

16 March 2020

MESSAGE FROM THE CHAIRMAN AND CEO

2019 was a year of varying performance through our Group. On one hand, Sibelco's core activities and the industrial activities of Covia posted what should be seen as resilient results in the face of difficult conditions in many end markets. On the other hand, the energy activities of Covia faced substantial overcapacity and flat demand in the North American proppant industry and this had a significant impact on the financial contribution of Covia to Sibelco's results.

Our group consolidated revenue reached € 3.3 billion compared to € 3.5 billion in 2018. Our EBITDA reached € 554 million, 15% lower than in 2018. On a fully comparable basis, the decrease was higher due to various timing factors and accounting treatments. The total net result of the group was negatively impacted by € 1,389 million of non-recurring items. The main portion of these items were non-cash in nature and comprised impairments to assets at Covia triggered by the negative evolution of the energy market in North America. From a cash flow perspective, the picture was more encouraging with the Group generating a free cash flow before dividends of € 653 million, of which € 333 million was recurring free operating cash flow.

As many of you will have heard at various shareholder events during the year, Covia is navigating a very turbulent and changing energy market in the US. Covia's Board oversaw the appointment of a new leadership team to bring added urgency and agility to Covia's change programme and management undertook the sale of certain non-core assets – paying down a portion of the company's debt in the process – and accelerated the repositioning of the energy operations into the best cost-performing sites.

We delivered on our promise of increasing Sibelco's focus and preparing for future growth opportunities. We concluded the sale of Sibelco's lime and limestone assets to Graymont and Grupo Calidra in August and in early 2020 agreed the sale of the Australian magnesia operations to Refratechnik. The proceeds from these sales, coupled with our strong operating cashflows, have ensured that Sibelco itself is in a strong, cash-positive position.

From a growth perspective, we made a number of smaller acquisitions during the year, including the purchase of Macoglass, one of the leading glass recycling companies in Italy. These have been supplemented in the early months of 2020 with further acquisitions in glass recycling in Italy and France and high-quality clays in Ukraine. Although value-enhancing acquisition opportunities remain scarce in today's markets, we have stepped up our screening efforts to identify businesses that would be a good fit with our material solutions approach. We will also be adopting a more aggressive approach to growth in non-European markets, particularly Asia.

In 2019 we also made further investments in Technology & Innovation and at the end of the year the Board of Directors approved the construction of a new Technology & Innovation hub in Maastricht. This decision signals a major vote of confidence in Sibelco's ambitious plans for growth through innovation and our long-term future as a material solutions provider. We were also successful in attracting people to the company that further enhance our talent pool in technology, innovation and materials science.

Our health and safety performance was overshadowed by two tragic accidents that claimed the life of one of our contractors at the Robilante site in Italy and an employee at the Bukowno site in Poland. These fatal accidents eclipsed what was an otherwise improved safety performance. Sibelco, as a leading company in minerals, wants to match the safety performance of best in class industries and we should be encouraged that the various leading indicators that we track demonstrate that a strong safety culture is being embedded throughout the company. Our challenge will be to harness this positive development to generate tangible improvements in our safety performance.

We conducted our first group-wide employee survey in November 2019. More than 80% of Sibelco colleagues participated in the survey, demonstrating that throughout the company people were comfortable speaking up and having their voices heard. The overall engagement score for Sibelco employees showed that we perform better than the average for our peer group of industrial companies. During the spring and early summer of 2020 we will organise feedback sessions where colleagues can co-develop actions that build on positive aspects of their work environment or which address elements that they wish to change and improve.

In the area of sustainability, we have made big strides in bringing together the various initiatives and practices across the Group into one, consolidated and global approach. We conducted a thorough materiality analysis and have determined the issues and topics that are most important to our stakeholders. These have been aligned with the United Nations Sustainable Development Goals (SDGs) and have resulted in the development of challenging objectives for 2025 which we will be presenting to shareholders as part of our Activity Report that will be published on 2nd April. We were also delighted to be recognised during the year with a number of sustainability and environmental awards, for example in Thailand and The Netherlands.

We would like to thank our shareholders for their involvement and support during 2019. The market challenges facing Covia's energy business have been at the forefront of our shareholder dialogue through the year. Covia's Board will keep monitoring the market and assessing any opportunities to strengthen Covia's position and create shareholder value. We would also like to recognise Sibelco's employees – who have remained engaged and committed during a period of significant organisational change – and our valued customers whom we are proud to serve.

Although there are plenty of uncertainties in today's global economy, not least of which are the impact of the COVID-19 pandemic and oil price collapse, Sibelco has a strong platform from which to secure growth opportunities and to further enhance its reputation as the leading material solutions provider for its customers.



Jean-Luc Deleersnyder
Chief Executive Officer



Bert De Graeve
Chairman