

HOLCIM (LIBAN) S.A.L
BOARD OF DIRECTORS REPORT
FOR THE GENERAL ASSEMBLY OF JUNE 27TH, 2024

Dear Shareholders

Market update

In 2023, Lebanon still undergoing economic challenges and political paralysis. The country was affected by regional conflicts, especially the war in the neighboring country, and in the South during the last quarter of the year.

In Alignment with the market conditions, construction permits witnessed a decrease compared to 2022, without affecting the cement deliveries in 2023, as cement consumption was maintained by construction permits issued in 2022 and some construction without permits in the rural areas.

According to the Orders of Engineers, the total construction permits declined by 39.49%, coming from 18,039 to 10,915. The surface area of permits dropped by 59%, from 7.4 million Sqm to 4.4 million Sqm (2023 Vs 2022). High construction costs and no financial facilities compounded the decline.

In 2023, cement market grew by 13%. Consumption was concentrated mainly in the South and the Bekaa, demand was very shy in markets like Beirut and Mount Lebanon with higher technical demands, affecting bulk quantities. Market still in overcapacity with 6 million tons installed capacity, 60% of excess (3.6 million tons) and one potential new entrant in the Bekaa in the coming two years.

During 2023, availability of the product allowed Holcim Liban to sell 867 thousand tons, leading to a growth of 20% vs 2022, and a market share of 37%.

During 2024 Holcim Liban target is to maintain its market share and to profit from any potential of market growth in the coming period since the construction market has a potential for development once the environment for investment becomes more stable. Foreign organizations and donors have expressed willingness to support construction projects mainly infrastructure, road repairs, water supply improvements, electricity upgrades, etc. with conditions related to transparency and accountability.

Source: BDL, Orders of engineers, Byblos Bank, BLOMinvest, Credit Libanais.

White cement

Local white cement sales decreased by 2% in 2023 due to lower demand, reaching 33 003 tons in 2023 versus 33 655 tons in 2022.

Northern Cyprus (Boğaz Endüstri ve Madencilik Ltd - BEM)

BEM sales increased by 30%, reaching 350 752 tons in 2023 vs 269 761 tons in 2022.

Ready mix

RMX activity is still stopped, as by the decision taken in 2018.

Investments to improve productivity

In addition to the normal maintenance projects in 2023, the company also completed a scheduled maintenance for Port revamp (phase 1 - unloading), replacement of unloading belt from port to the plant, upgrade of Engine 6 PLC & sharing system. On top of that SLCB launched the electrical power connection project to get the electricity from Grey Power Plant.

Occupational Health & Safety

Holcim Lebanon maintains its commitment to the three HSE pillars:

- Critical Risk Management
- Engagement
- Continuous Improvement.

The primary objective in 2023 was to elevate the quality of engagement and ensure the sustainability of compliance measures. The year 2023 served as a pilot phase for environmental initiatives, demonstrating the feasibility of achieving zero environmental impact. Consequently, three projects were initiated:

- Implementation of solar energy to fulfill the electricity requirements of the logistics unit.
- Implementation of a water reuse system in the cement mill area to decrease freshwater consumption.
- Repurposing materials to divert waste from landfills and launching a composting initiative.

Through robust program implementation, Holcim Lebanon's compliance level was above 90% in terms of fulfilling Critical Control Requirements for the 12 Priority Unwanted Events (PUEs). Furthermore, the grey cement unit pioneered a cross-assessment initiative alongside colleagues from Egypt. The assessment was organized to evaluate the effectiveness of controls and accuracy of compliance.

With Boots on the Ground, our primary objective was to improve the quality of the time spent in the field. Over 19,000 hours were spent in the field resulting in 2009 VPCs – an increase of 37% and 32% respectively compared to 2022 figures. In 2023, both the Time in the Field rate and VPC rate showed improvement over 2022, surpassing Group targets. This performance was attributable to a strategic plan focusing on enhancing leadership visibility on-site, improving competency of the app users, and ensuring a comprehensive field coverage as per Group implementation guide.

In 2023, the Energy Treasure Hunt, an engagement tool, persisted with an expanded focus on identifying opportunities for savings in waste, water, and electrical energy. Approximately 41 colleagues actively participated in the Hunt, documenting a total of 956 findings, with a closure rate approaching 40%.

Within the framework of the Road Safety program, Holcim Lebanon facilitated a "train the trainer" workshop in collaboration with Aegide, targeting a team of trainers from Lebanon. Subsequently, training sessions were conducted for 42 bulk drivers. Additionally, a campaign focusing on the Critical Control Safe Following Distance was organized for both truck drivers and employees as part of the UN Road Safety Week activities. By the end of 2023, Holcim Lebanon had achieved advancements in road safety compliance and heightened employee awareness regarding defensive driving practices.

Lost Time Injury

During maintenance work in the power plant, an incident occurred resulting in injuries to a worker's ribs and knees. Following investigation, root causes were identified, and an action plan was formulated. The action plan was centered on the root causes to address issues including the inappropriate use of tools and equipment, inadequate risk assessment and control measures, and supervisor competency to prevent recurrence of such incidents.

Environment and Quarry status

Business interruptions

Quarrying operations stopped in February 14, 2023, with the end of the 12 months' permit issued in February 2022. Quarries were non-operational for the rest of the year. Raw materials were outsourced, following a crusher permit and a Ministerial Decision to grant the cement plants approval to transport and use stock materials. As such, a sufficient quantity of raw materials was obtained to sustain the operations for an extended period.

In May 2024, the Council of Ministers issued a decision granting authorization to cement companies to operate their quarries for 12 months.

Green Screen around the quarry in Kfarhazir

In alignment with the stipulated rehabilitation protocol agreed with the Ministries of Environment and Industry in 2022, the implementation of the Green Screen was initiated along the outskirts of the quarry located in Kfarhazir. This Green Screen serves as a buffer zone, separating the active quarry area from the surrounding community. In parallel, mining and rehabilitation plans are updated, encompassing the operational lifetime of the quarry sites situated in Chekka and Kfarhazir.

Compliance of air emissions with legal norms stated in Decision 16/1

As part of our commitment to continuous improvement, we prioritize the optimization of our operations and improvement of our environmental performance. Therefore, we ensure compliance to the Emission Limit Values outlined in Decision 16/1. These values are validated by a certified third party through the annual test house measurement. Subsequently, the results are communicated to the Ministry of Environment, demonstrating our commitment to regulatory compliance as a minimum requirement in our Policy.

	Results		Legal Limits 16/1	Internal limits
	2023	2022		
Dust at stack (mg/Nm ³)	4	4	30	5
NOx (mg/Nm ³)	893	856	1000	950
SOx (mg/Nm ³)	13.8	85	650	80
VOC (mg/Nm ³)	65	57	200	50

The 27th of June 2024

For the Board of Directors
Grant Earnsbaw
Chairman

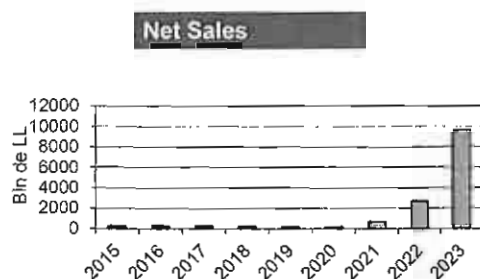
Analyses

Volumes Consolidated

The cement sales volume in 2023 increased by 21% over the previous year, reaching 1.251 million tons. Local grey cement has increased by 20% despite quarry permit limitations. Cyprus volumes have increased by 30% following the high demand of the market. However white cement faced a decrease by 2% due to a demand market drop.

Consolidated Net sales

The consolidated net sales show an increase of 260% reaching a level of 9 664 Bln L.L. In addition to higher sales volume in Grey, prices had a positive impact. Moreover, year 2023 witnessed a positive contribution from BIM's selling price which was increased by 14.4% in 2023 (averaging 117.23\$/t converted at average parallel market rate of 84 231.8 LBP/USD at end of 2023).



Consolidated operating profit

Consolidated Operating Profit increased by 472% in 2023 to LBP 3 040 Bln due to higher sales revenue, along with cost reduction efforts.

The operating profit margin increased to 35.3% compared to 22% in 2022.



Consolidated Financial expenses

The financial expenses have increased substantially by 317% in 2023 compared to the previous year, knowing that the credit facilities in hard currency from a foreign entity, have correspondingly impacted the interest dues, which were converted to LBP at market exchange rate.

Taxes

The Company's tax returns and VAT declarations for the years 2015 to 2023 remain subject to examination and final assessment by the tax authorities and any additional tax liability depends on the outcome of such a review.

The Company's records are still subject to examination by the National Social Security Fund for the years 2016 to

2023. The result of this examination cannot be determined at the present.

Consolidated Cash-Flow

Operating cash flow for 2023 stands at 2 203 Bln L.L., an increase of 1 731 Bln L.L., compared to 2022. The higher op. cash flow is due to higher income but partially absorbed by higher inventories (in volume and LBP values), impacting the Net Working Capital changes. On top of it, the payables of Grey Cement were higher in 2023 vs 2022 by 101% due to advance payment at end of year of fuel vessels arriving in early 2024.

Capital expenditure spending reached 308 Bln L.L. in 2023, compared to 125.1 Bln L.L. in 2022.

Total cash and cash reached 2,397 Bln LBP

Equity

The consolidated profit of Holcim recorded 1 923 Bln L.L. in 2023 compared to 292 Bln L.L. in 2022. Hence, the consolidated total equity increased from 613.8 Bln L.L. in 2022 to 2 337 Bln L.L. in 2023, coming mainly from the retained earnings

Financial and legal activities

Dividend Distribution (Holcim Liban)

Due to the business slow down affected by the current instability of the country and low visibility of the economy The Board proposes not to pay dividends in 2024.

Therefore, the profit of Holcim Liban amounting 873 Bln L.L. is added to the retained earnings amounting to 1009 Bln L.L. at end of 2023.

Board of Directors

The Mandate of Mrs. Zeina Zeidan will expire at the General Assembly that will look into 2023 accounts. The board of director's members suggest the renewal of her mandate.

Auditors

The fees charged for audit services of Holcim Liban SAL by Ernst and Young for the audit exercise of the year 2023 were 61.774 USD..

The Board of Directors proposes to nominate Ernst and Young as auditors for the accounts of the company for the year ending 31.12.2024.

Outlook 2024

In May 2024, the Council of Ministers issued a decision granting conditional authorization to cement companies to operate their quarries for 12 months.

Amid the overall worldwide and country challenges, we are keen to focus our work on maintaining market share, improving our costs while keeping the efficiency of our operations and securing the cash needs to run our plant.