

SOCIETE LIBANAISE DES CIMENTS BLANCS
BOARD OF DIRECTORS REPORT
ACTIVITY AND RESULTS AT 31 DECEMBER 2019

Dear Shareholders,

Pursuant to Article 48 of the by-laws, we meet in the General assembly in order to present a report on the situation of the Company during the year 2019 and submit the financial statements for the year 2019.

Commercial Situation

Ton	2017	2018	2019
Liban	55 499	53 364	45 354
Export	24 527	30 284	12 582
Total	80 026	83 648	57 936

The local market of white cement declined by 15 % compared to 2018. Consequently, sales reached 45 354 tons against 53 364 tons in 2018. However, prices slightly compensated the lower volumes.

As for export, volumes have decreased by 58.5% compared to the previous year. In total, sales volumes have decreased by 30.7 %.

Production

Following the lower market demand, the production of white cement was lower than 2018 by 31.6%. Furthermore, Clinker production was 53% lower than 2018, due to lower cement production and the usage of the previous year's stock.

The cost of production increased compared to the previous year due to higher clinker factor and negative stock variation caused by the usage of hydrated clinker. In addition, the change in the fuel mix and substituting Petcoke by the heavy fuel oil highly affected the thermal energy cost (+45\$/t of cement compared to 2018). Production in 2019 is as follows:

(000 ton)	2018	2019
Production clinker	66 906	31 501
Production ciment	82 494	56 425

Net income as at 31/12/2019

The results show a net profit of 3.203 Billion L. L. in 2019 against 8.963 billion in 2018, a decrease of 64.3 %.

	2019	2018	2017
	000 LL	000 LL	000 LL
Sale of goods	14 424 717	19 807 123	
Production cost of goods sold	(10 665 149)	(10 177 447)	
GROSS PROFIT	3 759 568	9 629 676	
Distribution and selling cost	(794 707)	(1 067 880)	
Administrative expenses	(862 133)	(1 049 651)	
Other expenses	57 173	11 283	
	7 000	1 559 001	
Write –back of provision for risk and charges (Net)			
Net financial income	1 281 806	967 251	
PROFIT BEFORE TAX	3 448 707	10 049 680	
Income tax expense	(339 254)	(1 324 652)	
Re-measurement gain on defined plan (IAS 19)	93 783	237 709	
TOTAL COMPEHENSIVE INCOME FOR THE YEAR	3 203 236	8 962 737	

Gross profit margin reached 26.1% in 2019 compared to 51.2% in 2018. In addition to the higher clinker factor, lower stocks level at end of the year and the change in the fuel mix contributed negatively to the gross profit.

Additionally, the write back of a legal provision (1.8 Billion L.L.) in 2018 backed last year's income by (1.8 Billion L.L.).

Following the cash management agreement with Holcim Liban, the company continues to place its excess of cash, which explains the significant financial income.

The net profit amounted to 3.109 Billion LL. The company has sufficient liquidity to ensure the necessary investments for its proper functioning.

The Board proposes to pay no dividends in 2020 due to the substantial business slow down and low visibility of the economy for the year.

Distributed income :

	000 LL.
Profit of the year	3 109 453
Allocation of legal reserve	-
Retained earnings current year	4 148 635
Available for distribution	7 258 088
Distributed income	-

Equity :

Capital +premium	13 502 656
Statutory reserve	4 500 000
Revaluation Reserve	4 010 692
Retained earnings	7 258 088

Total Equity	29 271 436
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The Board of Directors proposes to nominate Deloitte as auditors for the accounts of the company for the year ending 31.12.2020.

10 July 2020
For the Board of Directors
Chairman