

SOCIETE LIBANAISE DES CIMENTS BLANCS
BOARD OF DIRECTORS REPORT
ACTIVITY AND RESULTS AT 31 DECEMBER 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 2018 and submit the Financial statements for the year 2018.

Commercial Situation

Ton	2016	2017	2018
Liban	57 259	55 499	53 364
Export	26 227	24 527	30 284
Total	83 486	80 026	83 648

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. However, prices slightly compensated the lower volumes.

As for export, volumes have increased by 23% compared to the previous year.

In total, sales volumes have increased by 4.5 %.

Production

Following the export demand, the production of white cement was higher than 2017 by 2.5%. However, Clinker production was 9Kt lower than 2017, since there was no clinker sales volumes to Holcim Liban in 2018.

The cost of production increased compared to the previous year due to higher petcoke price and the tax on cement production (4\$/t cement starting October 2017). However, lower clinker factor and the higher clinker stocks levels slightly compensated the negative impact.

Production in 2018 is as follows :

(000 ton)	2017	2018
Production clinker	76 101	66 906
Production ciment	80 507	82 494

Net income as at 31/12/2018

The results show a net profit of 8.963 Billion L. L. in 2018 against 6.677 billion in 2017, an increase of 34.23 %.

	2018	2017
	000 LL	000 LL
Sale of goods	18 807 123	20 275 946
Production cost of goods sold	(10 177 447)	(10 911 736)
GROSS PROFIT	9 629 676	9 364 210
Distribution and selling cost	(1 067 880)	(913 630)
Administrative expenses	(1 049 651)	(988 754)
Other expenses	11 366	(166 937)
Write –back of provision for risk and charges (Net)	1 559 001	-
Net financial income	967 168	620 110
PROFIT BEFORE TAX	10 049 680	7 914 999
Income tax expense	(1 324 652)	(1 214 055)
Re-measurement gain on defined plan (IAS 19)	237 709	(24 304)
TOTAL COMPEHENSIVE INCOME FOR THE YEAR	8 962 737	6 676 640

Gross profit margin reached 51.2% in 2018 compared to 46.2% in 2017. In addition to the lower clinker factor, higher clinker stocks level at end of the year contributed positively to the gross profit and fully compensated the negative impact caused by the higher energy prices and the cement production tax (4\$/ ton of cement starting October 2017).

Additionally, the write back of a legal provision (1.8 Billion L.L.) contributed to a higher net income.

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 8.963 Billion LL . The company has sufficient liquidity to ensure the necessary investments for its proper functioning.

The Board proposes to distribute dividends of 4.500 Billion LL Lebanese pounds gross or 500 LL by share (which leads to LL 450 per share net assuming a tax of 10%).

Distributed income :

000 LL.

Profit of the year	8 962 737
Allocation of legal reserve	-
Retained earnings current year	21 158
Available for distribution	8 983 894
Distributed income	4 500 000

Equity :

Capital +premium	13 502 656
Statutory reserve	4 500 000
Revaluation Reserve	4 010 692
Retained earnings	4 486 895
Total Equity	26 500 243

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

24 April 2019
For the Board of Directors
Chairman