HOLCIM (LIBAN) S.A.L
BOARD OF DIRECTORS REPORT
FOR THE GENERAL ASSEMBLY OF JUNE 19, 2019

Dear Shareholders

Market update

Year 2018 was an instable year politically. On the positive side overdue parliamentary elections were held in early May, however it was until December that the government was formed. This situation led to a stagnation in policy making and economic stimulus.

Banque du Liban's subsidized housing loans scheme was stopped and not replaced by a new scheme in 2018. This lead to an accelerated correction in the housing market. Real GDP growth in 2018 was below 1%.

Construction activity sharpened its slowdown with construction permits declining by 13%, surface area down by 23% in 2018 driven mainly by the residential sector's regression that structurally represents 80% of the construction activity. Indicators were showing increasing oversupply in housing units and real estate transactions declining by 17% in number and 18% in value in 2018. It is noteworthy thattThe construction activity regression seems to be accelerating in 2019.

The local cement market decreased by -8.7% maintaining a high level of 4.70 million tons in 2018 (2017: 5.15 million tons).

Holcim Liban sold 1.749 million tons of grey cement in 2018 which, compared to 2017, is a decrease of -8.6% (0.143 million tons).

The local market of white cement declined by -3.8 % compared to 2017. Consequently, sales reached 53 364 tons against 55 499 tons in 2017.

<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 increased by 23.7% compared to the previous year.

<u>Northern Cyprus (Boğaz Endüstri ve Madencilik Ltd – (BEM)</u>
Sale volumes in Cyprus are lower by -16.9% compared with 2017, leading to sales of 205'782 tons. Market demand decreased by -7.6% compared to the previous year.

<u>Ready mix</u>
Holcim Beton has been suffering from the fierce competition in a not regulated RMX market, which negatively impacted the results throughout the years. Therefore the decision to stop the RMX activity was taken and implemented in June 2018.

Investments to improve productivity and environmental impact

- The rehabilitation works of silo No. 2 were finalized in 2018.

- The hydraulic Turbine project in DJOZ aiming to improve the efficiency of the electrical energy production was concluded in 2018.
- Several safety initiatives were executed in 2018 such as the access control in the grey cement and the firefighting system in the Power Plant.
- The kiln shell replacement and the Cyclone refurbishment projects are in progress and will be finalized in 2019.

Occupational Health & Safety

Holcim Liban progressed with the implementation of the "Health and safety management system" which was standardized and launched by the group. Consequently and as part of LH group strategy, several projects were launched :

- "Personal protective improvement" project aiming to focus on the quality of selected PPE on a risk based approach.
- Firefighting project in the power plant aiming to protect all the diesel tanks with foam systems.
- H&S improvement project for the grey line dispatch area focusing on working at heights, energy isolation and circulation plan.
- Access control project for white and grey cement line.
- Following its launch in 2017 for the grey cement line, the design structure and construction quality program - called DSCQP – continued in 2018. All structures (e.g. buildings, installations) went through a 3 level technical inspection.

The Visible Personal Commitment (VPC) program continued in 2018, cross functional teams - operational and non-operational – visited the industrial and operational areas to interact with the staff. Thorough discussions were recorded with deeper understanding of behavioral aspects practiced on site.

In March 2018, Magali Anderson – Group head of H&S – visited Holcim Liban and left with encouraging comments on the H&S performance and findings to improve.
Afterwards, in October 2018, an Audit was performed for the grey line highlighting best practices in logistics, confined space, lifting and health standards implementation. The audit was followed by an action plan.

Sustainable Development 2018

In 2018, Holcim Lebanon published the fifth Sustainable Development Report outlining environmental, social and economic performance and addressing priority issues in sustainability. The report shows initiatives undertaken in the past three years across the following areas: Climate, Circular Economy, Water and Nature, People and Communities, Customer Focus, Sustainable Construction and Economic Contribution; and highlights sustainability targets for the year 2020 in accordance with the LafargeHolcim SD Plan 2030. Improvements in environmental performance mainly include 82% decrease in dust at stack, 22% decrease in fugitive dust and 5% in net CO_2 emissions per ton of cement. Pioneering biodiversity initiatives are highlighted, demonstrating Holcim Lebanon's commitment to biodiversity management. On the social side, the report presents our commitment to maintaining a safety culture and respecting diversity, integrity and employee engagement. It also reiterates our responsibility to contribute to the social and economic development of the communities in which we operate.

In terms of biodiversity management, the annual management report for the Orchids Hotspot in Kfarhazir described the progress of onsite activities as per the management plan. In addition to observing growth of orchids species, the focus in 2018 was to strengthen the protection of the hill and to reduce disturbance sources and their impacts. Interventions were implemented in coordination with the local communities and municipalities.

17 April 2019

For the Board of Directors
Grant Earnshaw
Chairman

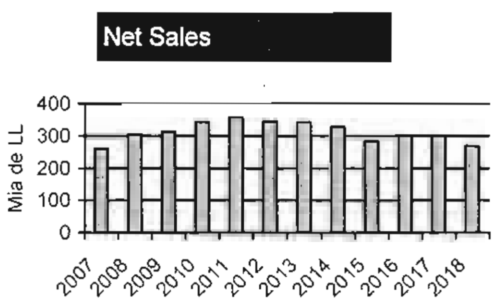
Analyses

Volumes

Following the lower demand, especially for the local cement, the consolidated sales volumes decreased by 9% compared to 2017 reaching 2.039 Mt versus 2.241 Mt in the previous year.
Local white cement sales dropped by -3.8% in 2018. However, export volumes increased by 23.7% . leading to an increase in the total volume by 4.5%.
BEM volumes decreased by 16.9% compared to 2017 (0.206Mt vs 0.248Mt last year). as well as the market share which decreased from 45% in 2017 to 40.5% in 2018.
In ready mix, lower volumes are due to the decision to stop the activity.

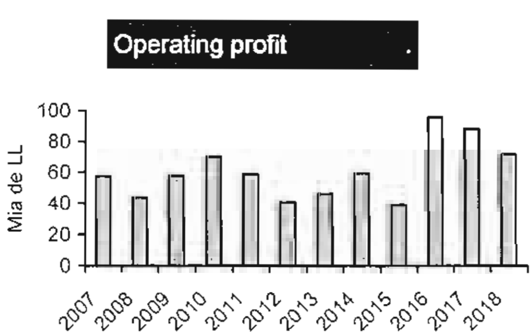
Consolidated Net sales

The consolidated net sales show a decrease of 9.9% reaching a level of 268.6 bn LL.



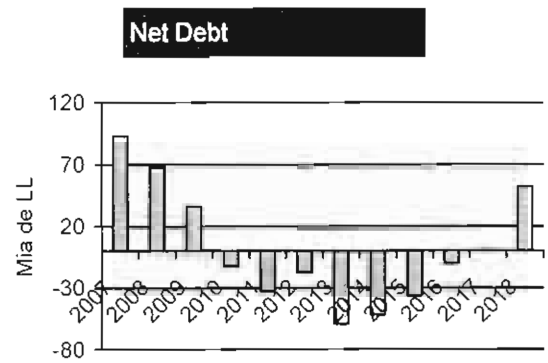
Consolidated operating profit

Impacted by lower sales revenue and higher costs, the operating profit decreased by 18.5% compared to 2017. The negative impact on the costs was due to higher variable cost driven especially by higher fuel and petcoke prices and the new cement tax on production which had a full year negative impact.
The operating profit margin decreased to 26.7% compared to 29.3% in 2017.



Financial expenses

Net debt substantially increased in 2018 and reached a level of 52.02 bn L. L. This is mainly due to the high dividend payment in 2018 and an increase in working capital (higher inventories).
The company had to finance the additional need in the bank market. Therefore financial expenses increased in 2018 due to aforementioned higher financing needs and increased interest rates on the usage of the company's credit lines.



Taxes

The Company's tax returns for the years 2015 to 2018 and VAT declarations for the years 2013 to 2018 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 2018. The result of this examination cannot be determined at the present.

Consolidated Cash-Flow

Operating cash flow for 2018 stands at 13.91 bn LL, a decrease of 61.75 bn LL compared to 2017. This is mainly because of a lower operating profit and higher working capital – especially inventories.

Capital expenditure spending reached a level of 7.45 bn L.L. and is lower compared to 2017 by 2.598 bn LL.
Due to high dividend payments in 2018, cash flow from financing activities has increased by 37.52 bn LL in 2018.
Total cash and cash equivalents decreased by 10.23 bn LL.

Equity

The profit for the year of Holcim Liban decreased from 65.25 bn LL to 41.26 bn L. L. in 2018.
The company distributed dividends for the year 2017 amounting to 83.919 bn LL in 2018.
Consequently. the total equity of Holcim (Liban) decreased from 265.4 bn LL in 2017 to 223.03 bn LL in 2018.

Financial and legal activities
Dividend Distribution

the Board proposes a gross dividend of 390 LL per share (net 351 LL per share), subsequently a total of 7.611 bn LL (Seven billions six hundred eleven millions Lebanese pounds).

Therefore, 34.696 bn LL (Thirty four billions six hundred ninety six millions Lebanese pounds) is added to the retained earnings, and will be available for distribution in the coming years.

Nominative shares
In application to the law No. 75/2016, Holcim Liban shareholding was switched from bearer to nominative shares.
As of November 3, 2018, the deadline for the exchange of shares, 99.8% of Holcim Liban SAL shares were transferred from bearer into nominative shares.

Board of Directors
The mandate of Mrs. Raya Raphael Nahas and Mr. Grant Earnshaw as members of the Board, will expire at the General Assembly meeting that will look into the accounts of the year 2018.

Auditors
The Board of Directors proposes to nominate Deloitte & Touch as auditors for the accounts of the company for the year ending 31.12.2019.

Developments in 2018
Lower results in 2018 were due to lower volumes, higher production cost - impacted by higher market prices for thermal and electrical energy - and the tax on cement production. However, the negative impact was partially compensated by better price management, efficient kiln performance and cost management.
The outlook for 2019 is challenging with a substantial decline in market demand caused mainly by the economic condition of the country.
In this context, we are focusing our work on our costs and keeping the efficiency of our operations.