

HOLCIM (LIBAN) S.A.L.

AUDITOR'S REPORT ON DEALINGS BETWEEN
THE COMPANY AND THE MEMBERS OF ITS
BOARD OF DIRECTORS
IN ACCORDANCE WITH ARTICLE 158
OF THE LEBANESE CODE OF COMMERCE
FOR THE YEAR ENDED DECEMBER 31, 2018



Deloitte & Touche
Arabia House
131 Phoenicia Street
Ain Mreisseh, Beirut
P.O.Box 11-961
Lebanon

Tel: +961 (0) 1 364 700
Tel: +961 (0) 1 364 701
Fax: +961 (0) 1 367 087
Fax: +961 (0) 1 369 820
www.deloitte.com

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INDEPENDENT AUDITOR'S REPORT
ON DEALINGS BETWEEN THE COMPANY
AND THE MEMBERS OF ITS BOARD OF DIRECTORS

To the Shareholders
Holcim (Liban) S.A.L.
Beirut, Lebanon

Dear Sirs,

This report is submitted to you in accordance with the requirements of Article 158 of the Lebanese Code of Commerce. This Article stipulates that transactions and operations, either directly or indirectly, between a company and the members of its board of directors, except for normal company-customer dealings, should be authorized in advance by the Shareholders General Assembly, and that the authorization for long-term dealings should be renewed annually. Moreover, both the board of directors and the auditors should submit a special report in connection with such dealings to the General Assembly.

We present here below information on the transactions and operations between Holcim (Liban) S.A.L. (the Company) and the members of its board of directors and their related affiliated companies based on information and representations provided by management of the Company and based on tests which we performed in the course of our audit of the Company's financial statements for the year ended December 31, 2018 on which we have issued our report dated April 24, 2019.

RELATED PARTY BALANCES AND TRANSACTIONS

The following balances with related parties are outstanding as of December 31, 2018 and 2017:

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Due From</u>	<u>Due To</u>	<u>Due From</u>	<u>Due To</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Subsidiaries and affiliates:				
Société Libanaise des Ciments Blancs S.A.L.	249,869	6,347,775	2,712,235	5,935,404
Holcim Beton S.A.L.	14,074,520	-	15,467,616	-
Boğaz Endüstri ve Madencilik Limited	653,652	-	2,850	-
Energis Liban S.A.L.	100,190	-	97,513	-
EDP Centre S.A.R.L. (Under liquidation)	1,600,660	-	1,600,660	-
Other affiliate (SCI)	-	-	-	660,934
	<u>16,678,891</u>	<u>6,347,775</u>	<u>19,880,874</u>	<u>6,596,338</u>
Entities associated with the company:				
LafargeHolcim Energy Solutions S.A.S.	-	3,329,056	-	3,379,302
LafargeHolcim Middle East & Africa IT Service Center	-	143,884	-	32,246
Egypt Sack S.A.E	-	-	-	336,534
Holcim Group Services Ltd	-	559,413	-	608,980
LafargeHolcim Trading Ltd	-	336,640	-	296,161
Holcim Technology Ltd	-	1,942,786	-	2,449,410
Carriere Jieh S.A.L.	425,388	-	418,192	-
Other related parties	239,805	60,583	217,795	332,397
	<u>665,193</u>	<u>6,372,362</u>	<u>635,987</u>	<u>7,435,030</u>
Less: allowance for impairment:				
Holcim Beton S.A.L.	(9,621,330)	-	(6,532,622)	-
EDP Centre S.A.R.L. (under liquidation)	(1,600,660)	-	(1,600,660)	-
Carriere Jieh S.A.L.	(425,388)	-	(418,192)	-
	<u>(11,647,378)</u>	<u>-</u>	<u>(8,551,474)</u>	<u>-</u>
	<u>5,696,706</u>	<u>12,720,137</u>	<u>11,965,387</u>	<u>14,031,368</u>

Above related party balances are current in nature and do not carry any interest.

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Loan from a subsidiary:		
Société Libanaise des Ciments Blancs S.A.L.	12,060,000	12,060,000
Accrued interest payable	<u>6,347,775</u>	<u>5,935,401</u>
	<u>18,407,775</u>	<u>17,995,401</u>

The subsidiary has no intention to demand repayment of the principal amount of LBP12billion for at least 12 months from the financial position date and, accordingly, it was classified as non-current. The loan was granted in 2012 and subject to an effective interest rate of 5% starting April 1, 2018 (3.6% during 2017). Accrued interest payable was classified as current.

Interest expense for the year amounted to LBP995million (LBP697million during 2017).

During the year, the Company carried out the following major transactions with related parties:

	<u>2018</u> LBP'000	<u>2017</u> LBP'000
Transactions with subsidiaries and affiliates:		
Sale of goods	856,383	1,023,695
Income from services	1,122,073	1,261,226
Interest expense on loan	994,609	697,072
Service fees	63,946	173,812
Purchase of clinker	-	1,130,954
Recharged costs to subsidiaries	4,311,191	4,376,617
Interest income on notes receivable	467,455	514,558
Rent expense	403,926	467,865
Transactions with entities associated with the Company:		
Purchase of goods	40,020,711	35,360,665
Service fees, franchise and administrative support	11,332,393	14,606,640
Income from services	337,831	495,655

The above related party transactions were carried out on commercial terms and conditions.

Recharged costs to subsidiaries represent salaries, rent, combustibles and other charges recharged to the Company's subsidiaries.

	<u>2018</u> LBP'000	<u>2017</u> LBP'000
Key management remuneration:		
Key management personnel	<u>2,450,766</u>	<u>2,192,014</u>
Dividend income from subsidiaries:		
Boğaz Endüstri ve Madencilik Limited	-	4,570,740
Société Libanaise des Ciments Blancs S.A.L.	<u>3,955,685</u>	<u>4,119,020</u>
	<u>3,955,685</u>	<u>8,689,760</u>

Notes receivable outstanding from an affiliate as at December 31, 2018 amounts to LBP8.4billion (LBP9.3billion as at December 31, 2017) split between LBP1.1billion as current and LBP7.3billion as non-current (LBP989million and LBP8.4billion respectively as at December 31, 2017). Related interest income on these notes receivable amounted to LBP346million during 2018 (LBP515million during 2017).

Extraction rights in the net carrying value of LBP19.1billion as at December 31, 2018 (LBP20.1billion as at December 31, 2017) were acquired from an affiliate and paid for in advance and are being amortized over the life of the lease agreements.

Advances to an affiliate in the amount of LBP7.5billion as at December 31, 2018 (LBP6.7billion as at December 31, 2017) represent prepaid rent for land and premises.

DIVIDENDS DISTRIBUTION

On July 3, 2018, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP84billion (LBP4,300 per share).

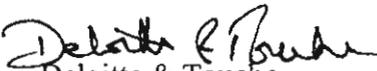
On July 27, 2017, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP74billion (LBP3,789 per share).

Management indicated that all related party transactions were conducted on an arm's length basis and in accordance with regular practices.

The information mentioned above is presented to you for the purpose of taking the necessary resolution with respect thereto. The Company's shareholders' General Assembly had ratified the long-term dealings mentioned above, however, in accordance with the requirements of Article 158 of the Lebanese Code of Commerce, this ratification has to be renewed annually. Moreover, new dealings, if any, should be authorized in advance by the General Assembly.

Management has represented that besides the aforementioned dealings there are no other direct or indirect dealings between the Company and any member of its board of directors, key management and major shareholders.

April 24, 2019


Deloitte & Touche