

SOCIETE LIBANAISE DES CIMENTS BLANCS
BOARD OF DIRECTORS REPORT
FOR THE GENERAL ASSEMBLY OF 10 JULY 2018

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 2017 and submit the Financial statements for the year 2017.

Commercial Situation

Ton	2015	2016	2017
Liban	59 409	57 259	55 499
Export	23 997	26 227	24 527
Total	83 406	83 486	80 026

The local market of white cement declined by -3.1 % compared to 2016, impacted mainly by white cement imports during the period of Q3 2016 until Q1 2017. Consequently, sales reached 55 499 tons against 57 259 tons in 2016. However, prices slightly compensated the lower volumes.

As for export, volumes have decreased by 6.5% compared to the previous year.

In total, sales volumes have declined by 4.1 %.

Production

Following the market demand, the production of white cement was lower than 2016 by 3.3%. However, Clinker production was 14Kt higher than 2016, which was sold to Holcim Liban.

The cost of production decreased compared to the previous year due to lower clinker factor and higher clinker production volumes.

Production in 2016 is as follows :

(000 ton)	2016	2017
Production clinker	61 431	76 101
Production ciment	83 260	80 507

Net income as at 31/12/2017

The results show a net profit of 6.677 Billion L. L. in 2017 against 6.659 billion in 2016, an increase of 1.64 %.

	2016	2017
	000 LL	000 LL
Sale of goods	18 400 124	20 275 946
Production cost of goods sold	(9 698 355)	(10 911 736)
GROSS PROFIT	8 701 769	9 364 210
Distribution and selling cost	(1 007 004)	(913 630)
Administrative expenses	(806 765)	(988 754)
Other expenses	38 318	(166 937)
Net financial income	713 321	620 110
PROFIT BEFORE TAX	7 639 639	7 914 999
Income tax expense	(1 023 722)	(1 214 055)
Re-measurement gain on defined plan	(46 887)	(24 304)
TOTAL COMPEHENSIVE INCOME FOR THE YEAR	6 569 030	6 676 640

The gross margin reached 46.18 % in 2017 against 47.29 % in 2016 , due to Higher thermal energy cost which was slightly compensated by the good cost management mainly through the clinker factor reduction and higher clinker production volumes.

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 6.677 Billion LL . The company has sufficient liquidity to ensure the necessary investments for its proper functioning. The Board proposes to distribute the maximum profits as dividends. Having reached the one third of the capital, no allocated amount to the statutory reserve is needed.

The Board proposes to distribute dividends of 6.660 Billion LL Lebanese pounds gross or 740 LL by share posting an increase of 10 LL per share gross compared to the previous year (which leads to LL 666 per share net assuming a tax of 10%).

Distributed income :

000 LL.

Profit of the year	6 676 640
Allocation of legal reserve	-
Retained earnings current year	4 518
Available for distribution	6 681 158
Distributed income	6 660 000

Equity :

Capital +premium	13 502 656
Statutory reserve	4 500 000
Revaluation Reserve	4 010 692
Retained earnings	21 158
Total Equity	22 034 506

The Board of Directors proposes to nominate Deloitte as auditors for the accounts of the company for the year ending 31.12.2018.

31 May 2018
For the Board of Directors
Chairman