

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, 2017

BT33244/DTT

**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, 2017 on which we have issued our report dated June 7, 2018.

## RELATED PARTY BALANCES AND TRANSACTIONS

The following balances with related parties are outstanding as of December 31, 2017 and 2016:

	<u>December 31, 2017</u>		<u>December 31, 2016</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>
<b>Subsidiaries and affiliates:</b>				
Société Libanaise des Ciments Blancs S.A.L.	2,712,235	5,935,404	-	4,444,208
Holcim Beton S.A.L.	15,467,616	-	15,166,346	-
Boğaz Endüstri ve Madencilik Limited	2,850	-	-	-
Energis Liban S.A.L.	97,513	-	94,777	-
EDP Centre S.A.R.L. (Under liquidation)	1,600,660	-	1,600,660	-
Other affiliate (SCI)	-	660,934	-	445,362
	<u>19,880,874</u>	<u>6,596,338</u>	<u>16,861,783</u>	<u>4,889,570</u>
<b>Entities associated with the company:</b>				
LafargeHolcim Energy Solutions S.A.S.	-	3,379,302	-	3,794,962
LafargeHolcim Middle East & Africa IT Service Center	-	32,246	10,157	-
Egypt Sack S.A.E	-	336,534	-	-
Holcim Group Services Ltd	-	608,980	-	103,663
LafargeHolcim Trading Ltd	-	296,161	-	167,140
Holcim Technology Ltd	-	2,449,410	-	2,488,314
Carriere Jieh S.A.L.	418,192	-	418,192	-
Other related parties	217,795	332,397	191,625	357,992
	<u>635,987</u>	<u>7,435,030</u>	<u>619,974</u>	<u>6,912,071</u>
<b>Less: allowance for impairment:</b>				
Holcim Beton S.A.L.	( 6,532,622)	-	( 5,543,733)	-
EDP Centre S.A.R.L. (under liquidation)	( 1,600,660)	-	( 1,600,660)	-
Carriere Jieh S.A.L.	( 418,192)	-	( 418,192)	-
	<u>( 8,551,474)</u>	<u>-</u>	<u>( 7,562,585)</u>	<u>-</u>
	<u>11,965,387</u>	<u>14,031,368</u>	<u>9,919,172</u>	<u>11,801,641</u>

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

	<u>December 31,</u>	
	<u>2017</u> <u>LBP'000</u>	<u>2016</u> <u>LBP'000</u>
<b>Loan from a subsidiary:</b>		
Société Libanaise des Ciments Blancs S.A.L.	12,060,000	12,060,000
Accrued interest payable	5,935,401	5,301,699
	<u>17,995,401</u>	<u>17,361,699</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 subject to an effective interest rate of 3.6% during the year. Accrued interest payable was classified as current.

Interest expense for the year amounted to LBP697million (LBP692million during 2016).

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

	<u>2017</u> LBP'000	<u>2016</u> LBP'000
<b>Transactions with subsidiaries and affiliates:</b>		
Sale of goods	1,023,695	4,013,906
Sale of clinker	-	999,473
Income from services	1,261,226	1,926,604
Interest expense on loan	697,072	692,256
Service fees	173,812	80,135
Purchase of clinker	1,130,954	-
Recharged costs to subsidiaries	4,376,617	1,045,177
Interest income on notes receivable	514,558	559,424
Rent expense	467,865	477,663
<b>Transactions with entities associated with the Company:</b>		
Purchase of goods	35,360,665	19,808,365
Service fees, franchise and administrative support	14,606,640	14,128,243
Income from services	495,655	314,777

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.

Franchise fee paid to Holcim Group represents 3.5% of Holcim Liban S.A.L. and its subsidiaries net sales.

	<u>2017</u> LBP'000	<u>2016</u> LBP'000
<b>Key management remuneration:</b>		
Key management personnel	<u>2,129,014</u>	<u>1,777,100</u>
<b>Dividend income from subsidiaries:</b>		
Boğaz Endüstri ve Madencilik Limited	4,570,740	3,081,669
Société Libanaise des Ciments Blancs S.A.L.	<u>4,119,020</u>	<u>2,571,789</u>
	<u>8,689,760</u>	<u>5,653,458</u>

An amount of LBP4.1billion (2016: LBP820million) was outstanding as dividend receivable at the financial position date.

Notes receivable outstanding from an affiliate as at December 31, 2017 amounts to LBP9.3billion (LBP10.5billion as at December 31, 2016), split between LBP989million as current and LBP8.4billion as non-current (LBP1.1billion and LBP9.3billion respectively as at December 31, 2016). Related interest income on these notes receivable amounted to LBP515million during 2017 (LBP559million during 2016).

Extraction rights in the net carrying value of LBP20.1billion as at December 31, 2017 (LBP21.2billion as at December 31, 2016) 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 LBP6.7billion as at December 31, 2017 (LBP4.7billion as at December 31, 2016) represent prepaid rent for land and premises.

#### **DIVIDENDS DISTRIBUTION**

On July 27, 2017, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP74billion (LBP3,600 per share).

On June 15, 2016, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP25.04billion (LBP1,284 per share).

An amount of LBP2billion (2016: LBP2.9billion) was outstanding as dividend payable at the financial position date.

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.

Beirut, Lebanon  
June 7, 2018

  
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