

HOLCIM (LIBAN) S.A.L
BOARD OF DIRECTORS REPORT
FOR THE GENERAL ASSEMBLY OF JULY 26, 2023

Dear Shareholders

Market update

Lebanon's situation, is still very challenging, the country facing a severe economic crisis and political instability. The pace of Lebanon's economic decline slowed in 2022, although the overall trend and trajectory remained fundamentally unchanged. Real GDP is estimated to have declined by 2.6% in 2022, bringing the total economic contraction since 2018 to 39.9% of GDP. The Lebanese pound continued to depreciate sharply despite the central bank's foreign exchange interventions to attempt to stabilize the parallel market exchange rate. Inflation averaged 171.2% in 2022, one of the highest rates globally.

Construction activities have severely declined compared to period prior to 2020, especially in professional construction micro markets, Beirut/Mt Lebanon used to have the highest cement consumption, through technical projects. Moreover, the country faces a lack of spending on infrastructure (Roads, Electricity, Water, Dams, Ports ...), potential reforms required by IMF could open the door to restart a growth trend.

The construction permits dropped by 4.4% in 2022 (7.4 millions sqm) vs 2021 (7.8 millions sqm), still higher than 2019 (4.9 millions sqm).

It is mainly attributed to the fact that developers have been looking to obtain permits while the fees still priced at 1507.5 LBP/USD official rate.

The real estate market is still perceived as the safest investment for the Lebanese, since the beginning of the crisis. The number of transactions in 2022 went down by 27% compared to 2021, remaining important but at a slower pace, justified by a lower demand, as sellers requested payments in "fresh" dollars, no longer via banker checks. In addition, prices are gradually increasing and readjusting to ones before the crisis, and buyers still looking for the great deal (buying at historical low prices).

The outlook for the coming years in the real estate market remains unclear, given that taxes, transaction values and properties would be valued at higher exchange rate.

After reaching its lowest point in 2020 and 2021, the cement market grew by 6% vs 2021. Market is shifting to overcapacity leading to pressure on prices when product is available. Three cement players with 6 million tons installed capacity, and one new entrant in the Beqaa, during the coming 2 years.

During 2022, having longer quarry permits, (April, August and from November-22 until February-23), Holcim Liban had enough product to serve the market need. Accordingly, HCL market share has increased from 31 to 35%.

For 2023 Holcim Liban target is to regain its historical market share at 37%.

White cement

Local white cement sales decreased by 13.4% in 2022 due to lower demand, reaching 33 655 tons in 2022 against 38 852 tons in 2021.

Northern Cyprus (Boğaz Endüstri ve Madencilik Ltd - BEM)

BEM sales increased by 25.7%, reaching 269 761 tons in 2022 vs 214 568 tons in 2021.

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 2022, the company also completed a scheduled maintenance for power plant generators, reparation and machining on Kiln, major repair of SLCB cement mill; in addition of reinforcement on our Port further to heavy winds.

Occupational Health & Safety

In line with the requirements of the Health, Safety and Environment Management System, with a particular focus on continuous improvement, Holcim Lebanon implemented the annual strategic Health, Safety and Environment Improvement Plan (HSE-IP). The HSE-IP is developed following the HSE performance management review with the Executive management and plant leadership. The HSE-IP covered country objectives around the following themes:

- ✓ Fatality elimination control focusing on contact with moving machinery.
- ✓ Critical control management with twelve unwanted events related to safety and environment.
- ✓ Energy management to reduce scope 2 CO2 emissions as part of the global Power Program.
- ✓ Enhancing the road safety program through competency development and program management
- ✓ Improved management plans for emissions of dust and NOx to ensure compliance with Group requirements.

Holcim Lebanon remains committed to the three main levers of success in HSE: Critical Risk Management, Engagement and Continuous Improvement.

During their second year of implementation, the focus of the Critical Control Management (CCM) and Boots on the Ground (BoG) programs is to maintain the good momentum from the previous year and achieve optimal performance.

The CCM program showed a solid implementation of the critical controls following a structured approach to control the most critical risks. Four Priority Unwanted Events (PUEs); *Fatal Road Crash, Respiratory Illness, Emergency Response and Polluted Water Discharge*, were added to the program, resulting in 12 PUEs in total. In 2022, Holcim Lebanon achieved total compliance in three: *Contact with Moving Machinery, Contact with Hot Meal and Fall from Height*. The program ensured the implementation of 56 corrective actions and more than 4500 training hours.

Similarly, **BoG**, one of our main engagement programs is based on visible leadership and quality time in the field. More than 11,000 hours were spent in the field contributing to 1367 VPCs done and over 600 improvement actions assigned through the tool. Our 2022 results for Time in the Field rate and for VPC rate improved compared to 2021, hence exceeding Group targets.

The **Power Program**, the global Electrical Energy program was launched in 2022 with the aim to accelerate the reduction of CO2 emissions (scope 2) from the electricity we use. Energy Treasure Hunt, an engagement tool, was a main component of the Program to empower the workforce to find saving opportunities. Around 50 colleagues joined the Hunt to learn about energy efficiency. They documented 1942 findings and closed 388 actions. A local team from the Grey Cement plant was recognized the winning team for the region of Middle East Africa for identifying over 600 findings and saving opportunities.

Environment and Quarry status

Business interruptions

In 2022, our quarrying operations were based on monthly approvals granted by the Ministers of Industry and Environment for intermittent durations, totaling up to six months. The temporary approvals came under the Ministerial Decision taken in February 2022 to grant cement plants authorization to resume mining activities for a period of one year. The one-year approval expired on February 14, 2023.

During the year, meetings were held between technical experts, ministers and the cement companies to agree on two protocols that regulate the quarrying activities: a protocol on mining and rehabilitation requirements and another on environmental monitoring for atmospheric emissions.

Discussions are still underway with the Ministry of Industry for a renewal for another year to be granted by the Council of Ministers. Meanwhile, quarries will continue to operate based on monthly approvals, whenever granted, and under specific restrictions in terms of locations, volumes and working conditions, pending a permitting decision.

Commitment to Measurable Positive Impact

Following the rehabilitation of the exhausted quarry in Chekka and with the support of experts, Holcim completed the first part of a green screen project as stated in the mining and rehabilitation protocol. The green screen serves as a buffer zone between the quarry area in Kfarhazir and the surroundings. It is also an exemplar of how rehabilitation activities will be done on the periphery of the quarries as per the protocol requirements. Similarly, extraction activities also comply with the requirements, namely in terms of excavated areas, plans and dimensions of benches.

Atmospheric Emissions

Levels of dust at stack were significantly reduced in 2022 compared to 2021 due to the good performance of the main filter resulting from maintenance activities. On the other hand, we achieved a breakthrough in reducing emissions of NOx as a result of optimizing our operations.

	2022	2021	Legal limits
Fugitive dust ($\mu\text{g}/\text{m}^3$)	39	36	120
Dust at stack (mg/Nm^3)	4	12.6	150
NOx (mg/Nm^3)	856	998	2500

The 26th of July 2023

**For the Board of Directors
Grant Earnshaw
Chairman**

Analyses

Volumes Consolidated

The cement sales volume in 2022 increased by 20% over the previous year, reaching 1.026 million tons:

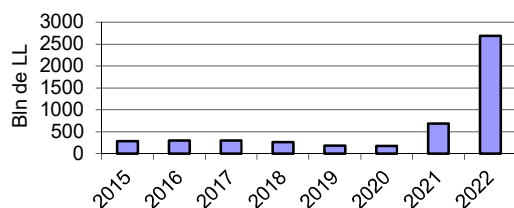
Local grey cement has increased by 19.8% despite quarry permit limitations. Cyprus volumes have increased by 38% following the high demand of the market. However white cement faced a decrease by 13.4% due to a demand market drop.

Consolidated Net sales

The consolidated net sales show an increase of 288% reaching a level of 2 687 Bln LL: In addition to higher grey cement sales volume, prices had supported higher net sales. In January 2022, the price has been linked to a weekly mechanism set by the Ministry of industry. As of July 2022, a price revision was set in place due to the increased energy price (Petcoke and Fuel Oil).

Moreover, year 2022 witnessed a positive contribution from BEM's selling price which was increased by 48.7% in 2022 (averaging 102.5\$/t converted at average parallel market rate of 29 674.5 LBP/USD at end of 2022).

Net Sales

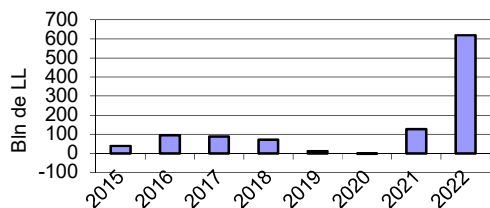


Consolidated operating profit

Consolidated Operating Profit increased by 385% in 2022 to LBP 618.6 Bln due to higher sales revenue, along with cost reduction efforts.

The operating profit margin increased to 23% compared to 18.4% in 2021.

Operating Profit

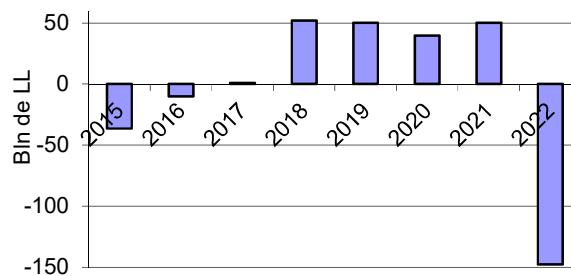


Consolidated Financial expenses

Net debt decreased in 2022 and reached a level of -147.9 Bln L.L.

The financial expenses have increased substantially by 179% in 2022 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.

Net Debt



Taxes

The Company's tax returns and VAT declarations for the years 2017 to 2022 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 2017 to 2022. The result of this examination cannot be determined at the present.

Consolidated Cash-Flow

Operating cash flow for 2022 stands at 467.8 Bln LL, an increase of 384.5 Bln LL, compared to 2021. 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 2022 vs 2021 by 322% due to advance payment at end of year of fuel vessels arriving in early 2023.

Capital expenditure spending reached 125.1 Bln LL in 2022, compared to 32.2 Bln L.L in 2021.

Total cash and cash equivalents increased by 365.2 Bln LL.

Equity

The consolidated profit of Holcim recorded 292 Bln L.L in 2022 compared to 41.9 Bln LL in 2021. Hence, the consolidated total equity increased from 287.3 Bln LL in 2021 to 613.8 Bln LL in 2022, coming mainly from the retained earnings (Holcim Liban SAL 94 Bln, Societe Libanaise des Ciments Blancs SAL 32.2 Bln & BEM 200.2 Bln).

Financial and legal activities
Dividend Distribution (Holcim Liban)

Due the current financing need, business slow down and low visibility of the economy for the year,
The Board proposes to pay no dividends in 2023.
Therefore, the profit of Holcim Liban amounting 97 Bln LL is added to the retained earnings amounting to 136.1 Bln LL at end of 2022.

Board of Directors

The Mandate of Patriarcat Maronite d'Antioche et de tout l'Orient , SEAMENT SAL and HOLCIBEL SA will expire at the General Assembly that will look into 2022 accounts.
The board of director's members suggest the renewal of their mandate.

Auditors

The Board of Directors proposes to nominate Ernst & Young as auditors for the accounts of the company for the year ending 31.12.2023.

Outlook 2023

Under the Ministerial Decision to grant cement plants approval to resume mining activities for a period of one year, monthly approvals were granted for intermittent periods in 2022, for a total of six months of operations.
The one-year approval expired on February 14, 2023.
Discussions are currently underway with the Ministry of Industry for a renewal for another year to be granted by the Council of Ministers.

HCL market share reached 37% YTD May 2023.
The Market YTD June-23 increased by 17 % for the same period, such increase was due to cement availability compared to previous year.
Bulk business model have been shifting from delivered on site to FOT sales.

Amid the overall worldwide and country challenges, we are focusing 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.