

**SOCIETE LIBANAISE DES
CIMENTS BLANCS 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**

BT33244/1/DTT

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

To the Shareholders
 Société Libanaise des Ciments
 Blancs S.A.L.
 Chekka, 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 Société Libanaise des Ciments Blancs 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>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>
<u>Current:</u>				
Holcim Liban S.A.L. – Parent Company	5,935,401	2,712,235	5,301,699	857,494
Holcim Beton S.A.L. – Fellow subsidiary	346,002	-	346,002	-
Societe Carriere de Jieh S.A.R.L. -				
Other related party	-	13,007	-	13,007
	<u>6,281,403</u>	<u>2,725,242</u>	<u>5,647,701</u>	<u>870,501</u>

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

During the year, the Company carried out the following transactions with the Parent Company:

	<u>2017</u> <u>LBP'000</u>	<u>2016</u> <u>LBP'000</u>
Dividend distribution	4,119,020	2,571,789
Sales of goods	348,589	-
Sales of clinker	1,130,954	-
Purchase of goods	3,485,098	2,690,380
Purchase of services	611,092	608,970
Interest income on loan	697,072	692,256
Technical assistance	751,857	736,019
Recharged costs from a related party	479,646	367,883

In addition, the Company purchased during the year goods from Lafarge Holcim Trading Ltd in the amount of LBP1.5billion (Nil during 2016).

	<u>December 31,</u>	
	<u>2017</u> <u>LBP'000</u>	<u>2016</u> <u>LBP'000</u>
<i>Loan to the Parent Company:</i>		
Holcim Liban S.A.L.	12,060,000	12,060,000
Accrued interest receivable	<u>5,935,401</u>	<u>5,301,699</u>
	<u>17,995,401</u>	<u>17,361,699</u>

The Company 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 receivable was classified as current.

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

DIVIDENDS DISTRIBUTION

On June 22, 2017, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP6.6billion (LBP730 per share).

On June 22, 2016, the Ordinary General Assembly approved the distribution of dividends to Shareholders in the amount of LBP4.1billion (LBP455 per share).

An amount of LBP473million (2016: LBP525million) 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

The logo for Deloitte & Touche, featuring the company name in a stylized, cursive script above the text "Deloitte & Touche" in a standard sans-serif font.

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