

HOLCIM (LIBAN) S.A.L.

SPECIAL REPORT IN ACCORDANCE
WITH ARTICLE 158 OF THE
LEBANESE CODE OF COMMERCE
FOR THE YEAR ENDED DECEMBER 31, 2020



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To the Shareholders
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SPECIAL REPORT IN ACCORDANCE WITH
ARTICLE 158 OF THE CODE OF COMMERCE
YEAR ENDED DECEMBER 31, 2020

Dear Sirs,

We present to you this report pursuant to the requirements of the Article 158 of the Lebanese Code of Commerce. This Article requires that every transaction, whether directly or indirectly or under the cover of a third party, in relation to every contract, agreement or commitment intended to be conducted between the Company and the chairman and members of its board of directors, general manager, assistant general manager, and every shareholder, directly or indirectly, having voting rights in excess of five percent (5%) of the Company's share capital, shall be subject to the prior authorization from the board of directors, with the exception of those transactions in relation to contract, agreement or commitment conducted within the normal course of business.

Furthermore, each agreement between the Company and another company shall be subject to the prior authorization of the board of directors, if any of the persons mentioned above is:

- i. A partner who directly or indirectly owns voting rights of more than five percent (5%) in the capital of that company,
- ii. or a joint partner or authorized partner in that company, regardless of the percentage of its shares in its capital in the event that it is a partnership or a limited company,
- iii. or a manager of that company or a member of its board of directors.

In all cases, the authorization of the board of directors shall be ratified by the general assembly in order to be considered valid.

Taking into account the provisions of the laws and regulations of banks and financial institutions, Article 158 prohibits the chairman and members of the board, the general manager, the assistant general manager, the Company's external auditors, and any shareholder who directly or indirectly has voting rights in excess of five percent (5%) of the Company's share capital, to obtain from the Company, in whatever manner, a loan, a facility, a guarantee, or any collateral in favor of third parties.

The board of directors must inform the external auditors of the contracts, agreements, and commitments that have been authorized within fifteen days of the board decision, and both the board and the external auditors must report to the first general assembly of shareholders on those contracts and agreements.

Accordingly, we list below the details of the existing transactions between the Company and its board members and the other parties mentioned above, based on the written statements provided to us by the board of directors and based on our testing performed during our audit of the financial statements for the year ended December 31, 2020.

RELATED PARTIES BALANCES

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Due From</u> <u>LBP'000</u>	<u>Due To</u> <u>LBP'000</u>	<u>Due From</u> <u>LBP'000</u>	<u>Due To</u> <u>LBP'000</u>
<i>Ultimate parent company:</i>				
Lafarge Holcim Ltd	-	4,672,860	-	-
<i>Subsidiaries and affiliates:</i>				
Société Libanaise des Ciments Blancs S.A.L.	-	4,241,378	3,672,372	4,883,965
Holcim Beton S.A.L.	13,117,849	-	13,139,186	-
Boğaz Endüstri ve Madencilik Limited	2,714,794	-	-	-
Energis Liban S.A.L.	102,868	-	102,868	-
EDP Centre S.A.R.L. (Under liquidation)	1,600,660	-	1,600,660	-
	<u>17,536,171</u>	<u>4,241,378</u>	<u>18,515,086</u>	<u>4,883,965</u>
<i>Entities associated with the company:</i>				
Lafarge Holcim Energy Solutions S.A.S.	-	901,310	-	4,447,123
Lafarge Holcim Middle East & Africa IT Service Center	92,682	-	-	452,925
Egypt Sack S.A.E	-	842,850	-	194,166
Holcim Group Services Ltd	474,094	-	-	452,844
Lafarge Holcim Trading Ltd	-	1,026,245	-	554,154
Holcim Technology Ltd	1,896,085	-	-	2,975,368
Carriere Jieh S.A.L.	432,583	-	432,583	-
Other related parties	379,557	1,085,608	64,174	48,373
	<u>3,275,001</u>	<u>3,856,013</u>	<u>496,757</u>	<u>9,124,953</u>
Less: Allowance for impairment:				
Holcim Beton S.A.L.	(10,077,926)	-	(9,754,623)	-
EDP Centre S.A.R.L. (under liquidation)	(1,600,660)	-	(1,600,660)	-
Carriere Jieh S.A.L.	(432,583)	-	(432,583)	-
	<u>(12,111,169)</u>	<u>-</u>	<u>(11,787,866)</u>	<u>-</u>
	<u>8,700,003</u>	<u>12,770,251</u>	<u>7,223,977</u>	<u>14,008,918</u>

Above related party balances do not carry any interest.

LOANS FROM RELATED PARTIES

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>LBP'000</u>	<u>LBP'000</u>
<i>Loan from ultimate parent company:</i>		
Lafarge Holcim Ltd	124,041,631	-
Accrued interest payable	<u>6,588,929</u>	<u>-</u>
	<u>130,630,560</u>	<u>-</u>
<i>Loan from a subsidiary:</i>		
Société Libanaise des Ciments Blancs S.A.L.	12,060,000	12,060,000
Accrued interest payable	<u>3,500,058</u>	<u>4,883,965</u>
	<u>15,560,058</u>	<u>16,943,965</u>
<i>Loan from a related party:</i>		
Holcim Investments S.A.S	-	79,067,718
Accrued interest payable	<u>-</u>	<u>1,498,489</u>
	<u>-</u>	<u>80,566,207</u>
	<u>136,101,631</u>	<u>91,127,718</u>

The loan from the subsidiary, Société Libanaise des Ciments Blancs S.A.L., matures on December 31, 2024. The loan was subject to an average interest rate of 5% during the year 2020 (7.2% in 2019).

During 2019, Holcim Investments S.A.S., a related party, granted the Company a loan amounting to LBP75billion (USD50million) that was increased later during the year to LBP79billion (USD52.5million) subject to interest at the rate of 6 month LIBOR plus 7% and matures on April 17, 2021.

During 2020, an additional loan amounting to LBP15billion (USD10million) was granted, out of which USD5.2million was used, and subject to interest at the rate of 6 month LIBOR plus 9% and 1% on the unused limit and matures on January 24, 2024.

On August 3, 2020, Holcim Investments S.A.S. loans and related interests aggregate amounts were transferred to Lafarge Holcim Ltd, ultimate parent company.

Interest expense on above loans for the year 2020 amounted to LBP34.2billion (USD6.5million).

RELATED PARTIES TRANSACTIONS

	<u>2020</u> LBP'000	<u>2019</u> LBP'000
Transactions with ultimate parent company, subsidiaries and affiliates:		
Sales of goods	3,160,949	1,640,160
Income from services	759,498	709,268
Interest expense on loans	34,182,929	6,521,052
Service fees	493,446	1,235,286
Recharged costs to subsidiaries	566,622	4,461,519
Interest income on notes receivable	366,038	417,978
Rent expense	423,462	418,388
Transactions with entities associated with the Company:		
Purchase of goods	13,221,677	16,435,689
Service fees, franchise and administrative support	2,776,776	7,058,619
Income from services	665,523	240,974

Key management remuneration amounted to LBP1.7billion during the year 2020.

Société Libanaise des Ciments Blancs S.A.L.

The Company provides technical assistance to the above Company on the basis of 4% of sales amounting to LBP493million during 2020.

Moreover, the Company offers other services amounting to LBP759million during 2020.

During 2020, the Company sold raw materials and combustibles to the above company in the amount of LBP651million.

Lafarge Holcim Trading Ltd

During 2020, the Company purchased raw materials from the above company in the amount of LBP1.2billion.

Holcim Technology Ltd

The above company provides franchise and administrative support to the company. Related services fees amounted to LBP2.7billion during 2020.

Lafarge Holcim Energy Solutions S.A.S.

During 2020, the Company purchased combustibles from the above company in the amount of LBP12billion.

Holcim Group Services Ltd

During 2020, the above Company charged the Company foreign employees' salaries and related charges in the aggregate amount of LBP35million in addition to an amount of LBP296million as administrative support fees representing 0.3% of the Company's and its subsidiaries sales.

Boğaz Endüstri ve Madencilik Limited

Dividend income from the above Company amounted to LBP42billion (USD5.7million) during 2020. During 2020, the Company sold raw materials to the above company in the amount of LBP2.5billion (USD325,125).

Lafarge Holcim Middle East & Africa IT Service Center

The Company charged the above company services amounting to LBP93million during 2020.

SCI:

Notes receivable as at December 31, 2020 include an aggregate amount of LBP6.2billion from the above Company, split between LBP1.1billion as current and LBP5.1billion as non-current. Related interest income on these notes receivable amounted to LBP366million during 2020.

Extraction rights under intangible assets in the net carrying value of LBP17billion as at December 31, 2020 were acquired from the above Company and paid for in advance.

Advances to the above Company in the amount of LBP10.4billion as at December 31, 2020 represent prepaid rent for land and premises.

Rent expense to the above Company amounted to USD137thousand during the year 2020 based on a rent agreement for the period from 2015 till 2025.

The information mentioned above is presented to you for the purpose of taking the necessary resolution with respect thereto.

Beirut, Lebanon
July 30, 2021


Deloitte & Touche