.2% (-20.3 bn LL) compared to 2014. However, the results were positively impacted by lower variable cost driven especially by lower fuel and Petcoke prices and other cost measurements.
The operating margin decreased to 13.7% compared to 18% in 2014.



Financial expenses
The Net Financial expenses increased mainly due to the Turkish lira devaluation in Cyprus which impacted BEM results during the year.

Net debt increased in 2015 due to lower net income, higher dividend payments and a slightly higher net working capital at year end.



Taxes
Consolidated net income before tax is lower than 2014 by 21 billion LL .
The Company's books and records for the years 2008 to 2011 (inclusive) were reviewed by the Department of Income Tax during 2013. As a result of this review, the Company was charged additional taxes and penalties amounting to 7.76 bn LL which were provided for during 2013 under provisions for risks and charges and paid in 2014. The Company filed an objection in this respect.

Likewise, The Company's books and records have been reviewed in 2013 by the Department of Value Added Tax (VAT) for the years 2008 to 2011 (inclusive). As a result of this review, the Company was charged additional taxes and penalties amounting to 1.08 bn LL which were provided for during 2013 under provisions for risks and charges and paid in 2014. The Company also filed an objection in this respect.

Books and company records for the years 2012, 2013, 2014 and 2015 have not been examined by the Department of Income Tax nor by the Department of VAT. The ultimate outcome of any potential review by the department of income tax that may take place cannot be pre-determined.

Consolidated Cash-Flow
The operating cash flow for 2015 increased by 12 7 bn LL compared to 2014 where special payments took place (i.e. taxes, early retirement plan).

In addition, capital expenditure spending is lower by 6.3 bn LL compared to 2014.
Due to higher dividend distributions. Cash and Cash equivalents decreased by 13.3 bn LL.

Equity
The net income of Holcim (Lebanon) decreased from 47.7 bn LL to 26.07 bn L. L. in 2015.
Moreover, the company distributed dividends amounting to 43.86 bn LL in 2015.
Consequently, the total equity of Holcim (Liban) decreased from 339.48 bn LL in 2014 to 323.15 bn LL in 2015.

Dividend distribution and capital reduction
The Board of Directors proposes to distribute the maximum possible out of the profits for the year as dividends after an allocation of 10% to the legal reserve.

Therefore, the Board proposes a gross dividend distribution of 1 283 LL per share, subsequently a total of 25.042 bn LL (Twenty five billions forty two millions Lebanese pounds) .

The Extraordinary General Assembly of 14 December 2010 voted in favor of a capital reduction amounting to LL 97,580,200,000. The National Social Security Fund (NSSF) performed a review of the books and records of the Company covering the period from 1 January 1982 to 30 September 2007 in order to provide the latter with the clearance needed for the capital decrease of 2006. The review resulted in additional subscriptions amounting to LL 5,417,404, 000; out of which an amount of LL 125,861,000 was paid. On 18 December 2007, the Company filed an objection to the NSSF stating that, since the claims relate to the period prior to 2002, the rights to these amounts have extinguished due to the 5 years prescription. The above matter is currently under litigation. On 24 August 2010, the Labor Council of Beirut ruled against the Company, and considered all the amounts claimed by the NSSF correct and due for payment by the Company. The Company filed an appeal on 14 September 2010. The Company is contingently liable in this respect in terms of a letter of guarantee issued in favor of the NSSF in the amount of LL 5,291,543, 000 until the final outcome of the lawsuit.

However, during 2015, while maintaining legal action against the NSSF, the Company decided to benefit from Law 269 dated 15 April 2014, which provides the ability for companies to pay their outstanding dues to the National Social Security Fund as at 31 December 2013, in 36 to 120 monthly installments with a 5% down payment and subject to 5% interest rate. In accordance with paragraph 4 of this law, such outstanding dues will be exempt from the penalty on delay payment outlined in Social Security Law. Accordingly, the Company settled an amount of LL 237,100,000 representing 5% of the total amounts due and signed a settlement schedule for the remaining balance of additional subscriptions amounting to LL 4,503,794,000 through 120 monthly installments, the last due on 25 April 2025.
The exemption from late payment penalties is not considered final until the entire social security debt is settled..
The company is in the process of getting a global discharge from the NSSF in order to launch the process of capital decrease.

Board of Directors
The mandates of Raya Raphael Nahas and Horia Adrian will expire at the general assembly that will look into the accounts of the year 2015.
The Board took note that both persons have presented their candidacy to renew their mandate at the next general assembly for a new period of three years.

Auditors
The Board of Directors proposes to nominate PricewaterhouseCoopers (« PwC ») / Deloitte & Touche as auditors for the accounts of the company for the year ending 31.12.2016.

Developments in 2015
2015 was impacted negatively by lower sale volumes, prices and extraordinary costs. These consist of a settlement under the amnesty law for the NSSF case, additional provision for legal cases and a provision taken for an organizational optimization project including a next early retirement plan.
However, lower variable cost especially due to lower fuel and petcoke prices and other cost reduction measures compensated partially these negative effects.
The company believes that the actions initiated in 2015 will have a positive impact in the future. Cost discipline on all levels and further operational optimizations will support the achievement of set targets.