

Annual report 2019





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VICAT IS A FRENCH COMPANY FOUNDED
167 YEARS AGO IN THE FOOTSTEPS
OF LOUIS VICAT, WHO DEMYSTIFIED
ARTIFICIAL CEMENT IN 1817.

Today, working in 12 countries, the Group lays out a top-class offering of mineral and bio-based construction materials, along with services that meet the needs of construction trades.

Wherever it has cement plants, aggregate quarries, concrete batching plants, and factories manufacturing finishing products for the building industry, Vicat strives to produce locally and in so doing develop employment and the local economy.

For a number of years, under its commitment to ecological transition, the Group has been reducing the carbon footprint of all its businesses and putting the virtues of circular economy into practice.

Still family-run, the Company cultivates a relationship of confidence with customers, partners, and employees on a daily basis.

Interview with...

GUY SIDOS
Chairman and CEO

“Building and living together implies coming up with innovative, sustainable construction solutions”

For the Vicat group, which is active throughout the world, what were the most striking advances in 2019?

Guy Sidos. 2019 was a year of commitments in every country where we work. We pursued our strategy in keeping with who we are: an international player in the world of cement and mineral and bio-based construction materials that manufactures wherever it is present and seeks to recruit locally; a benchmark company in terms of ecological transition, targeting carbon neutrality throughout our value chain; and a company that has always been determined to be family-run. Today, two thirds of our sales are generated outside France and 70% of our production capacity is in emerging countries. In this respect, our expansion into Brazil in 2019, through the acquisition of 66% of the equity of Ciplan, is particularly important. By adding a 3.2-million-ton cement plant plus production of aggregate and ready-mixed concrete, this acquisition

represents 10% of the Group’s production capacity. Finalized right at the beginning of 2019, the operation meant we achieved consolidated sales of 2.7 billion euros with 9,947 employees in 12 countries.

Vicat has already been engaged in the climate-emergency combat for a number of years; what is your strategy for reducing your carbon footprint?

G. S. It can be seen through large numbers of actions carried out in all our businesses. Our program for eliminating the use of fossil fuels in cement plants is a major component of our industrial policy. Let me give you a few examples: installation of a new kiln without a coal mill in the United States, in Ragland, and reduction of our CO₂ emissions with the development of our new Alpenat clinker. Today, I can state categorically that our production processes, which require kilns to be heated to 2,000 degrees centigrade, are well on the way to completely eliminating fossil fuels

and replacing them with incinerable waste. This turnaround, which we set in motion twenty-five years ago, when climate change was far from everyone’s lips, is something we are very proud of! While we are anchored in history, we look to the future, and our model is based on constant development of innovative products and services for different construction sectors. Examples are the extension of the lifetime of structures, multi-purpose products, consideration of biomimetics in architecture, functionalization of structures, recyclability of materials, and sustainable transport. This way of seeing the world and its future says who we are. It has been in our blood for more than two hundred years, since the demystification of artificial cement by Louis Vicat. We help achieve ecological, economic, and energy transition incorporating social justice through our R&D focusing primarily on the performance of materials, the environment, the ease of use of products, and sparing use of resources.

We also innovate through our determination to set up circular economies and short supply chains in order to reduce the consumption of natural raw materials and water. This uncompromising drive for innovation and our awareness of the role we must play in rising to the multiple challenges threatening our increasingly imperiled world make us stronger and more agile. To rise to the challenges of climate change, in both the evolution of our processes and the adaptation of our commercial offering, we have set up a “climate strategy” department for the Group as a whole.

What are your perspectives for development in 2020 and beyond?

G. S. 2020 got off to a good start, with improved economic conditions in Brazil, in particular, and better prices in Senegal. But the Covid-19 international health crisis may well have an effect on the vigor of the early part of the year. In France, the Xeuilley plant is developing the technology for production of cement from activated clay, with the intention of reducing our clinker factor and thus lessening our carbon footprint. We are also expecting sales of our new products to take off dramatically as a result of our innovation policy. •



“0% fossil-fuel
use targeted
in France for 2025”

Three issues that steer our choices



Facing up to the climate emergency, Vicat is innovating to reduce its carbon impact and save resources. The Group is committed to developing concretes that provide sustainable solutions for the needs of construction tomorrow, against the backdrop of rocketing population growth. **It is also relying on the fantastic opportunities digital transformation is laying before us for adapting its processes and services.**

1

Ecological and energy transition requires that we prevent the average temperature at the Earth's surface rising by more than 2°C by 2100.

**EXPLANATION**

In light of today's demographic growth and intensive consumption, it is urgent that we change our means of production in order not to exhaust resources and cause too great a temperature rise, which would be disastrous for the planet.

CHALLENGES AHEAD

- Develop low-carbon concretes and other construction materials
- Supersede fossil fuels at our cement plants with waste fuel streams, e.g. end-of-life tires, meat and bone meal, automotive shredder residues (fluff), waste biomass, etc.
- Optimize our facilities to reduce energy consumption and preserve natural resources

“Vicat’s commitment to energy transition takes the form of concrete actions and projects at its industrial facilities aimed at meeting the challenges of climate change. **The Group is working towards the industrial facilities of the future by making its production sites a tool for transforming the materials and energy sources at hand locally.** What is more, Vicat is conducting trials for the capture and beneficial re-use of CO₂ so as to significantly reduce its carbon footprint. With this in mind, the Group is contributing actively to the development of breakthrough technologies.” ▲



Marie Godard-Pithon, Deputy Manager, Performance & Investment

2

Urban transformation

has to meet the needs of demographic growth in terms of housing and infrastructures.

**EXPLANATION**

By 2050 Earth's population will be 10 billion, and 75% of its inhabitants will live in urban environments. Its sustainability, abundance, low cost, and ease of use make cement the unrivaled material for the construction of the smart cities of tomorrow.

CHALLENGES AHEAD

- Develop bio-based products and solutions
- Propose new, increasingly high-performance concretes
- Be on top of the entire logistics chain, including transport

“Through its choice of innovative action and its partnerships in both the public and private sectors, **the Vicat group is working for more sustainable urban development** that makes for more pleasant and safer living for the population. **Ecodesign of products**, implementation of short circular-economy supply chains, and the development of cements whose manufacture produces less CO₂ are now essential aspects for the urban construction of tomorrow.” ▲



Pierre-Olivier Boyer, Strategic Partnership Manager

3

Digital transformation is disrupting models of corporate organization and inducing the emergence of new, innovative services.

**EXPLANATION**

The digitization of society has totally transformed the construction business in the same way that our lifestyles have become increasingly connected, collaborative, and interdependent.

CHALLENGES AHEAD

- Establish a digital offering serving customer requirements
- Offer new high-value-added services based on the use of data
- Adapt our manufacturing processes

“To accelerate change, Vicat is now implementing its digital transformation plan. In 2019 we launched the Product Information Management program, a system that centralizes all product data, enriching it with sales pitches, project references, and an integrated media library. It improves the sharing of information by employees and its distribution to customers.

We’re also working on **making dematerialized documents available for customers**; this is fundamental for giving them a successful customer experience.” ▲



Corentine Holdsworth, Digital Transformation Manager

Vicat in numbers

2.7 billion euros
sales
2/3 generated
outside France

12 countries

9,947 employees

3 main
businesses



CEMENT

17 cement plants
5 milling plants
22 million tons sold



CONCRETE

259 batching plants
9 million
cubic meters sold



AGGREGATE

70 aggregate quarries
23 million tons sold



WORLD VIEW

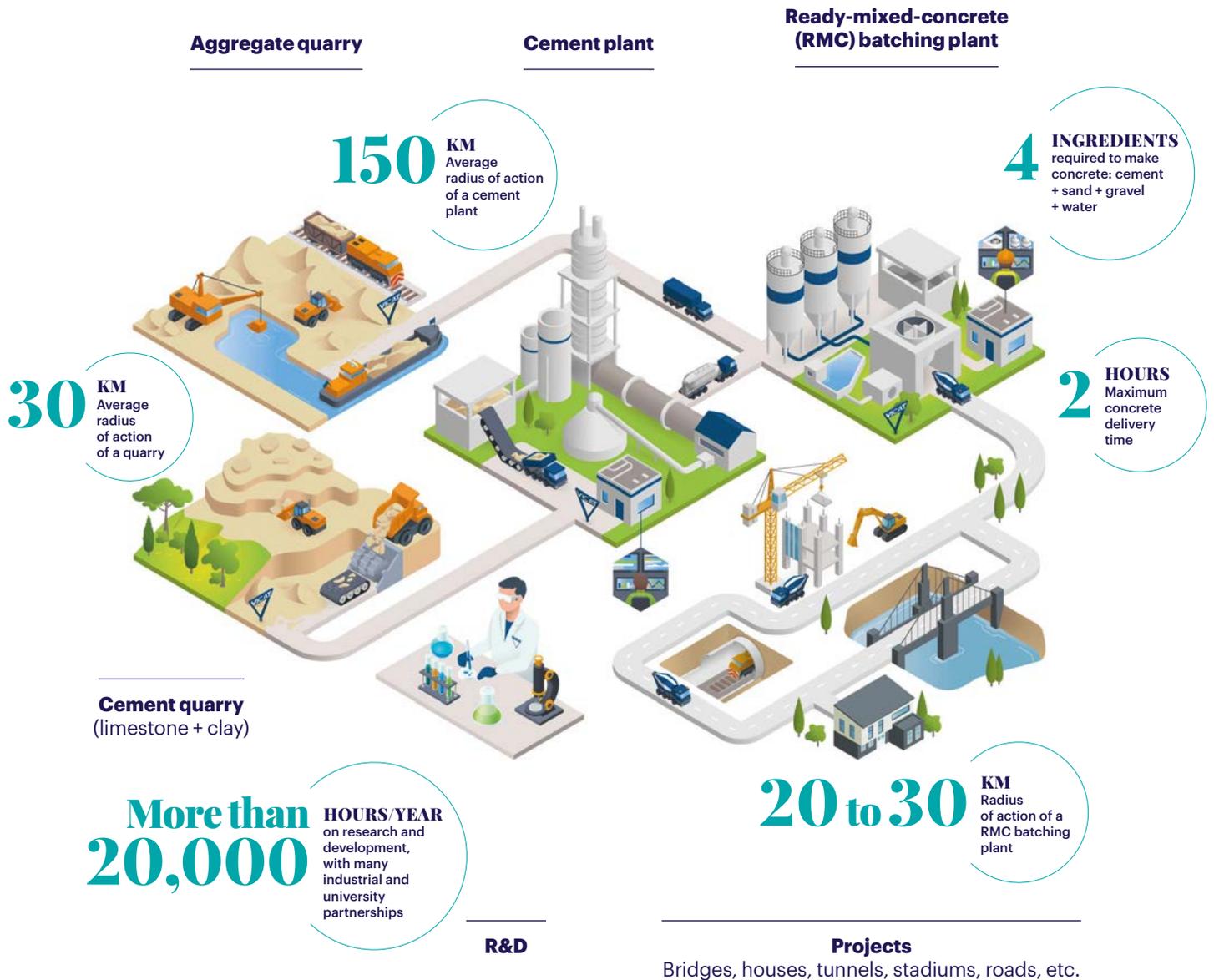
MAJOR ROLE IN LIVING TOGETHER

Vicat is pursuing its strategic development in places where demand for construction materials will be greatest in the years ahead. **The Group is taking steps to advance ecological transition and thus reduce the carbon footprint of its activities.**

This world view is just part of what makes Vicat who we are: an innovative, responsible company. ▲

Meeting the needs of many different markets

Throughout the world, we propose innovative, sustainable constructive solutions to continue meeting customer requirements and overcoming the challenges of construction.



 **CEMENT**

Cement is a widely available and unrivaled construction material that serves principally to make concrete. Vicat manufactures a wide range of artificial cements, together with a natural quick-setting cement (Prompt), to meet the needs of all those involved in construction.

Cement (millions of tons sold)	22
Cement plants	17
Milling plants	5



CONCRETE

Be it decorative, self-consolidating, pervious, or for 3D printing, roads, complex architecture, bridges or tunnels, and everything in between, Vicat markets a comprehensive range of ready-mixed concrete to meet the specific needs of any project and every imperative relating to environmental, quality, and safety concerns.

Concrete (millions of cubic meters sold)	9
Batching plants	259

 **AGGREGATE**

Whether virgin or recycled, aggregate is a raw material for sustainable construction. It is vital for making concrete and road pavements.

Aggregate (millions of tons sold)	23
Quarries	70



OTHER PRODUCTS & SERVICES

In some countries Vicat also has complementary businesses that generate value-added for its customers. These include transport, paper production, construction chemicals and finishing products for the construction industry in France, precast concrete products in Switzerland, and the manufacture of bags in both France and India.

Vicat throughout the world

With its reach across 6 geographical areas, Vicat is pursuing its strategic development in places where demand for construction materials will be greatest in the years ahead.



①
AMERICAS
United States, Brazil

21%

Sales

€589M

Consolidated sales

2,090

employees

3 cement plants
55 batching plants
2 aggregate quarries

②
WEST AFRICA
Mali, Senegal, Mauritania

7%

Sales

€217M

Consolidated sales

934

employees

1 cement plant
2 milling plants
1 batching plant
2 aggregate quarries

③
FRANCE

38%

Sales

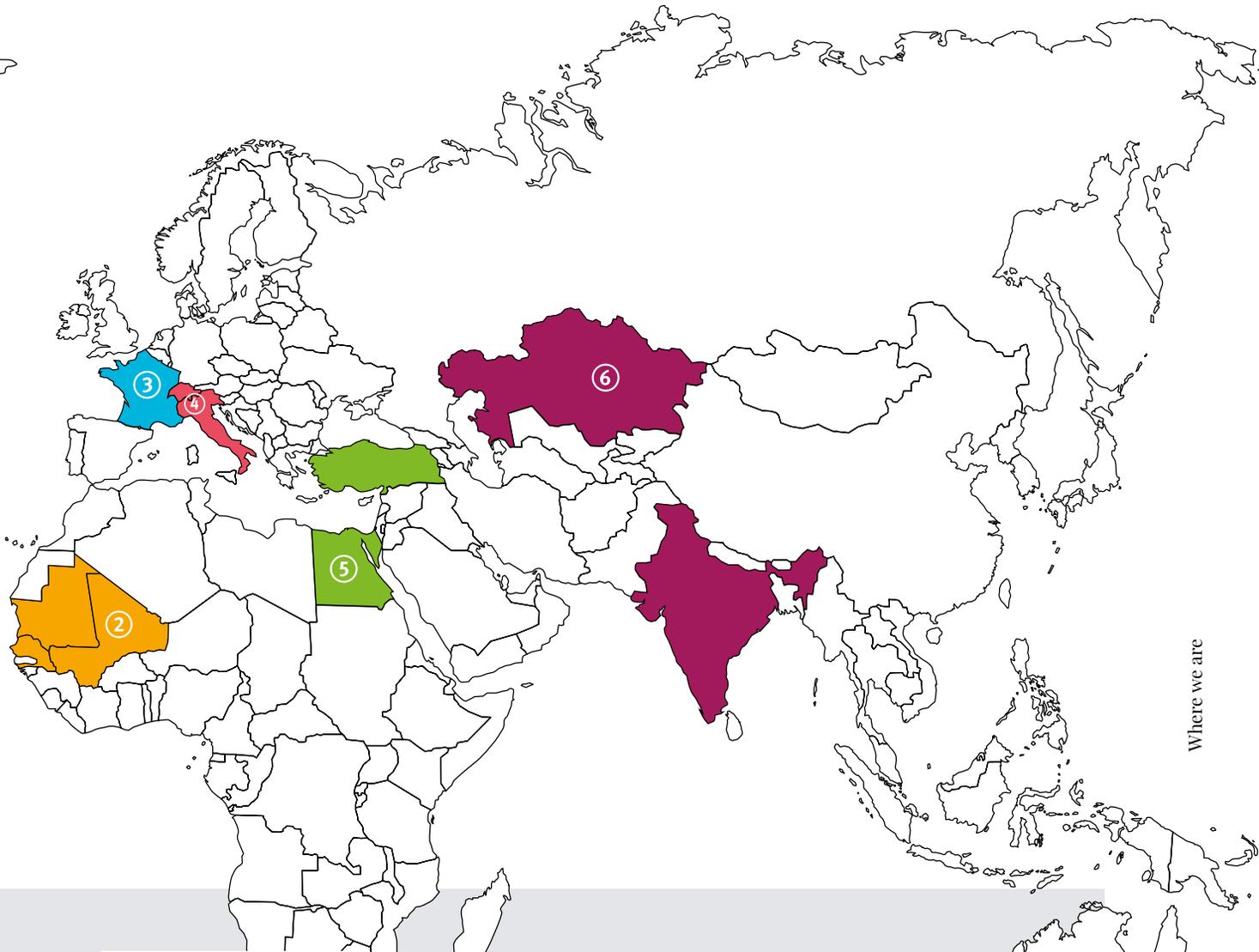
€987M

Consolidated sales

2,992

employees

6 cement plants
2 milling plants
149 batching plants
39 aggregate quarries



Where we are

④
REST OF EUROPE
 Switzerland, Italy

14%
 Sales

€401M
 Consolidated sales

1,170
 employees

1 cement plant
 1 milling plant
 19 batching plants
 19 aggregate quarries

⑤
MEDITERRANEAN
 Turkey, Egypt

7%
 Sales

€171M
 Consolidated sales

1,526
 employees

3 cement plants
 35 batching plants
 7 aggregate quarries

⑥
ASIA
 Kazakhstan, India

12%
 Sales

€375M
 Consolidated sales

1,235
 employees

3 cement plants
 1 aggregate quarry

Three strategic focuses for controlled development

For the long term, the Group stresses controlled development of its different businesses, associating a fine balance of dynamic organic growth with a policy of selective external growth while at the same time offering customers innovative products and solutions to meet the issues of tomorrow.

①

BUSINESS-SPECIFIC DEVELOPMENT

The Vicat group focuses primarily on its historical area of expertise, cement, which is the source of a large part of its profitability and the target of much investment. It expands into the ready-mixed concrete market through vertical integration, in accordance with the maturity of markets and the degree to which construction contractors integrate industrially produced concrete. The objective is to establish a network of concrete batching plants around cement plants and near consumption centers. The Group's presence in the aggregate sector provides a global response to its customers' construction materials requirements as well as secure, local supplies of aggregate for development of the ready-mixed concrete business. Vicat also benefits from a number of complementary businesses on some markets, such as precast concrete products, transport, and bag production. •

②

BALANCED GEOGRAPHICAL DEVELOPMENT

External growth is balanced between developed countries, which generate a steady stream of cash flow, and emerging countries with attractive potential for growth. External growth may also occur on markets where the Group is already present, for the purposes of vertical integration. External growth may involve existing businesses, as was the case with the acquisition of Ciplan in Brazil in 2019, or the construction of greenfield cement plants, for example. These different avenues of expansion help diversify geographical exposure and spread risk. The Group is currently engaged in twelve countries. It generates 62% of its sales outside France, 30% of which is in emerging countries (Egypt, Mali, Mauritania, Senegal, Turkey, Kazakhstan, India, and Brazil). •

③

INNOVATION ACCELERATING GROWTH

Drawing on its renowned know-how in all its businesses, and following in its founders' footsteps, the Group continues to innovate in order to best meet the expectations of its markets and provide high-quality products and services. Thanks to its people in Research & Development, the Group is able to supply customers with a wide range of innovative, high-performance products to meet the demands of rapidly changing markets. For example, the Group has defined the guiding principles of its "climate trajectory" aimed at reducing its carbon impact and thus meeting new environmental demands such as energy transition, recyclability of materials, and improved building performance. •

“Our customers have become accustomed to the instantaneity and flexibility provided by digital technology; they expect to find the same in their business world. Under its Customer Experience program, Vicat is developing new digital tools to better meet customer requirements, especially with respect to punctuality and simplicity in administrative management. For example, Béton Vicat Rhône is trialing dematerialization by texting customers to inform them exactly when concrete trucks will arrive and sending delivery dockets in electronic format.” •



▲ **Séverine Payot,**
Chief Digital Officer



◀ **Éric Bourdon,**
Senior Executive Vice President

“The Group recently presented its climate trajectory; it starts by observing that its CO₂ emissions have been reduced by 15% since 1990 and that thanks to existing tried and tested technologies such as alternative energies and reduction of the clinker factor, there will be a further 13% reduction by 2030. The ultimate objective is carbon neutrality throughout the entire value chain by 2050.” •

“The acquisition of Ciplan places the Group on a market with very significant medium and long-term growth potential. Ciplan enjoys a strong sales position on an attractive market, and has very extensive limestone reserves and modern industrial facilities with room for improvement that our expertise will put to the very best effect.”

Franck Person,
International Development Manager ▶



Governance and shareholders

Board of Directors



1. Jacques Merceron-Vicat, Honorary Chairman | 2. Guy Sidos, Chairman and CEO | 3. Delphine André | 4. Xavier Chalandon
5. Sophie Fégueux | 6. Jacques Le Mercier | 7. Louis Merceron-Vicat | 8. Emmanuelle Salles
9. Bruno Salmon | 10. Sophie Sidos | 11. Éléonore Sidos

Management

Operational executives

Guy Sidos, Chairman & CEO

Didier Petetin, COO, senior executive in charge of business in France (excluding Paper)

Senior executive vice presidents

Éric Bourdon, Chief scientific officer, Performance and Investment director, Climate strategy director

Philippe Chiorra, Chief legal officer

Éric Holard, Country director, United States

Zone / Country directors

Lukas Epple, Switzerland

Yves Keller, Africa zone

Philippe Latournerie, Brazil

Pietro Calà, Asia zone

Gianfranco Tantardini, Mediterranean zone

Audit Committee

Jacques Le Mercier, Chairman

Delphine André

Xavier Chalandon

Éléonore Sidos

Compensation Committee

Xavier Chalandon, Chairman

Jacques Le Mercier

Bruno Salmon

Auditors - Incumbents

KPMG Audit

Wolff & Associés SAS

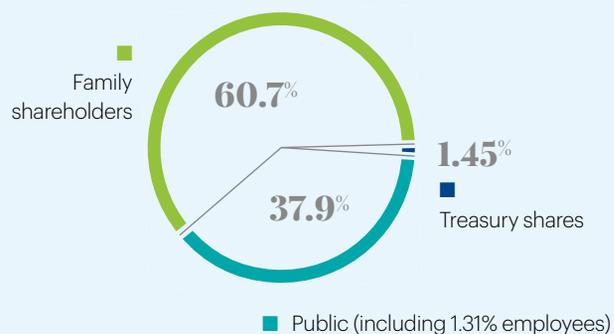
Auditor - Alternate

Cabinet Constantin



SHARE CAPITAL

As of December 31, 2019, the Company's share capital amounted to 179,600,000 euros, consisting of 44,900,000 shares with par value of 4 euros each.





▲ **Sophie Sidos,**
Chair, Fondation Louis Vicat



▲ The Villeurbanne concrete batching plant (France) hosted a visit for NGO "L dans la Ville"

“A year of concrete commitment for the community”

The Louis Vicat Foundation is devoted to the preservation and showcasing of built heritage assets but also conducts initiatives in support of job creation and training. Sophie Sidos, chair of Fondation Louis Vicat, goes back over the year.

What were the landmark projects carried out by Fondation Louis Vicat in 2019?

Our initiatives in 2019 included the launch of the “Action for Notre Dame” solidarity campaign for Notre Dame Cathedral in Paris after it was severely damaged by fire, something that affected us deeply, all the more so since in 2004 Vicat was involved in repair work on pinnacles of the amazing building, using our Prompt natural

quick-setting cement. Built heritage is the visible part of our common history. It is my personal conviction that it is our duty to transmit it to future generations in the best possible condition. Therefore, as part of the duty of memorialization it has set itself, the Foundation is intent on safeguarding built heritage under threat, like the southern wall of “Louis XI” palace in La Côte Saint André, in the French Alpine region of Isère.



The palace is the venue for the annual Berlioz Festival. The Foundation is helping to fund the restoration work.

Why are you involved in the Berlioz Festival?

Culture, and especially music, is a fantastic way to create social links and consolidate our ability to live together in harmony. Convinced of this, Fondation Louis Vicat became a sponsor of the Berlioz Festival. And, wanting to do even more, I agreed to be Co-Chair of Club Benvenuto, the association of sponsors of this fantastic festival. In keeping with the commitments of composer Hector Berlioz who liked to be “popular and rural”, the festival showcases the Isère area and makes music accessible to everyone, everywhere. These are our common objectives. We want to put culture at everyone’s doorstep, and

when I say everyone, I of course include the employees, customers, and partners of the Vicat group.

Can you tell us about what you do for training and social cohesion?

In pursuance of its education and social-cohesion missions, the Foundation has intensified its work in support of job facilitation for those most disadvantaged and alienated from employment possibilities. At many of our production facilities, both in France and internationally, we take concrete action for better job

facilitation by acting on employment and training opportunities. Throughout the year, we have opened doors to our facilities to inform people about the work the Company does. For example, a group of hearing- and sight-impaired middle-school pupils visited the Papeteries de Vizille paper mill in Isère for a work-awareness day. We also had a group of injured military personnel seeking job transition spend time at our operational headquarters in L’Isle d’Abeau and at the Montalieu cement plant to help them to envisage their vocational reintegration. •

In harmony with the Berlioz Festival

The 2019 Berlioz Festival that was held from 17 August to 1 September marked the 150th anniversary of the death of composer Hector Berlioz. In supporting this special concert series, Club Benvenuto, the Berlioz Festival’s sponsorship group co-chaired by Sophie Sidos and pianist Brigitte Gonin Chanut, helped the Isère region shine forth. This year’s commemorative “King Hector” event drew 38,000 music lovers to hear some of the world’s greatest performers. ▲

Committed to more effective vocational reintegration

Subsequent to the French President’s 17 July 2018 call for national mobilization of companies around the banner “France, an opportunity. Companies get involved”, a program aimed at bringing all the companies in each administrative region together to achieve more inclusive growth, Sophie Sidos was appointed leader of Club Isère, the body responsible for managing the local network of companies involved in the initiative. ▲



▲ “The Capture of Troy” conducted by François-Xavier Roth, at the 2019 Berlioz Festival (France)

Innovation for living together

Since living together more harmoniously and better protecting the planet require constant effort, Vicat is focusing on fields of innovation for building the cities and infrastructures of tomorrow. The Group sets up scientific partnerships and works with the key players in the sector.

Five exemplary initiatives are presented below.

Using waste heat to produce hydrogen

► **THE IDEA:** Using hydrogen in a cement plant can reduce our carbon footprint at the level of two separate links in our value chain: firing of clinker and transport of finished products. A first reduction can be brought about by using CO₂ emitted by cement kilns beneficially, in conjunction with hydrogen, to produce compounds that are used in the chemical and petrochemical industries. The second reduction involves using hydrogen directly to run our trucks transporting the cement we produce.

► **THE SOLUTION:** The Group is studying the potential for establishing two distinct electrolysis systems at the Saint Égrève cement plant, near Grenoble. The first of these, a mature technology, will produce enough hydrogen to run 10 trucks for which Group subsidiary SATM Transport has placed a pre-order. The second system, which is based on a technology still under development, makes use of the residual (waste) heat of the cement manufacturing process to increase the efficiency of electrolysis by more than 30%. The two complementary projects will be carried out collaboratively, the first with Hynamics, a subsidiary of French power company EDF, the second with the Innovation Laboratory for Nanomaterial and New Energy Technologies (LITEN) of France's Alternative and Atomic Energies Commission (CEA). Moreover, oxygen,

a by-product of electrolysis of water, can be used in the cement process: it improves kiln combustion, reduces fuel consumption, reduces energy consumption by reducing the volume of exhaust gas to be removed by the draft fans, and concentrates the CO₂ in the exhaust gas, making its capture easier. For all these reasons, Vicat foresees very real synergies between cement kilns and the production of hydrogen by electrolysis of water. ▲

Developing industrial symbiosis with production of microalgae

► **THE FACT:** The Cimentalgue trial being run at the Montalieu cement plant in east-central France is testing the potential for using captured CO₂ to increase microalgae harvests. In addition to capturing CO₂ from the exhaust fumes, the project subsidized by France's Environment and Energy Management Agency (ADEME) involves recovering waste heat from the kiln stack. The CO₂ is fed to microalgae crops whose environment is heated year-round in a closed-loop system requiring no external energy. This is known as industrial symbiosis, in which the provision of CO₂ and industrial waste heat reduces the production cost of microalgae which can be used as a food supplement or biofuel. ▲



▲ Récif'lab: concrete 3D ink promotes marine biodiversity

Finding inspiration in nature for construction

► **THE IDEA:** Nature is the only engineer capable of creating multitudes of production cycles without consuming fossil fuels or generating waste. Biomimetics is based on this, following the examples of efficient systems encountered in the world of animals and plants to come up with sustainable breakthrough innovations.

► **PROOF BY EXAMPLE:**

“Just off Cap d’Agde, on France’s Mediterranean coast, an artificial reef of a new generation has been placed on the seafloor. The 32 modules were 3D-printed using a concrete ink produced by Vicat.

The special mix design is tailored to be highly plastic, strong, and durable, and thus meet the physical and biodiversity imperatives of the subsea environment. Such good results with such a volume of marine habitat would have been impossible with traditional methods, even at a large scale. 3D concrete printing has thus revealed itself as a solution with great ecological potential.”



Laury Barnes-Davin,
Scientific Officer, R&D Manager

Repurposing construction materials

► **THE ISSUE:** About 50% of all the raw materials used in the European Union are employed in the construction sector, which at the same time generates about a third of all the deconstruction and demolition materials, i.e. concrete, bricks, tiles, and other ceramics that can potentially be recycled into aggregate. Until now only a meager 4% of these repurposed materials has been used to make concrete. This low figure has incited Vicat and sixteen partners from five countries in Europe to launch the SeRaMCo project (Secondary Raw Materials for Concrete precast products) with the support of the European inter-regional cooperation program, Interreg.

► **THE SOLUTION:** The research carried out is aimed at increasing the use of these resources in the manufacture of cement and concrete. By September 2020 it will have led to the development of innovative repurposing methods and the industrial production of cement and ready-mixed concrete using recycled aggregate. To meet these objectives, Vicat is working hand in hand with the Materials for Civil Works unit of the University of Lorraine’s Jean Lamour Institute. ▲

Capturing and storing CO₂ with recycled concrete aggregate

► **THE CHALLENGE:** Reducing the carbon footprint of concrete while at the same time improving the quality of recycled concrete aggregate. Together with around twenty partners, Vicat is working on the FastCarb (Accelerated Carbonation of Recycled Concrete Aggregate) project, the idea behind which is based on the observation that throughout its lifetime concrete undergoes a natural process of carbonation of the cement it contains; very slowly, it absorbs at least 15% of the carbon equivalent emitted by kilns during the manufacture of the cement. Bearing this phenomenon in mind, at its Créchy cement plant in central France, Vicat is conducting trials with a cross-flow rotary dryer that in around one hour can reproduce the natural physico-chemical phenomenon observed. ▲

A year of major advances in corporate social responsibility

Vicat's CSR initiatives are consistent with the Company's economic performance and are carried out for the good of the regions where it is present and of the men and women with whom it works.

Environment

► ADVANCING CIRCULAR ECONOMY

Drawing on its industrial expertise and community focus, Vicat makes the best possible use of the materials and energies available to it in the areas where it works and in so doing reduces the environmental impacts associated with them. The vitality of the Group's circular-economy model can be explained by the strategic choices it made several years ago. Three major actions are involved.

Vicat takes pains to select raw materials that are available locally and thus to reduce haulage

Availability of resources (materials and energy) is an essential issue for the Group. While accumulating land reserves is of strategic importance for lasting survival, so is economizing them. The raw materials used mostly are natural mineral resources that are extracted from the ground in the immediate vicinity of our plants.



▲ Baştaş Çimento (Turkey)

26.5%

The proportion of alternative fuels across the Group

Vicat uses alternative raw materials

Wherever possible the Group prefers to use alternative raw materials rather than naturally occurring materials. Potential sources of supply are identified and targeted for actions to initiate a circular economy. The actions taken might be things such as supply contracts with producers of waste or provision of platforms for temporary storage of waste pending its use as a resource.

For manufacture of clinker, the *Terenvie* platform, which came into service in Lyons in 2019 as a result of collaboration between Serpol and Vicat, receives contaminated soils and treats them by means of phytoremediation before disposing of them beneficially in cement plants.

The Group is also deeply involved in the French Recybéton project for recycling of demolition concrete to make new concrete and the European SeRaMCo project (*Secondary Raw Materials for Concrete precast products*) looking into the replacement of natural raw materials with high-quality building and deconstruction waste such as concrete, bricks, tiles, and ceramics.

Vicat applies the waste-to-energy principle at cement plants to reduce fossil-fuel consumption

The Group invests in technologies that will make value chains circular. For many years now, it has been following an ambitious policy for using alternatives to traditional fossil fuels. Examples of such alternative fuels are refuse-derived fuel, end-of-life tires, used oil, solvents and other liquids derived from industrial waste that needs to be disposed of. Apart from sparing extraction of natural resources, substitution of traditional fuels is an important



▲ The Odyssee planter made with Smart^{UP} ultra-high-performance fiber-reinforced concrete includes nesting spaces for wild bees

lever for reducing fossil CO₂ emissions. In 2019, alternative fuels accounted for 26.5% of the Company's total heat input (28.3% at constant scope). The proportion attributable to biomass was 9.2% (10.1% at constant scope).

► PRESERVING BIODIVERSITY

The Group's businesses, and its quarries in particular, entail considerable responsibility with respect to biodiversity. Vicat has been taking action to protect it for many years. While quarrying modifies the natural surroundings, through programs quarries implement locally it can also create new habitats and be conducive to the introduction of many species of flora and fauna. While the programs are closely linked to the phasing of operations at the sites, they allow for innovative measures to be adopted, particularly with respect to restoration of sites whose reinstatement plans often go far beyond regulatory requirements. Around 30% of the Group's quarries have natural restoration plans, and the Group is accustomed to working in the field with stakeholders of different kinds, i.e. local authorities, nature associations, hunters', anglers', and farmers' federations.



▲ Ciplan children's day (Brazil)

Societal

► SUPPORTING LOCAL BUSINESSES AND INDIRECT JOBS

By the very nature of the Group's industrial activities, Vicat generates a great deal of employment both upline and downline of its production facilities. In developed countries, 1 direct job in one of the Group's cement plants generates 10 indirect jobs.

For the Jambyl Cement plant in Kazakhstan, the ratio is 1:3, as it is in India. The cement plant run by Sococim Industries (Senegal) generates 5 indirect jobs with every direct job. On top of that, the initiatives of the Sococim Foundation help improve the dynamics of the economy of the entire Rufisque area by supporting the development of local undertakings that foster traditional know-how in fields such as processing of locally grown cereals, dyeing as a cottage industry, and commercialization of textiles. Vicat is involved in several initiatives supporting local economic development in other places too, such as the "Alizé" network in France. Vicat chairs the "Alizé" approvals committee in the Savoy region which for 20 years now has been providing support for small and medium-sized local businesses in the form of the skills of companies sponsoring the program. As of December 31, 2019, "Alizé Savoie" had projects for creating 33 new jobs.

► AVERTING RISKS OF CORRUPTION

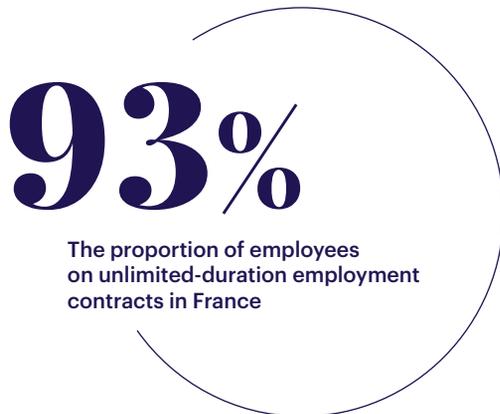
The Group imposes compliance with its Code of Ethics to avert risks of corruption. The Code of Ethics calls for respect of people, society, and the environment. The Vicat Group considers that compliance with law and regulations is an essential and absolute imperative. It revises its map of risks of corruption every year, and it has a professional whistleblowing facility on its website. It dispenses face-to-face and on-line training on how to combat corruption; it manages the implementation of the Code of Anti-Corruption Practice and strives to reinforce its accounting controls as required.

► TAKING ACTION FOR OUR SURROUNDINGS

The Group supports large numbers of social-cohesion initiatives for local populations addressing education, cultural awareness, self-achievement through sport, and health. For example, through its subsidiary SATM, Vicat lined up alongside not-for-profit "Ma chance, moi aussi" to provide after-school educational support for children between 5 and 7 from disadvantaged backgrounds, proposing activities that include not just school subjects but also games, cultural interests, and sports.

In France, in 2019 more than 1600 school pupils of all levels visited cement plants, concrete batching plants, aggregate quarries, the Papeteries de Vizille paper plant, etc.

“The most advanced cement plants in terms of alternative-fuel use have rates of 80% or more; the Créchy plant in France achieves 79% and the Reuchenette plant in Switzerland over 90%.”



Social

The Vicat group's headcount stood at 9,947 as of December 31, 2019, up 12.5% on 2018. Our human-resources policy is tailored to encourage and nurture every skill.

► WORKING IN SAFE SURROUNDINGS

The health and safety not just of employees but also of subcontractors on our sites is our top priority. In 2019 Vicat continued to implement its “zero accident” strategy and boosted its workplace health and safety culture by working on exemplarity, rigor, and commitment. The Group thus succeeded in achieving a hitherto unequalled accident-frequency rate in 2019: 5.2. At constant scope of consolidation, the number of lost-time workplace accidents dropped by 8% between 2018 and 2019. Taking account of acquisitions, the drop is still 3% (with an increase of close to 1,000 in the headcount over this period).

► NURTURING INCLUSION

The Vicat group continues to ensure social inclusion, both in the implementation of its policies with respect to employees and in the interests of the local populations in the places where it works. Its focus on social inclusion generates actions in favor of diversity and against discrimination, and is expressed through its determination to give its workforce the stability of unlimited-duration employment contracts (93% of the Group's workforce in 2019).

Stressing an intergenerational policy for the workforce, employment, and skills

Recruitment, training, pay, and promotion policies guarantee that age cannot be a discriminating factor. The profiles of junior and senior employees recruited in 2019 illustrate the result of our policies. Special attention is paid to the training of employees so as to maintain the highest levels in terms of skills and performance.



▲ Vicat employee at Saint Jean le Vieux quarry (France)

Concern for persons alienated from employment

The Group deploys an active training and recruitment policy aimed at persons alienated from the workplace. In India, for example, close to 400 villagers (often illiterate and uneducated) received training that enabled them to then become employees at the Kalburgi and Bharathi cement plants. And Vicat responded positively to a call by the President of France, Emmanuel Macron, by joining

Greater awareness of job facilitation for persons with disabilities

Disabled workers accounted for 2.5% of our French workforce in 2019.

The same job facilitation policy is deployed internationally, particularly in Italy (4.1%), Brazil (2.6%), and Turkey (2.6%).

Much has been done to guide the Group's employees towards greater awareness and acceptance of disabilities.

With the support of the Louis Vicat Foundation, for which disability is a priority, the target for 2020 is to continue to:

- raise awareness and give training regarding persons with disabilities;
- increase direct employment of persons with disabilities to reach a figure of 3.8% in 2020 (the French national average);
- develop direct employment by entering into contracts with the sheltered sector.



▲ Louis Vicat Technical Center in L'Isle d'Abeau (France)

3.8%

2020 target for direct employment of persons with disabilities

the “*La France une chance, les entreprises s’engagent*” and PAQTE initiatives for increasing the number of apprenticeships and employing people in Top-Priority Neighborhoods (TPN) and Rural Revitalization Zones (RRZ); after training dispensed directly by the Vicat group in most cases, recruits from TPNs and RRZs were employed immediately under unlimited-duration contracts. Intensive partnerships with not-for-profits devoted to social mainstreaming like *Sport dans la Ville*, *Tous en Stage*, *Institut Télémaque*, AFIPH, *Les Entreprises pour la Cité* and organizations dedicated to job training and creation like *Écoles de la 2^e chance* and *Mission Locale* job centers have turned commitment into fact.

► ENSURING GENDER EQUALITY

Gender equality is one of the essential aspects of the Group's human-resources policy. In accordance with the culture of the countries where Vicat works, appropriate steps are taken to ensure that women can find employment and training and that they are treated equitably in terms of pay and promotion. In 2019 the Group continued what it has been doing to “degender” jobs in the minds of recruiters (in-house and externally) and job applicants. In France, it is systematically requested that women applicants also be proposed for jobs typically occupied by men.

The proportion of women employed by the Group remained stable—at 10.4%—between December 31, 2018, and December 31, 2019. The rate of feminization at the management level across the Group rose from 13.4% in 2018 to 13.9% in 2019. •



ACHIEVEMENTS

A YEAR OF ADVANCES

For nearly two centuries, the Company and its personnel have been driven by a passion for the products and professions of the construction industry. By virtue of the technical expertise and commitment of its workforce, Vicat is able to nurture relationships of ongoing trust with customers and partners on a daily basis. **Contributing to progress in the art of construction: that is Vicat's everyday objective for every project and in every place. ▸**

FRANCE

“What we do to set up a circular economy focuses on short supply chains and the development of solutions for repurposing waste”

Didier Petetin,
COO, Senior Executive
in charge of business in
France (excluding Paper)



What is the Group doing in France with respect to energy transition?

Didier Petetin. The Group’s businesses in France are engaged in energy transition in working to attain our objective of replacing 100% of the fossil fuels used in our cement manufacturing process with substitute fuels by 2024.

We are also working on new generations of low-carbon cements and concretes with the aim of reducing the environmental footprint of our products and services. We are doing a great deal to establish circular economies, preferably with short supply chains, and to develop solutions for repurposing waste and mineral materials under the brand name Vicat Circulère.

The Group is also involved in major projects at the European level, but using what tools?

D. P. In France Vicat has solid foundations, with very-high-performance industrial assets and short decision channels, which makes for great reactivity for large projects. For our CAP24 business plan, for instance, we rearranged our organization into 6 regions common to our businesses in order to provide our customers with the best possible responses and services.

We have also assumed the role of French pilot for the Group’s digital transformation (Customer Relationship Management, Product Information Management, etc.) aimed at improving our productivity and working in the interests of the best possible customer relations in coming months. Accordingly, we are well prepared to tender effectively for very large projects, be they French (e.g. Grand Paris) or European (Turin–Lyons high-speed railway tunnel), in addition to all urban and regional projects.

What are your other avenues for progress in France in 2020?

D. P. The health and safety of our employees and partners is always our top priority. Our sole objective in this respect is “zero accidents”, and in 2020 we must confirm the downward trend we have seen in our accident records over the last few years. The other avenue for progress in 2020 is, as always, our financial performance. This is decisive not just for continuing our investments for development and energy transition but also for continuing to advance hand in hand with our customers and with the general community. •

The construction sector in France remains sturdy as a result of public works projects and new non-residential project startups, all of which has compensated lower volumes in residential works.

► **THE IMPROVEMENT IN THE CEMENT BUSINESS IS BASED ON A SOLID RISE IN AVERAGE SELLING PRICES**

that outbalanced the slight drop in volumes throughout the year. After a particularly dynamic first half, largely due to highly favorable weather, the second half saw business subside somewhat.

On the industrial front, energy performance plans continued to be deployed. The high level of substitution of fossil fuels (close to 57%) kept the rise in energy costs down.

► **THE STRATEGY FOR RE-ESTABLISHING PROFITABILITY IN THE CONCRETE BUSINESS**

was pursued, the accent being on selling prices, while sales volumes rose somewhat. The share of special concretes also continued to rise.

As for aggregate, the satisfactory trend at the end of 2018 lasted through the first half of 2019, with the result that although it lost pace appreciably in the second half of the year, volume sales grew 1.7% for the year as a whole. Selling prices also rose.

► **OTHER PRODUCTS & SERVICES**

Papeteries de Vizille

Volume sales in the Paper business remained stable, largely as a result of the new “de luxe” paper market. Bag business improved appreciably in terms of both volumes and sales. .

Transport & Major Works

The sales of SATM Transport grew distinctly in 2019 on the wave of sustained dump-truck business carrying deconstruction materials. Major Works business was stable, continuing to benefit from large Grand Paris Express projects and the Turin–Lyons high-speed railway.

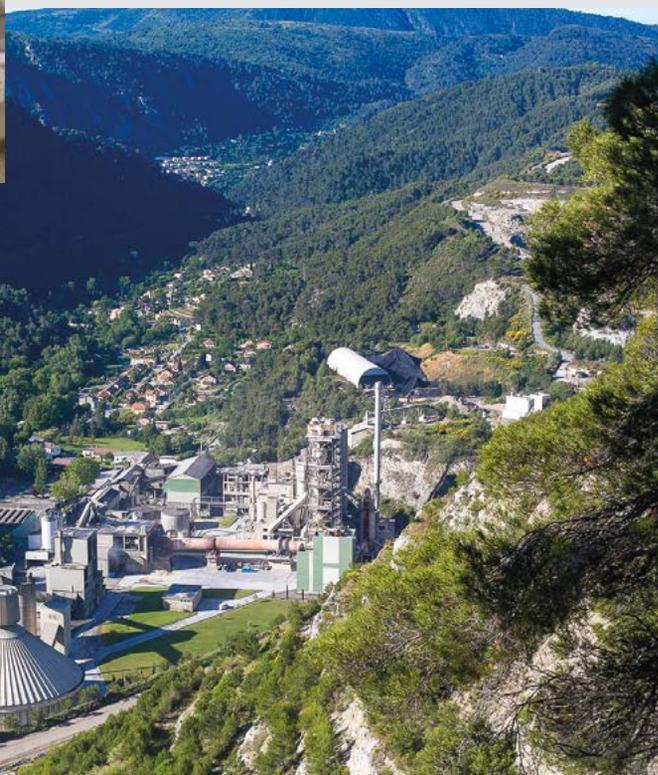
Construction chemicals

Vicat Produits Industriels posted growth in sales as a result of good performance in the building segment.



▲ Vicat employee running a check at Saint Jean le Vieux quarry (France)

▼ La Grave de Peille cement plant (France)



CEMENT

6 cement plants

3 M

tons sold



CONCRETE

149

batching plants

3.3 M

cubic meters sold



AGGREGATE

39

quarries

10.2 M

tons sold

Highlights of 2019

Bulk cement carrier for Corsica

► WHAT THIS IS ABOUT:

In December 2019, in Nice Harbor, Vicat christened its first bulk cement carrier, a 3,250-DWT general-cargo vessel modified to carry 2,000 tons of cement. French-registered, and named “Capo Cinto” in reference to the familiar name of the highest peak in Corsica, she delivers cement in both bulk and bags to the Corsican ports of Bastia, Porto Vecchio, Ajaccio, and Propriano, as well as Italy and other parts of the Mediterranean. Her engines run on low-sulfur marine gas oil, and she has on-board wastewater-recovery and waste-sorting facilities.

► **THE ISSUES:** It was important to continue supplying a part of France – Corsica – that has no cement plant of its own and which therefore receives shipments of Vicat cement mostly from the La Grave de Peille cement plant, via Nice. This is further expression of the Group’s community focus aimed at satisfying customers, essentially local ones. The location and activities of the cement plant, which has been operating in the hills above Nice since 1923, make it a pillar of the regional

market. While its proximity to the sea is a key advantage for exporting throughout the Mediterranean basin, being located close to population centers also gives it an ideal opportunity to use local waste as alternative fuel for firing the kiln; it is thus a component in the Vicat group’s circular-economy drive.

Total capacity
of close to
2,000
tons

► Capo Cinto, Vicat’s first bulk cement carrier, in Nice Harbor



Prompt natural quick-setting cement applauded for historic monuments

► **NUMBER:** 4 metric tons: the amount of Prompt natural quick-setting cement used to upgrade access to the Château d'If fortress. It was used to repave 500 m² of footpath.



▲ Work in progress at Château d'If, Marseilles (France)

► **DETAILS:**

“Prompt natural quick-setting cement was mixed with lime to produce a “natural” concrete. Its compatibility and complementarity with lime means it sets quickly, stands up better to the aggressions of the marine environment, and is pleasing on the eye. It was used as jointing mortar by the crews of stonecutters and paviors who cut and placed new limestone pavers on the shallow-stepped lane. Each stone was chosen individually and recut by hand before being embedded in the mortar, leaving the top surface showing. We were intent on having a natural material that is compatible with the lime we were using and that withstands the aggressions of the marine environment, with everything supervised and validated by the chief architect for historic monuments. On the strength of this job, I feel

Prompt natural quick-setting cement should be used on a growing number of historic monuments.”



Laura, stonecutter, project leader, Vivian & Cie.

Vicat committed to sustainable local transport

► **THE IDEA:** As a proponent of ecological transition, Vicat is multiplying sustainable transport initiatives. The commissioning in France of the Oxygène truck, the first ecologically responsible concrete mixer truck, and in Switzerland of Lynx, a fully electric quarry truck, testifies to this commitment. In addition, SATM is multiplying endeavors to minimize environmental and energy repercussions.

► **PROOF BY EXAMPLE:**

The first no-carbon renewable-natural-gas (RNG) and bioRNG filling station in Savoy was opened at the SATM facility in Chambéry, in the French Alps, in December 2019. It supplies natural gas for goods, passenger, and in fact any other vehicles with the appropriate engine. Comprising approximately 96% methane, this green fuel emits practically no particulates. BioRNG also reduces global CO₂ emissions by 80%, and the 20% in the exhaust gas is the equivalent of the CO₂ absorbed by the plants converted into methane. On top of that, RNG/bioRNG vehicles are on average only half as noisy, which improves working conditions for drivers and the quality of life of anyone near roads. This project won the call for projects issued by France's Environment and Energy Management Agency (ADEME), the Auvergne-Rhône-Alpes administrative authority, and gas distributor GRDF for increasing the region's coverage with RNG and bioRNG filling stations.

EUROPE

“Our salesforces were able to adapt to and take advantage of the acceleration of non-residential construction”

Lukas Epple,
Country Director,
Switzerland



In light of the sluggish economy, how is Vigier making headway?

Lukas Epple. It is true that we're currently in a period of relatively slow economic growth. In this situation, Vigier has managed to maintain its market share, despite a slowdown on the markets closest to our plant. Our salesforces were able to adapt to and take advantage of the acceleration of non-residential construction, by way of projects in the Basel region (Hoffmann-La Roche research centre, sewage-treatment plant) and near Geneva, where we supplied several work packages in the Étang district.

What were the initiatives for energy transition in 2019?

L. E. For years now, Vigier has been engaged in developing the use of alternative fuels in the form of end-of-life wood, dried sewage sludge, meat and bone meal, solvents, and waste oil. In 2019 the substitution rate reached 91%, and even 100% for several production runs. Not only did this mean that the plant kept its cost price down but it also made a

significant contribution to the 35% reduction in net CO₂ emissions per ton of cement since 1990. In addition, we reduced the specific fossil-fuel consumption of our vehicles by 19% relative to 2014, in large part by designing and investing in the 100% electric quarry truck, Lynx.

And what about actions for circular economy and safeguarding biodiversity?

L. E. In 2019, Vigier collected, processed and repurposed about 500,000 tons of waste in its manufacturing processes. Waste collection is a service we provide for around 14,000 customers in Switzerland. The waste replaces primary resources that we are thus able to preserve for the generations ahead. As for biodiversity, our Cement subsidiary outlined everything it has done to safeguard natural assets in a special brochure that is being used for communication reaching out particularly to administrative authorities and nature-protection organizations in Switzerland, but also to our customers and local inhabitants. •

► **CONSTRUCTION IN THE AGE OF 3D** “From planning to installation, quality and time savings are a certainty with our 3D printer. For example, for our customer Swisscom it took just 45 minutes to print a special concrete unit for a project also involving renovation and extension of wastewater and urban-heating pipes. The new 3D printing process is ripe for deployment in many sectors. The freedom of shapes it affords makes it particularly attractive for customized products.”

David Maier, Project Manager, Creabeton Matériaux.

SWITZERLAND**Business stabilized but irregular across branches**

► **CEMENT: ON A MARKET THAT SLID BACK 3.2% TO 4.7 MILLION TONS**, largely in the second part of the year, the Group managed to maintain stable sales volumes and selling prices. On the industrial front, manufacturing costs continued to drop, largely as a result of the focus on developing alternative fuels whose use reached a record of close to 91%.

► **CONCRETE SALES ROSE SLIGHTLY WHILE THOSE OF AGGREGATE DECLINED**, but these figures mask significant regional disparities. Selling prices were down in both businesses. Recycling remained solid, however, with volumes in excess of two million tons and selling prices on the rise.

► **OTHER PRODUCTS & SERVICES**

On market that was buoyant but highly competitive, Creabeton's sales were down 4.3% overall, compared to 2018, and selling prices were also in decline. In the rail business, the pace of maintenance projects on the Swiss federal railways system was considerably slower than in previous years, resulting in an appreciable drop in sales volumes. Selling prices stood up well, however.



▲ Water pipe for International Olympic Committee HQ in Vidy (Switzerland)

**CEMENT****SWITZERLAND**

1 cement plant

0.9 M

tons sold

ITALY

1 milling plant

0.2 M

tons sold

**CONCRETE****SWITZERLAND**

19

batching plants

0.7 M

cubic meters sold

**AGGREGATE****SWITZERLAND**

19

quarries

2.4 M

tons sold

ITALY**Upturn in business**

► **AT 18 MILLION TONS, CEMENT CONSUMPTION WAS STABLE** despite a dip in the construction sector, especially in the center and south of Italy. Against ongoing consolidation in the cement business, the Group's sales volumes rose more than 21%, much being the result of the transfer of marketing of Prompt quick-setting natural cement. Selling prices also rose.

AMERICAS ► UNITED STATES

“Optimizing the carbon footprint of our materials”

Éric Holard,
Country Director, USA



The new Vernon batching plant has been operating for a year now; how has it won new markets?

Éric Holard. Being located close to downtown Los Angeles, our new concrete batching plant has enabled us to bid for many contracts, including for emblematic projects such as the new Lucas Museum of Narrative Art (George Lucas) and some of the high rises in the LA business district, such as the Wilshire and Shoreline Gateway towers. These are highly complex projects in engineering terms that require some very-high-performance concretes, which is of course something we know all about and can supply through our subsidiary National Ready Mixed.

How are customer relations changing, especially in California?

É. H. In 2019, in California, we launched our Environmental Product Declaration platform, a new digital instrument inviting collaboration from California customers, developers, architects, and engineers wanting to check the carbon footprint of the concretes proposed for their works and, if required, adjust them with the help of our subsidiary National Ready Mixed. This support will be

a major differentiating factor as increasing numbers of people focus on energy transition and circular economy, particularly in California, a State with a strong commitment to reducing greenhouse-gas emissions.

And on the other side of the United States, another project has kicked off...

É. H. Indeed. After several months of studies, at the end of 2019 we signed an equipment supply contract with ThyssenKrupp (Polysius) for a 5,000-ton-per-day kiln line at our Ragland cement plant in Alabama. The investment includes a system for operating on 100% alternative fuels, allowing us to provide customers with cement that has an optimized carbon footprint. The work will be carried out between 2020 and the end of 2022. With this new industrial facility with potential yearly output of close to 1.8 million tons, we will be able to accompany the growth of our customers and rise to a whole range of opportunities in one of the United States' most dynamic regions. •

► **NATIONAL READY MIXED HAS STARTED OPERATIONS AT A NEW CONCRETE PLANT** capable of batching 400,000 m³ per year to supply large projects in the west of the United States. Located in the city of Vernon, in Los Angeles County, this key investment by the Group is aimed at keeping up with a thriving market that is developing fast in the buildup to the 2028 Olympic Games. The production capacity of the plant makes it a vital player for present and future projects such as the Lucas Museum of Narrative Art (George Lucas), renovation of the LA Memorial Coliseum, and 2900 Wilshire Boulevard.

In what is still a favorable economic climate, construction expenditure continued to rise firmly, up more than 4% on 2018, mainly in the public sector where it grew more than 12%, and to a lesser extent in the residential sector.

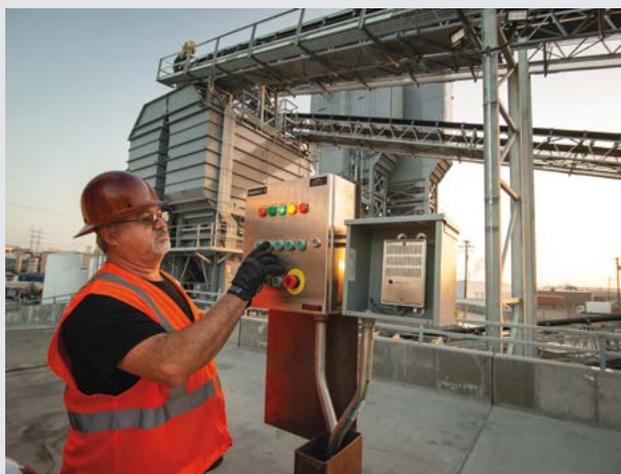
► **CEMENT CONSUMPTION GREW CLOSE TO 3% ACROSS THE COUNTRY,**

reaching 99 million tons, with rather more pronounced growth in the Southeast. The California market, on the other hand, lost ground as a result of heavy rains and countless wildfires. Sales volumes were stable, despite the challenging weather conditions. Selling prices rose across all markets.

As a result of improvements to the technical performance of the two cement plants, daily kiln outputs increased, which helped contain the rise in cost prices. The project for a new kiln with total capacity of 1.8 million tons per year at the Ragland plant in Alabama is under way; commissioning is programmed for the end of 2022.

► **CONCRETE SALES VOLUMES GREW APPRECIABLY, BY CLOSE TO 6%,**

despite poor weather. Ramping up of the new 400,000-cubic-meter batching plant in Vernon, California, means we can supply new markets, especially in the center of Los Angeles. Selling prices also rose across the markets where we work.



▲ Employee of National Ready Mixed Concrete in California (United States)

▼ Lebec cement plant (United States)



CEMENT

2 cement plants

2.2 M
tons sold



CONCRETE

44
batching plants

2.2 M
cubic meters sold

AMERICAS ► BRAZIL

“Fast, efficient integration”

Philippe Latournerie,
Country Director, Brazil



Ciplan has just celebrated the end of its first year with the Group; what is the mindset of employees?

Philippe Latournerie. Ciplan employees are extremely enthusiastic about being part of an international French group that is an expert in the cement business, and their motivation is high. Although a great deal of work has already been done, more effort is still required to reorganize different aspects, particularly back-office functions: IT security, ERP, reporting, administrative and accounting work, and so on.

What changes have been made on the industrial front?

P. L. Important upgrades and modifications have improved the performance of the preheaters and led to an increase in production of the two kilns. They have also appreciably reduced the specific power consumption and heat input.

A system for feeding alternative fuels into one of the kilns has been built. It came into operation as soon as the required permit was granted and regularly achieved a substitution rate of 15% in this kiln in the last quarter, injecting shredded tires and biomass. Tests are to be conducted on a second kiln shortly to get permits in 2020. All this was done in less than a year as a result of remarkable cooperation between Brazilian and French teams united around common goals.

And nothing has been left by the wayside ...

P. L. Absolutely! The work on restructuring organization and improving the efficiency of concrete batching plants that got under way at the end of 2018, together with partial renewal of a fleet of old mixer trucks and pumps, has made the ready-mixed concrete business competitive again, enabling it to do much better than just keep pace with growth in demand on what is still an extremely competitive market. •

► **CSR IN ACTION.** In October 2019, Ciplan, Vicat’s Brazilian subsidiary, became part of the international initiative for combating breast cancer known as Pink October, an international information campaign intended to make the public aware of the necessity for breast-cancer screening and to raise funds for research. A series of events were conducted in-house, such as lectures and surprise actions aimed at reminding Ciplan employees of the importance of early detection. To drive the message home, two mixer trucks custom painted in the Pink October colors drove through the streets of Brasília and Goiânia. A month later they were switched to blue for the Blue November campaign for combating prostate cancer. For this too, there were in-house lectures and other events to make employees aware of the importance of screening.



▲ Ciplan cement plant (Brazil)

2019, a year of integration consistent with the Group's expectations

► **AS THE ECONOMIC SITUATION HAS IMPROVED SLIGHTLY**, following structural reforms, including in the retirement system, cement consumption progressed in 2019 for the first time in 6 years, rising an estimated 3% to reach around 55 million tons.

Ciplan sales volumes were stable in 2019, with a strategy for higher selling prices in the second half. On the industrial front, modifications to facilities improved efficiency and reduced energy consumption while at the same time increasing the rate of substitution of fossil fuels with alternative energy sources.

► **CONCRETE SALES ROSE MORE THAN 24%** as a result of reorganization and renewal of plant. Despite a highly competitive environment, selling prices rose throughout the year. Aggregate sales volumes also grew appreciably, by nearly 9%, due to upgrading of operations and distribution circuits. As for concrete, prices rose throughout 2019.



◀ Ciplan supported the Pink October operation (Brazil)



CEMENT

1 cement plant

2 M
tons sold



CONCRETE

11
batching plants

0.5 M
cubic meters sold



AGGREGATE

2
quarries

2 M
tons sold

WEST AFRICA

“Supplying high-quality materials for all the major State-sponsored projects”

Yves Keller,
Director, West Africa zone



How is the Group's subsidiary in Senegal, Sococim Industries, making a name for itself with respect to low-carbon transition?

Yves Keller. As an all-time leader in Senegal, Sococim Industries has taken several initiatives in recent years to reduce its carbon footprint: continuous increases in the proportion of alternative fuels used, particularly biomass; project for construction of a photovoltaic power plant; start of construction of a roller press that will considerably reduce power consumption for grinding cement; modification of our product mix to promote lower-carbon cements. All our personnel have rallied around the demanding challenges of these issues which are of worldwide significance and do not concern just developed countries.

And isn't the Group also contributing to the economic development of the country?

Y. K. It is. In 2014 the President of Senegal launched the “Emerging Senegal Plan” for a new development paradigm that would accelerate the country's progression to emergence. The Vicat Group's subsidiaries in Senegal played an active role in the first phase of this plan by supplying high-quality

materials for all the major State-sponsored projects (regional express train, Blaise Diagne international airport, freeways, and so on). In particular, our subsidiary producing basalt aggregate, Gécamines, has increased its annual production capacity to 3 million tons, making it a leader in Senegal.

What other major regional projects does the Group have lined up?

Y. K. The Group carried through its project for a cement milling plant in Mali, where production began in December 2019. Thanks to the excellent work of the technical and industrial teams, the plant will be able to produce up to 800,000 metric tons of cement per year. Located about thirty kilometers from the country's capital, Bamako, the milling plant is supplied with clinker produced by Sococim Industries in Senegal. This competitive advantage is rooted in solid regional synergy. In a country displaying sustained economic growth despite the security problems in the North, demand for infrastructures and housing will keep rising in the decades ahead. Armed with this high-performance industrial facility, the Vicat group will be able to assist towards the economic development of Mali. •

► **NEW CEMENT MILL.** Ciments et Matériaux du Mali (CMM) has started operating the new 800,000-ton-capacity milling plant on its Diago site. The Vicat group subsidiary specialized in high-quality cement is lending weight to the commercial development in Mali of the products of the Sococim Industries cement plant in Rufisque, Senegal. The new plant will help make the country self-sufficient in cement. Since it was commissioned in October 2019, it has generated around 150 direct jobs and 1,500 indirect jobs.

SENEGAL**Growing market**

► **CEMENT CONSUMPTION GREW MORE THAN 10% IN 2019** to reach 4.6 million tons. This strong rise is due to the dynamics of the private-sector construction market and sound penetration into rural areas. Sales volumes grew on the domestic market. After a long period of price curbs, it was

possible to raise selling prices in the last quarter to cover increased production costs. To improve the energy balance, investments were undertaken to further increase the use of alternative fuels, set up a 7-MWp solar farm, and install a roller press that will lower the power consumption of the cement mill.

► **LATE 2019 WAS AFFECTED BY THE TEMPORARY SLOWDOWN IN GOVERNMENT-BACKED PROJECTS** which were short on funding. This affected the volumes of aggregate sold, inducing falls of 27%, including for basalt.

▼ New milling plant (Mali)

**MALI****Startup of new milling plant**

► **THE CEMENT CONSUMPTION TREND IS POSITIVE**, up close to 5% in 2019 at 2.8 million tons, and with a significant drop in imports. A new cement milling plant with annual production capacity of 800,000 tons in Diago, 30 kilometers from the capital, Bamako, started operation in December 2019.

MAURITANIA**Prices up**

► **AS A CONSEQUENCE OF THE ECONOMIC DOWNTURN, CEMENT CONSUMPTION FELL BACK 2%** to about 1 million metric tons. Cement production capacity exceeds demand. The Group's sales volumes dropped 3%. Selling prices gained appreciable ground in 2019.

**CEMENT
SENEGAL**

1 cement plant

2.5 M
tons sold

MAURITANIA

1 milling plant

0.2 M
tons sold

MALI

1 milling plant

0.3 M
tons sold

**AGGREGATE
SENEGAL**

2
quarries

2.9 M
tons sold

MEDITERRANEAN

“Contribute to the Group’s global crusade for low-carbon transition”

Gianfranco Tantardini,
Director,
Mediterranean zone



Are the market situations in the Mediterranean zone – Egypt and Turkey – comparable?

Gianfranco Tantardini. No, they are different.

The market in Turkey has suffered a big drop in cement consumption subsequent to the violent currency devaluation of 2018 which severely impacted the Turkish economy, and the construction sector in particular.

In Egypt, the economy has been looking brighter since the devaluation of 2016, with improvements in terms of growth, inflation, and unemployment. However, the construction market is still not picking up, even if there are some major projects planned. The cement market is in crisis, for three reasons: high pressure on prices because of structural overcapacity; recent start-up of new production capacity by the army, which has a 25% market share and aggravates the previous factor; and increased production costs.

What have you done to meet the challenges in the two countries?

G. T. In Turkey, our sales policy focused heavily on volumes in Ankara, then, more recently, in Konya.

What is more, an internal organizational shake-up has optimized structural costs. The drive to maximize the use of alternative fuels continued in 2019, not only to induce savings but also to contribute to the Group’s global crusade for low-carbon transition.

These initiatives will continue to be pursued. In Egypt several commercial, industrial, and financial issues were addressed.

A new sales approach first deployed in 2017 must be continued in 2020.

Reorganization of personnel at the plant is paving the way for preparing and initiating the next wave of industrial investments.

Lastly, we are still working to keep cost prices down and preserve cash flow. •

► **535: THE NUMBER OF CONCRETUM®** Q-FLASH 2/20 slabs laid to renovate the runway of Istanbul’s Sabiha Gökçen International Airport. The concrete of which the slabs are made uses Vicat binders, essentially Prompt^{UP} and Alpenat^{UP}, which are manufactured by the Saint Égrève plant in France. They give the slabs a lifetime of over 40 years, after which the concrete is completely recycled, as part of a closed construction materials cycle.

TURKEY**Crisis following devaluation in 2018**

The devaluation of the Turkish currency in 2018 continued to have economic consequences in 2019, causing a strong decline in business.

► **CEMENT CONSUMPTION FELL MORE THAN 30%**

to 45 million tons, in large part due to hesitancy over credit, causing contraction in the construction sector.

The Group's cement sales volumes slumped 29%. Although there was a significant rise in prices, it was insufficient to make up for rising costs. On the industrial front, facilities were adjusted to match demand by giving preference to the most energy-efficient systems to maximize the use of alternative fuels.

► **CONCRETE & AGGREGATE**

Concrete and aggregate sales volumes dropped appreciably, by 18% and 13% respectively, as major infrastructure and residential projects were postponed. Selling prices rose strongly, but not enough to cover the increase in production costs.



▲ Baştaş Çimento (Turkey)



▲ Employees of Baştaş Çimento (Turkey)

EGYPT**Still a challenging background**

► **MANUFACTURING CAPACITY IN THE CEMENT SECTOR OUTSTRIPS**

DEMAND, a situation that, despite the shutdown of some of the plants of competitors, has been compounded by the startup of new production capacity run by the army. Cement consumption fell 3% in 2019, dropping to less than 49 million tons. The Group's sales volumes rose by 1%, despite something of a slowdown in the second half due to stronger competition from new production facilities and logistics issues. Selling prices fell appreciably, hit by the ramping up of the plant operated by the Egyptian army.

**CEMENT****TURKEY**

2 cement plants

3 M

tons sold

EGYPT

1 cement plant

1.3 M

tons sold

**CONCRETE****TURKEY**

35

batching plants

2.4 M

cubic meters sold

**AGGREGATE****TURKEY**

7

quarries

4.8 M

tons sold

ASIA

“Reduce the use of fossil fuels by our plants”

Pietro Calà,
Director, Asia zone



India appears to be doggedly pursuing energy transition; how is Vicat contributing to this strategy?

P. Calà. Vicat has been investing in alternative energy sources in India for some years now, and continued its initiative in 2019 with the construction in record time of a 10-MWp solar farm and a waste heat recovery system at our Kadapa site. A second solar farm is programmed for our Chatarsal plant. These installations complement other steps taken to reduce the use of fossil fuels by our plants.

There is soon to be a double anniversary in India; what can you tell us about it?

P. C. Yes, the Mumbai terminal will be celebrating its first full year of operation, and it will also be the first anniversary for marketing of the cement from our plants under the Vicat brand in Maharashtra. This is a double success, in terms of both logistics and sales. The terminal makes for major savings on transport of cement from our Gulbarga plant, more than 600 kilometers away. Commercially, the Vicat brand has met with great success on the Mumbai market, because it is a perfect reflection of the values of the Group in terms of quality and heritage.

Further north, in Kazakhstan, logistics is also making our operations a success, is that right?

P. C. It is. In Kazakhstan haulage distances can be very long. Our cement must sometimes be delivered to places over 1,000 kilometers away. The rail connection from our Mynaral plant, our network of partner terminals, and our fleet of tank cars mean we can meet customer requirements perfectly, both on the domestic market and for export, to Uzbekistan and Kirghizstan, for example.

The Mynaral plant is beating records year after year; what is its secret?

P. C. The plant set a new cement output record in 2019. This is the result of a great deal of work by our people who, braving extreme temperature ranges and language barriers (Russian, Kazakh, English, French, Hindi, German, etc.), succeed in uniting around performance targets that are well above the theoretical capacities of the equipment. Here too, we can see the essence of the Group's high degree of technicity, something that is in its blood. •

▼ Jambyl Cement employees (Kazakhstan)



▲ Bharathi Cement plant (India)

KAZAKHSTAN

Exports booming

► **CEMENT CONSUMPTION ROSE ABOUT 4.3% IN 2019**, reaching nearly 9 million tons. With the domestic market being affected by the arrival of new suppliers, the Group diverted part of its production to export markets where prices are better. The overall result is that sales volumes were up close to 1% in 2019. Selling prices rose markedly throughout the year, on both the domestic and export markets. The plant set a new production record of nearly 1.6 million tons of cement.

INDIA

Market stabilization

► **AT 110 MILLION TONS, CEMENT CONSUMPTION WAS STABLE IN 2019.** There was a drop in the southern States and rather more spirited growth in Maharashtra, despite a slowdown in the second half linked to the electoral situation. A strategy for optimizing logistics and a focus on increasing selling prices caused sales volumes to slump 16%. Selling prices were well up. At the industrial level, production costs were held in check by using substitute fuels and being able to benefit from a greater supply of alternative electric power after the startup of a solar farm and a generating system harnessing waste heat recovered from the kilns of the Bharathi Cement plant.

► **THE GROUP OPERATES AN AGGREGATE QUARRY** 50 kilometers from Bangalore, in Karnataka. It sold 600,000 tons in 2019.

► **OTHER PRODUCTS & SERVICES** The Group has a plant that produces leakproof laminated polypropylene cement bags. Forty-nine million bags were produced in 2019. A 1-MWp solar farm came on line in 2019.



CEMENT

INDIA

2 cement plants

5.5 M

tons sold

KAZAKHSTAN

1 cement plant

1.5 M

tons sold



AGGREGATE

INDIA

1 quarry

0.6 M

tons sold

Highlights of 2019

Waste fueling Kalburgi Cement plant kilns

► WHAT THIS IS ABOUT:

Kalburgi Cement has chosen to gradually replace the traditional fossil fuels used to fire its kilns (coal, lignite, petroleum coke, hydrocarbons, gas, etc.) with alternative fuels obtained by repurposing waste.

Whereas in 2016 such alternative fuels accounted for only 1.5 to 2% of all the fuel used at the plant, the figure now stands at 22%. This fantastic progress is in part due to the installation of a new system: the preheater is now fueled with repurposed materials such as municipal and pharmaceutical refuse. Using alternative fuels in cement plants creates a short-supply-chain industrial ecosystem where the waste of some becomes the raw materials of others.

► **THE ISSUES:** This strategic choice is a means of facing up to the growing scarcity of fossil energies and reducing the environmental impact of our activities, particularly CO₂ emissions. In 2019, alternative fuels represented 26.5% of the Group's total consumption. Vicat wants to be a leader in this field.

22%

alternative fuels

Kalburgi Cement (India) ▼





◀ Bharathi Cement solar farm (India)

Bharathi Cement goes solar

- ▶ **THE IDEA:** Bharathi Cement has set up a 1-MWp solar farm to supply electricity for its cement plant whose coal consumption can thus be reduced by 659 tons per year, which takes 1,360 tons off its annual CO₂ emissions.
- ▶ **WHY THIS IS IMPORTANT:** The utmost is being done at world level to reduce the carbon footprint of every aspect of the industrial, commercial, and domestic sectors. Under its pledge to the Paris Agreement on climate change, the Indian government set the ambitious target of achieving renewable-energy generating capacity of 175 GW by 2022; 100 GW of this is to be solar. This is a major change in a country where a large part of the electricity used is produced from a fossil fuel, coal. As the cost of installing solar energy systems has dropped in India, Vicat decided to set up a 1-MWp solar farm at its Bharathi site, adding it to the list of sustainable-development initiatives the businesses of Vicat India have carried out. The solar-farm project is consistent with the policy for reducing the Group's carbon footprint.

Jambyl Cement goes green in Kazakhstan

▶ NUMBER:

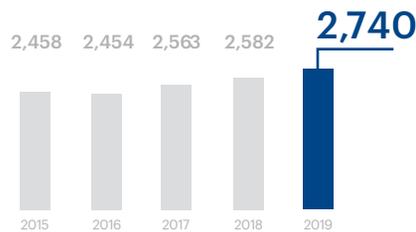
550

The number of saplings planted at the Jambyl Cement facility

The species chosen – elm, poplar, maple, staghorn sumac, and oleaster – are suited to harsh weather and environmental conditions such as severe summer heat waves, low winter temperatures, a lot of wind, and very little rain.

- ▶ **DETAILS:** Located in the central Asian region known in Kazakh as “Betpak Dala”, and as “The Hungry Steppe” in other languages, the Jambyl cement plant sits in a dry, barren environment, despite the proximity of Lake Balkhash. When Vicat personnel decided to create an oasis of greenery to give life to their surroundings, they started by having 140 tons of fertile soil delivered to the plant. The daily care and attention the trees were given by the personnel resulted in 80% of the saplings putting down roots.

Financial indicators



Consolidated net sales

(in millions of euros)

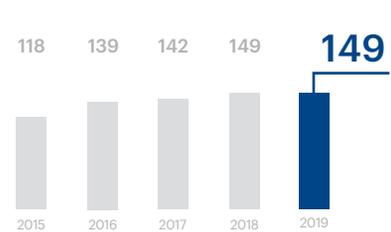
Consolidated sales for 2019 amounted to 2,740 million euros, up 6.1% compared to 2018 but down 0.8% at constant scope of consolidation and exchange rates.



EBITDA* (1), (3)

(in millions of euros)

At 526 million euros, the Group's consolidated EBITDA rose 6.9% relative to 2018 but was down slightly by 0.2% at constant scope of consolidation and exchange rates.



Net income (Group share)* (3)

(in millions of euros)

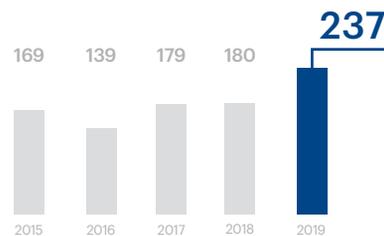
Consolidated net income (Group share) amounts to 149 million euros, stable relative to 2018, and down 6.5% at constant scope of consolidation and exchange rates.



Cash flow from operations* (3)

(in millions of euros)

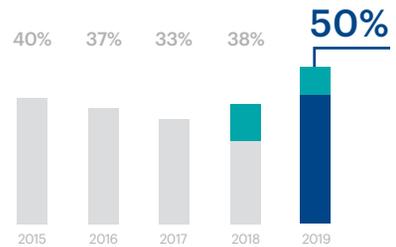
Cash flow from operations amounted to 425 million euros, generating free cash flow of 159 million euros in 2019.



Industrial investment outlay*

(in millions of euros)

Industrial investment outlay amounted to 237 million euros in 2019.



Net debt / Equity

(in %)⁽³⁾

The gearing ratio⁽²⁾ was 49.7% as of December 31, 2019, compared with 37.6% as of December 31, 2018.

* The figures for 2015 have been restated in accordance with the new accounting standard applied to greenhouse gas emissions rights. The restatement and its impacts are presented in note 1.7 of the consolidated financial statements.

(1) EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization): the total of gross operating income and other ordinary income and expenses.

(2) Gearing is a financial ratio that compares net debt to consolidated shareholders' equity.

(3) The figures for 2018 have been restated in accordance with the new IFRS 16.

■ Effect of IFRS 16.

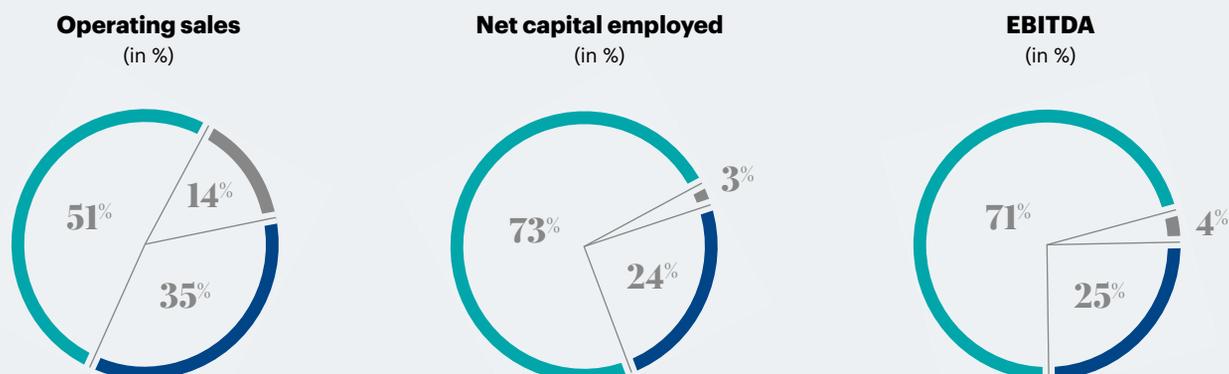
Breakdown per geographical area in 2019

	Consolidated sales	Employees	Operating sales	EBITDA	Net capital employed
FRANCE	€987M	2,992	38%	35%	21%
AMERICAS United States, Brazil	€589M	2,090	21%	22%	22%
ASIA Kazakhstan, India	€375M	1,235	12%	17%	20%
REST OF EUROPE Switzerland, Italy	€401M	1,170	14%	18%	16%
WEST AFRICA Mali, Senegal, Mauritania	€217M	934	7%	9%	13%
MEDITERRANEAN Turkey, Egypt	€171M	1,526	7%	-1%	8%

Financial performance

Breakdown per business in 2019

 Cement
  Concrete & Aggregate
  Other Products & Services



Evolution of sales volumes

CEMENT (in millions of tons)		CONCRETE (in millions of cubic meters)		AGGREGATE (in millions of tons)	
2018	22.8	2018	9.0	2018	22.7
2019	22.4	2019	9.1	2019	23.0
	- 2.0%		+ 1.1%		+ 1.4%

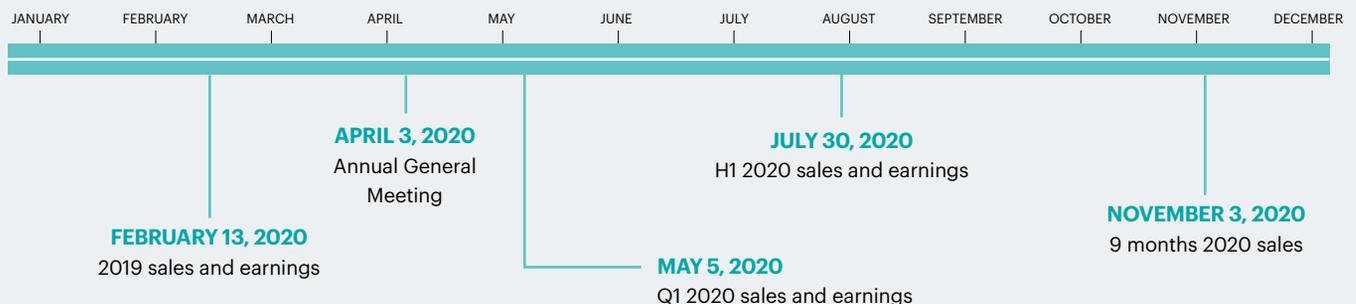
Dividend

Based on results in 2019, and confident in the Group's ability to sustain its ongoing development, the Board of Directors has decided to propose that the Annual General Meeting of shareholders on April 3, 2020 vote to maintain the same dividend, i.e. 1.50 euros per share.

SHARE INFORMATION (in euros)

	EARNINGS PER SHARE	DIVIDEND PER SHARE
2017	€3.17	€1.50
2018	€3.32	€1.50
2019	€3.31	€1.50

Financial reporting calendar





▲ New cement milling plant (Mali)

Shareholder information

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Sicovam: 03177
Bloomberg: VCT.PA
Reuters: VCTP.PA



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