



2004 ANNUAL REPORT



CEMENT

N°1

WORLDWIDE

> CEMENT

€6,810 MILLION IN SALES

38,200 EMPLOYEES

114 CEMENT PLANTS, 20 CLINKER GRINDING STATIONS AND 6 SLAG GRINDING STATIONS IN 43 COUNTRIES*

Lines of cement, hydraulic binders and lime for construction, renovation and public works.

AGGREGATES & CONCRETE

N°2

WORLDWIDE

> AGGREGATES & CONCRETE

€4,747 MILLION IN SALES

20,100 EMPLOYEES

609 QUARRIES AND 1,105 CONCRETE PLANTS IN 25 COUNTRIES*

Lines of aggregates, ready-mix and precast concrete products, asphalt and paving for engineering structures, roads and buildings.

ROOFING

N°1

WORLDWIDE

> ROOFING

€1,493 MILLION IN SALES

11,700 EMPLOYEES

158 PLANTS IN 34 COUNTRIES*

Lines of concrete, clay and metal roofing tiles, roofing components and chimney systems for new construction and renovations.

GYPSUM

N°3

WORLDWIDE

> GYPSUM

€1,340 MILLION IN SALES

6,000 EMPLOYEES

83 PLANTS IN 24 COUNTRIES*

Plasterboard systems, gypsum blocks and sprayable plaster for construction and decoration, finishing work, new construction and renovation.

* Consolidated companies (global and proportional methods) at December 31, 2004.

Group Profile

Lafarge is the world leader in building materials, with top-ranking positions in each of its four divisions: No. 1 worldwide in Cement and Roofing, No. 2 in Aggregates & Concrete and No. 3 in Gypsum.

With 77,000 employees in 75 countries, the Lafarge Group had sales of €14.4 billion in 2004.

Lafarge has been committed to sustainable development for many years, pursuing a strategy that combines industrial know-how with performance, value creation, respect for employees and local cultures, environmental protection and the conservation of natural resources and energy.

To make advances in building materials, Lafarge places the customer at the heart of its concerns. It offers the construction industry and the general public innovative solutions that enhance the safety, comfort and quality of our everyday life and surroundings.

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THE 2004 ANNUAL REPORT: ACTING ON OUR COMMITMENTS

The Lafarge Group strives “to be the undisputed world leader in building materials”. To achieve this aim, we have made four major commitments to our customers, employees, stakeholders and shareholders:

- Generating value for our customers
- Giving our people every opportunity to contribute to the Group and to develop their talents
- Contributing to building a better world for our local communities
- Delivering the value creation that our shareholders expect.

We outlined these commitments in our 2003 annual report. This year, we have decided to illustrate concretely how these commitments are being translated into actions, by showing what the men and women who work for Lafarge are doing to meet these challenges worldwide.

The Lafarge 2004 annual report is composed of two volumes: the present document and the 2004 Report on Form 20-F registered with the Securities Exchange Commission (SEC) in New York and more specifically intended for our investors. The French version, the “Document de référence 2004” is registered with the French market authorities in Paris (AMF).

Key figures

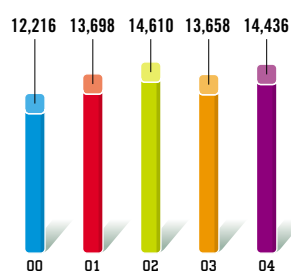
Excellent performance in 2004

- > Improvement across all divisions.
- > Clear benefits of the Group's unique business mix and geographical spread.
- > Balance sheet strengthened ahead of schedule, giving financial flexibility to pursue the strategy of the Group.
- > Operational improvements, particularly in plant performance, pricing and cost management, have driven up margins and Return on capital employed after tax.

| | | |
|---|---|-----------|
| ORGANIC GROWTH | ▲ | +7.7% |
| OPERATING INCOME ON A LIKE-FOR-LIKE BASIS | ▲ | +12.8% |
| NET INCOME | ▲ | +19.2% |
| NET EARNINGS PER SHARE | ▲ | +5% |
| NET DEBT REDUCTION | ▼ | -8% |
| CASH FLOW FROM OPERATIONS | ▲ | +17.5% |
| CASH FLOW TO NET DEBT RATIO | ▲ | +7 points |
| DIVIDEND PER SHARE: €2.40* | ▲ | +4.3% |

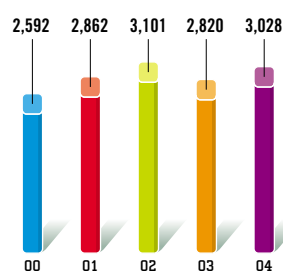
* Subject to approval by the Annual General Meeting of Shareholders on May 25, 2005.

SALES



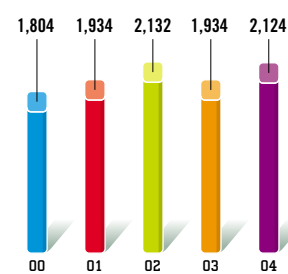
(€ MILLIONS)

GROSS OPERATING INCOME



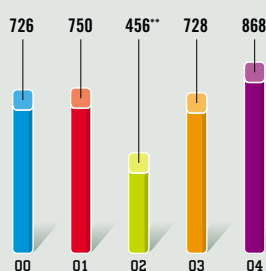
(€ MILLIONS)

OPERATING INCOME ON ORDINARY ACTIVITIES*



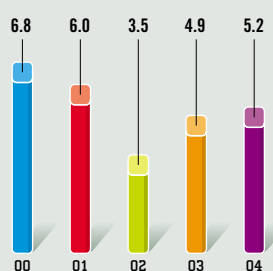
(€ MILLIONS)

NET INCOME



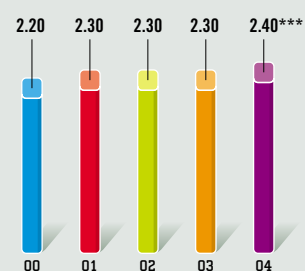
(€ MILLIONS)

NET EARNINGS PER SHARE



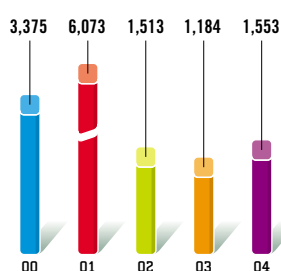
(€)

NET DIVIDEND PER SHARE



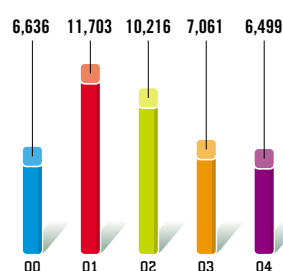
(€)

INVESTMENTS



(€ MILLIONS)

NET DEBT



(€ MILLIONS)

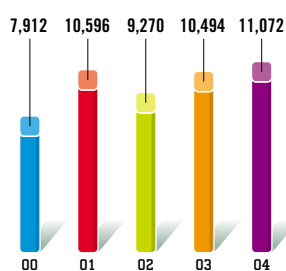
* Restated for accounting changes for equity affiliates between 2000 and 2001.

** After an exceptional €300 million provision.

*** Subject to approval by the Annual General Meeting of Shareholders on May 25, 2005.

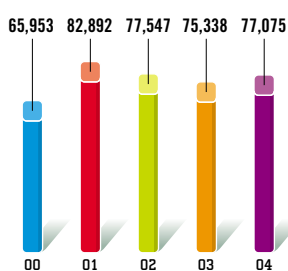
Consolidated data at December 31, 2004.

SHAREHOLDERS' EQUITY



(€ MILLIONS)

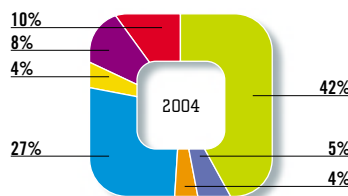
GROUP EMPLOYEES



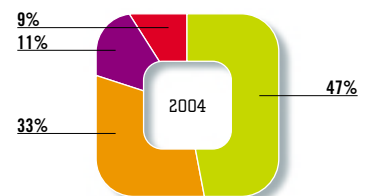
€14,436 million

Lafarge around the world: a well-balanced geographical spread in all four of its businesses

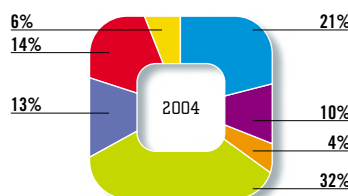
SALES BY REGION



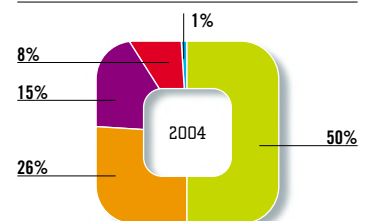
SALES BY DIVISION



EMPLOYEES BY REGION



EMPLOYEES BY DIVISION



- WESTERN EUROPE
- NORTH AMERICA
- CENTRAL AND EASTERN EUROPE
- ASIA-PACIFIC
- LATIN AMERICA
- MEDITERRANEAN BASIN
- SUB-SAHARAN AFRICA AND INDIAN OCEAN

- CEMENT
- AGGREGATES & CONCRETE
- ROOFING
- GYPSUM
- OTHERS

75
countries

77,000
employees



The depiction of boundaries shown on this map is not guaranteed to be error free nor does it imply official endorsement or acceptance by Lafarge.

NORTH AMERICA

Employees: 15,800
Sales: €3,938 million

LATIN AMERICA

Employees: 4,300
Sales: €579 million

WESTERN EUROPE

Employees: 24,700
Sales: €6,020 million

**CENTRAL AND
EASTERN EUROPE**

Employees: 10,300
Sales: €746 million

MEDITERRANEAN BASIN

Employees: 3,400
Sales: €534 million

**SUB-SAHARAN AFRICA
AND INDIAN OCEAN**

Employees: 7,500
Sales: €1,190 million

ASIA-PACIFIC

Employees: 11,000
Sales: €1,429 million

Consolidated data at December 31, 2004.

Tribute to the tsunami victims and their families

193 Lafarge employees and employees of our subcontractors working at our Aceh cement plant in Indonesia, as well as numerous members of their families, perished following the extraordinarily violent tsunami that devastated the

Southeast Asian coast last December. We will not forget them, and we would like to express our heart-felt condolences to the survivors who lost loved ones.

I would also like to salute the involvement, reactivity and extraordinary dedication of the Lafarge teams in Indonesia. It shows that our deepest values are understood and shared throughout our Group, inspiring the response that is most immediately needed. After taking emergency measures, our teams are now preparing for the medium term. The 432 employees who survived the disaster have returned with their families to Banda Aceh, where we have provided special housing facilities. We have contacted the local authorities and several NGOs to identify and carry out reconstruction projects. A genuine response, however, requires a long-term commitment, whether it be providing ongoing assistance for the victim's families, re-establishing our business, or rebuilding the surrounding communities.

I would also like to draw attention to the spontaneous acts of solidarity that mobilized our employees around the world in response to this unprecedented tragedy in Lafarge's history. It shows that while having grown to global proportions, the Lafarge Group has managed to preserve its values and sense of unity, be it in the best – or worst – of circumstances.

This page tributes to those employees and members of their families who lost their lives in the wake of the tsunami, as well as to those who survived, to whom we pledge our long-term support and commitment to help them rebuild their future.

BERNARD KASRIEL, CHIEF EXECUTIVE OFFICER

A ARIFIN | A RACHMAN B | ABDUL LATIF | ABDULLAH ABUBAKAR | ABDULLAH MA | ABDURRACHMAN | ADAMI |
ADRINIRWANSYAH | AFRIADI | AGUS SALIM | ANSARUDDIN | ANWAR IBRAHIM | ANWAR US | AZHAR |
BAHRUM | BAHRUNI IBA | BAHTIAR | BASYARI ALI | BUKHARI HASAN | BUKHARY | BURHANUDDIN |
BURHANUDDIN IS | BUSTAMI B | BUSTAMISYAH | CHAIRUDDIN | DARLIANSYAH | DENNY RAFIKA |
DI ABUBAKAR | DI IQBAL | DI UMAR | DIAS TAUFIQ | EDDI ISKANDAR | EDWARD TOBING | EFFENDI |
ERDIWANSYAH | ERWEN | MR. & MRS. EUN HEE CHEON | FACHRY KASIM | FADHLI | FAISAL | GUNAWANSYAH |
HILMI | H MUHAMMAD H SARONG | HAMDAN | HAMDANI | HAMDANI C | HANAFI ABD | HASAN BASRI |
HASANUDDIN | HASANUDDIN A | HASBALLAH | HENDRA AZHAR | HENDRA MISWAR | HERY JOHN | IMRAN |
IBRAHIM NURDIN | ILYAS IBRAHIM | ILYAS T | JAILANI | JAKFAR UMAR | JAKFAR Y | JANUAR | JHONIZAR |
JUL KHAIDIR | KASMI | KAFRAWI | KARIMUDDIN AFFAN | KASMIALDI | KHAIDIR | KHAIDIR MRD | KHAIRUDDIN |
LAHMUDDIN | M ALI | M ALI ISMAIL | M ALI YUNUS | M AMIN | M AMIN HARUN | M AMIN LABOK | M AMIN
USMAN | M ISA A RACHMAN | M SYUKRI | M YASIN | M YUSUF DAUD | M. RIDWAN | M. ZEIN HENDRA B |
MAHDI | MAHDI S | MAHDI YS | MAHLIN | MAHRUL MUHAMMAD | MAIMUN SALEH | MARKHABAN | MARWAN

DAUD | MAWARDI | MAWARDI HAMID | MOHD ADAN AGAM | MUCHSIN | MUCHSIN AB | MUHAMMAD FAISAL |
MUHAMMAD INSYA | MUHAMMAD P | MULYADI | MUSIP ALI | MUSLIM | MUSTAFA | NAWAWI | NASRUDDIN |
NASRUDDIN GA | NASRULLAH | NASRUN MAHMUD AHMAD | NAZARUDDIN | NAZIRUDDIN | NAZWARDI | NILA
MUTIA | PUTEH YUSUF | PUTRI EMMA MARHAMAH | RAHMANI | RAHMAT | RAMLI | RAMLI HARAHAP |
RAMLI JAUHARY | RAZALI MA | RIDWAN SAFAR | RIDWAN USMAN | RUSLY US | RUSYDI | SYUKRI | SAFRIZAL
AZIZ | SAIFUL BAHRI | SAIFUNNIZAR | SAIMAN | SAIPANUR | SALMAN | SAMSUL BAHRI | SARIFUDDIN |
SUDIRMAN | SULAIMAN ABDULLAH | SULAIMAN SAMAUN | SULAIMAN YUSUF | SUPARMI | SURIANSYAH |
SURYA BALUDDIN | SUWARDI | SYAFIE. B | SYAFII SULAIMAN | SYAFRUDDIN | SYAHMAUN NAGO | SYAHROEL
MUHRI | SYAHRULLAH | SYAIFUL BAHRI | SYAMSUL BAHRI | SYARIFUDDIN | SYUKRI | SYUKRI M |
T MISDARSYAH | T RAMADANSYAH | T UMAR | T. AMANSYAH | T. MUSTAFA | T. USMAN | T. ZUMARDI |
TARMIZI ADNAN | TAUFIK DEDEK DIAH | USMAN | UMAR | USMAN HS | YAIMAN | YAZIDDIN | YUFRIZAL |
YUSNI | YUSRIZAL | YUSTA BUSTAMAM | YUSWAR ABUBAKAR | YUSWARDI | ZAIDAN USMAN | ZAINAL | ZAINAL C |
ZAINI ABD | ZAINI AR | ZAINI HARUN | ZAINUDDIN YATIM | ZULKARNAIN | ZULKARNAIN CHAN |

Chairman's message

Looking beyond a buoyant world economic environment and the strong growth of Group earnings, the year 2004 validated the Group's major strategic decisions in recent years, first to strike a healthy geographic balance between developed and high growth markets, and secondly to develop a well-balanced portfolio of complementary businesses.

As part of ongoing sector consolidation – a movement that Lafarge has contributed to greatly – two of our biggest global competitors began to follow our strategy by moving into aggregates and concrete and by strengthening their presence in developed markets.

Our Group has already developed a big lead in this direction.

And we were also the first to build solid footholds in India and China, two immense, promising markets for building materials.



“For it is our firm conviction that we cannot be the world leader without ethics, empathy, openness and respect.”

BERTRAND COLLOMB, CHAIRMAN

Increasingly buoyed by these fast-growing emerging markets as well as the dynamic American economy, Lafarge has also developed new products with specific characteristics and applications, creating value for our customers and making an already significant contribution to our earnings.

Given rising energy and raw material prices in 2004 – a trend that is bound to continue in 2005 – the key to our earnings growth lies in our capacity to enhance operating performance and optimize profitability in our markets.

As the world leader in local businesses, we must rally our entire work force around a management style that combines local initiatives and responses with global expertise. This is the purpose of our *Leader for Tomorrow* program, which after three years now involves all of our 77,000 employees. Developing skills, encouraging professionalism and putting know-how to work requires reinforced training programs, to this end we launched the *Lafarge University* in 2004.

We are realizing the Group's potential to progress and create value by steadily pursuing a coherent strategy. There is clearly further potential for enhanced value creation at some of our operations and in growth investment opportunities. Although this growth potential has been clearly recognized, it was hardly reflected in our share performance in 2004.

Corporate responsibility has been a major theme in the past year's news on the public scene.

We have a responsibility toward shareholders, to provide them guarantees concerning the quality of accounting information and the efficiency of corporate governance. Bringing the Group into compliance with the requirements of the Sarbanes-Oxley Act entailed a lot of efforts, but it made us progress in terms of rigor and methodology. Following an evaluation process recommended by the Bouton report, the Board of Directors improved its working methods by devoting more time to discussing strategy.

We also take to heart our responsibility towards society. Lafarge has been a pioneer in sustainable development. The European Directive on reducing carbon dioxide emissions came into force as of January 1, 2005. Thanks to our long-standing efforts and the emission reduction targets announced in 2000 as part of our partnership with WWF, the Group should comply with these new regulations without incurring additional costs.

“We are realizing the Group’s potential to progress and create value by steadily pursuing a coherent strategy.”

We have also expanded our activities in the field of sustainable construction along with other players in the building industry, to encourage construction methods that respect the environment, conserve energy and improve living standards and the quality of life.

The Lafarge Group’s empathy with world events was also called upon during the unfortunate and terrible tragedy of the Southeast Asian tsunami, which swept through Aceh province, Indonesia. In paying tribute to the Lafarge employees that were victims of the tsunami, and whose names have been included in this report, I would also like to underscore the strong feelings of grief within the Group and the exemplary devotion and effectiveness of our local teams. We share in the suffering of the survivors, and promise to assist these families in rebuilding their future.

For it is our firm conviction that we cannot be the world leader without ethics, empathy, openness and respect for all men and women, and for our planet.



BERTRAND COLLOMB, CHAIRMAN

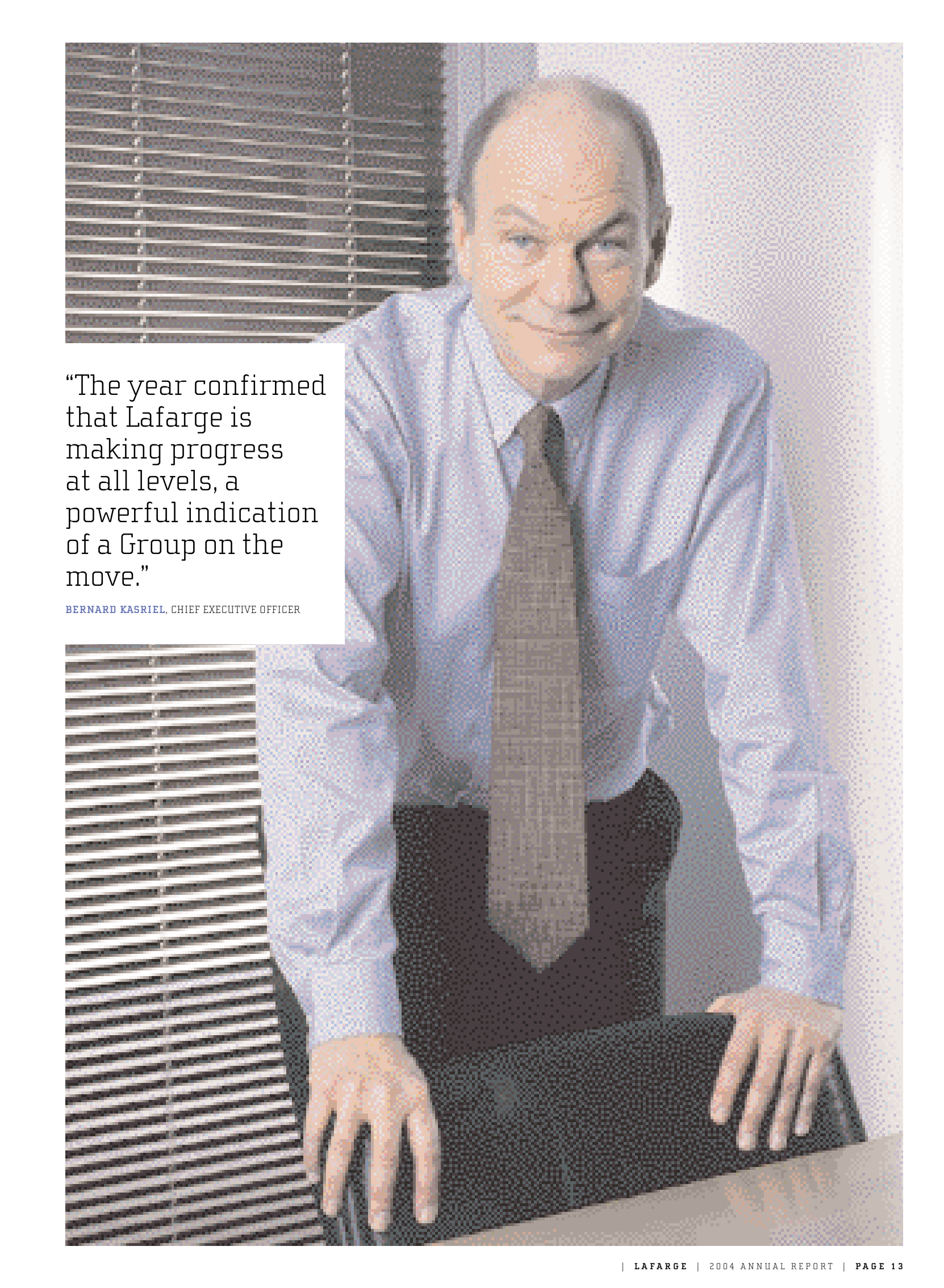
Interview with the CEO

How do you see 2004?

In general, I would say that Lafarge's enormous potential was confirmed in 2004. First, we confirmed the Group's remarkable potential for organic growth, which was nearly 8% in 2004. We also demonstrated that each of our businesses is capable of creating value, with all divisions contributing to a significant increase in Return on capital employed.

We also confirmed our ability to consistently and continuously improve performances. Although bolstered by a generally favorable environment in all markets, the Group's excellent performance in 2004 can also be attributed to the continuous operational progress we have made year after year. These improvements have had a considerable impact on our competitiveness and earnings. They are the fruit of our dynamic, professional work teams around the world, all of which are committed to maintaining our leadership positions in all four of our businesses.

Finally, 2004 confirmed that our strategy and performance are creating shareholder value and boosting net earnings per share.

A photograph of Bernard Kasriel, Chief Executive Officer, leaning on a desk. He is wearing a light blue dress shirt and a dark tie. He has a slight smile and is looking directly at the camera. The background shows office blinds and a wall.

“The year confirmed that Lafarge is making progress at all levels, a powerful indication of a Group on the move.”

BERNARD KASRIEL, CHIEF EXECUTIVE OFFICER



What were the most significant advances made during the year?

Lafarge is clearly making progress at all levels, a powerful indication of a Group on the move. Concerning the achievements of which we are all particularly proud, I would cite the enhancement of our safety performance, which remains a top priority; the recent development of high value-added products and solutions in concrete, gypsum and roofing businesses; considerable efforts to boost the reliability of our cement plants; operating improvements in the North American Gypsum Division; our ability to absorb higher energy costs in the Cement Division; and our ongoing efforts to adapt to contracting markets, like the one in Germany, where we managed to further reduce fixed costs and administrative expenses.

Would you comment on Lafarge's stock market performance?

2004 was a disappointing year for Lafarge shares. After numerous investor meetings, it was clear that our strategy was well understood, but that we still needed to convince investors that we were capable of boosting EPS year after year. In 2005, I hope the market will recognize our strong growth potential and ability to create value.

How do you see the Group's development in the years ahead?

One of the fundamental changes accomplished by our Group over the past ten years is to have built up real organic growth potential. This is now a fact and can be attributed to our remarkable geographic coverage, our strong presence in emerging markets and our focus on four core businesses, which together should provide strong resilience to local economic shocks. Looking beyond 2004, we estimate our organic growth potential to be 4 to 5% a year. This is one of the Group's real strengths, because organic growth is a major source of value creation. In addition to organic growth, we are also targeting another 4 to 5% in annual growth through small and medium-sized acquisitions. Our worldwide presence and four core lines of business increase the number of attractive opportunities for this type of development.

Consequently, we estimate that our business model will generate average annual growth of our turnover of 8 to 10%.

Having restored its financial strength, the Group is now well positioned to pursue its development strategy and foster growth.



“One of the fundamental changes accomplished by our Group over the past ten years is to have built up real organic growth potential, a major source of value creation.”

At this stage, how would you evaluate the *Leader for Tomorrow* employee mobilization program?

This vast project gives real momentum to our performance improvements effort. Ten thousand managers have already rallied to identify continuous performance enhancements and a more customer-oriented approach, producing tangible results. In 2005, the project will enter a key phase involving all 77,000 Group employees. We have high expectations for this unprecedented program to galvanize the Group, because in our businesses, making progress on numerous areas makes all the difference.

What do you foresee in 2005?

We expect that most of our markets will continue to enjoy favorable trends, with the exception of the persistently tough markets in Germany, South Korea and Brazil.

The year began with very high costs for fuel, electricity and freight. However in an increasingly competitive environment, we can continue to boost earnings through performance enhancements, including in purchasing, plant reliability, innovation and marketing strategies, but also through higher sales prices, thanks to our highly competitive positions in most markets. Operating income on ordinary activities is expected to rise by 6 to 8% on a like-for-like basis.

We have the size, structure, potential, production facilities, financial flexibility and people, as well as the dynamic momentum created by *Leader for Tomorrow*, to retain our world leadership position in 2005 and to maintain an invaluable advance on our competitors.

BERNARD KASRIEL,
CHIEF EXECUTIVE OFFICER

Direction générale and Executive Committee

Lafarge's "*Direction générale*" has three members:

- **Bernard Kasriel** | Chief Executive Officer
- **Michel Rose** | Chief Operating Officer | Co-manager of the Cement Division
- **Bruno Lafont** | Chief Operating Officer | Co-manager of the Cement Division and head of the Aggregates & Concrete Division as well as Lafarge North America.

The other members of the Executive Committee are as follows:

- **Jean-Charles Blatz** | Executive Vice President | Aggregates & Concrete
- **Ulrich Glaunach** | Executive Vice President | Roofing
- **Isidoro Miranda** | Executive Vice President | Gypsum
- **Jean-Jacques Gauthier** | Executive Vice President | Finance
- **Christian Herrault** | Executive Vice President | Human Resources & Organization

Left to right, in the foreground:
BERNARD KASRIEL | BRUNO LAFONT |
ISIDORO MIRANDA | JEAN-JACQUES GAUTHIER |
Left to right, second row:
MICHEL ROSE | ULRICH GLAUNACH |
JEAN-CHARLES BLATZ | CHRISTIAN HERRAULT



Acting on our commitments

GENERATING VALUE FOR OUR CUSTOMERS PAGE 20

GIVING OUR PEOPLE EVERY OPPORTUNITY
TO CONTRIBUTE TO THE GROUP
AND TO DEVELOP THEIR TALENTS PAGE 28

CONTRIBUTING TO BUILDING A BETTER WORLD
FOR OUR LOCAL COMMUNITIES PAGE 36

DELIVERING THE VALUE CREATION
THAT OUR SHAREHOLDERS EXPECT PAGE 44



Wales Millennium Centre in Cardiff, UK

GYPSUM

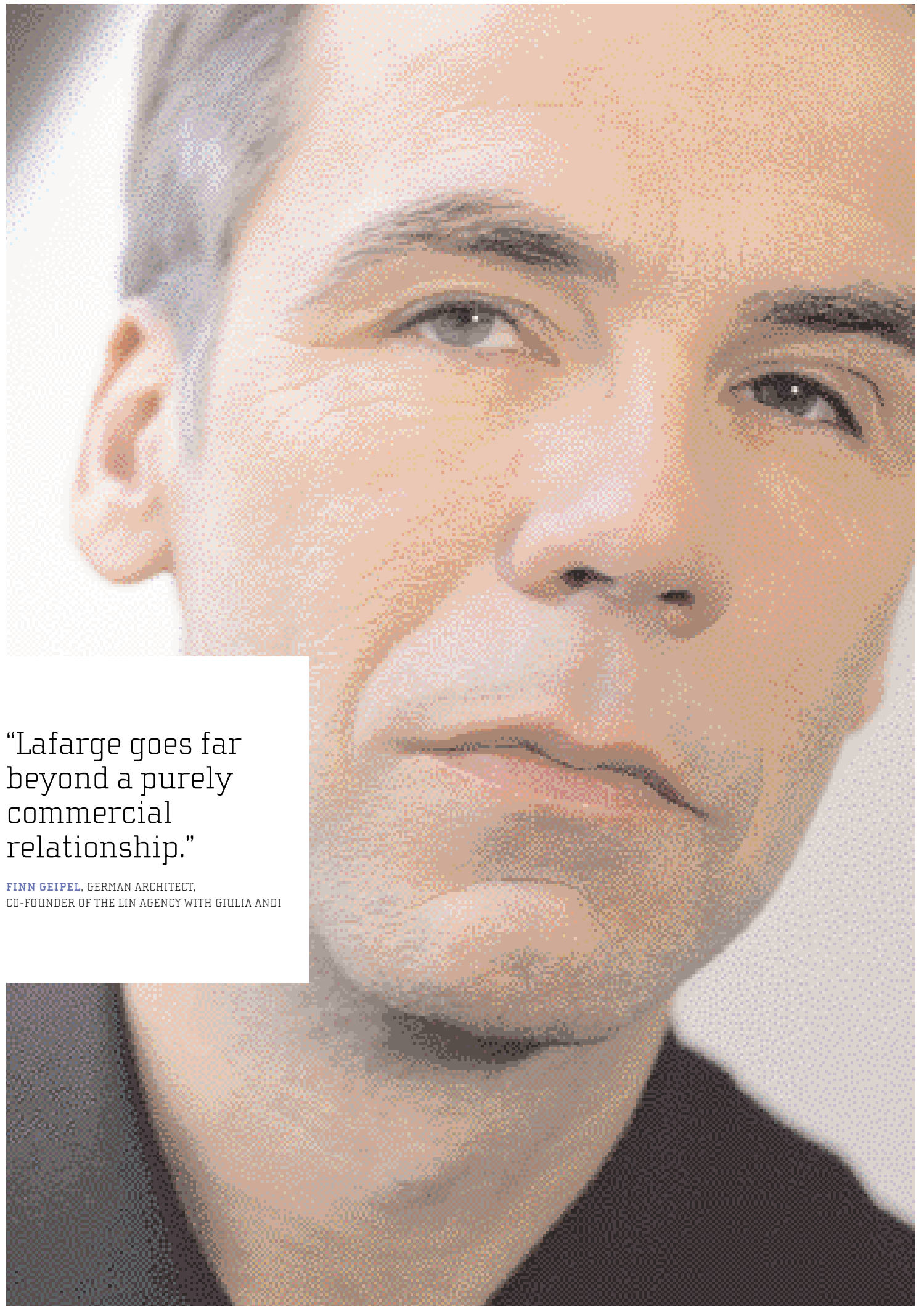
ARCHITECT: PERCY THOMAS ARCHITECTS

What is believed to be the highest drywall lining ever built has been achieved as part of Wales' latest major development, the Millennium Centre, using Lafarge Plasterboard drywall systems.

The technical quality of these solutions contributed to the exceptional architectural and acoustical qualities of the Wales Millennium Centre, which are ideal for an international cultural arts center (theatre, opera, musical and home of the Welsh National Opera) that attracts artists from all around the world. The versatility and installation advantages of Lafarge solutions have helped the dry lining contractors readily to meet performance requirements set by the designers.

Generating value for our customers

Lafarge is continually striving to better satisfy its customers' demands through innovative, high-quality products, solutions and services. Our research and development efforts aim to improve current construction methods and to develop the innovative products that will shape future trends. Lafarge's commitment to innovation is best expressed through the active partnerships that have been forged over the years with the Group's customers and with architects. These dialogues and relationships are a fundamental strength for Lafarge, enabling the Group and its divisions to develop products that genuinely meet the expectations of industry professionals, whether they seek aesthetic performances or technological prowess.



“Lafarge goes far beyond a purely commercial relationship.”

FINN GEIPEL, GERMAN ARCHITECT,
CO-FOUNDER OF THE LIN AGENCY WITH GIULIA ANDI

“Lafarge goes far beyond a purely commercial relationship.”

FINN GEIPEL, GERMAN ARCHITECT,
CO-FOUNDER OF THE LIN AGENCY
WITH GIULIA ANDI

“Building materials cannot be disassociated from the design of a building or an architectural structure. To innovate, we must be willing to move closer to these basic elements, be they glass, wood, steel or concrete!

Building materials are a source of creation. As for ourselves, we are now working very far upstream on projects with building material manufacturers, because this allows us to be the most creative.

This is how I discovered Lafarge during the *Pavillon de l’Arsenal* transformation project in Paris in 2004. My idea was to create a concrete shell, and I thought of using Ductal® concrete, because its natural color is very pleasing. Yet I wanted to be sure that Ductal® could be used to make concrete panels 3 meters high and 18 millimeters thick. Lafarge offered to run a series of tests to find out, and even indicated that it would be possible to modify Ductal® to meet my needs.

Thanks to this partnership, a rarity in the world of architecture, I was able to bring the project to fruition exactly as I had conceived it, which was something I really wanted to accomplish. Without these tests, I would have had to take a more cautious route and use wood or composite materials, which are easier to work with.

I was particularly charmed by Lafarge’s willingness, beyond a purely commercial relationship, to meet my needs and propose customized solutions, as it did for me in this project by providing a specialized team to conduct tests.”

Generating value
for our
customers

Innovative products and services

In step with customer expectations

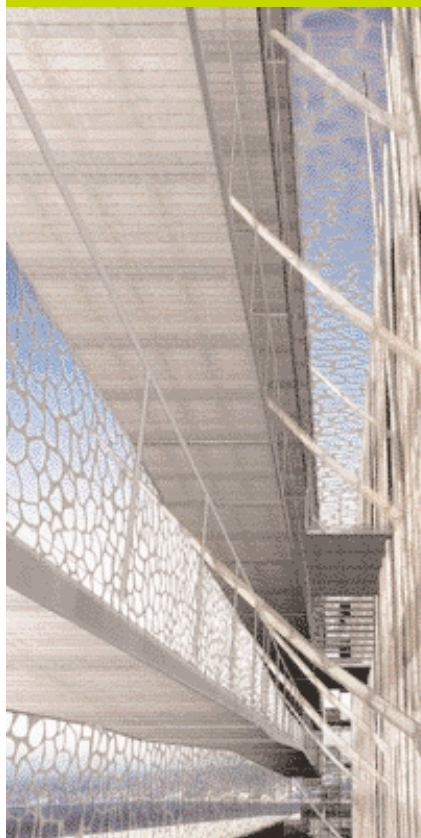
The acceleration of research programs since 2002 is now paying off. The year 2004 was marked by the development of new products and by the completion of several prototypes, which should strongly increase the added value of our concrete products.

The commercial success of our Agilia® self-placing concrete is a perfect illustration of what Lafarge expects from research and innovation. Enthusiastically welcomed by customers in France and North America, where it was first launched, the Agilia® line is now poised for strong international growth in the years ahead. As a result, the Aggregates & Concrete Division is accelerating efforts to share expertise and best practices for handling this product. Moreover, the Agilia® line is being extended to include new applications, the result of upstream research that will guarantee Lafarge's position as the undisputed leader in self-placing, ready-mix concrete.

Another technological advance marking an industrial breakthrough is our Signa™ plasterboard, with four tapered edges. Launched in 2004, the product's first marketing results are extremely positive and confirm that Signa™ concords perfectly with what our customers want. Previously, no one had managed to industrialize such a product – that is, until Lafarge's teams set to the task!

Lafarge invests not only in innovation, but also in the development of carefully targeted products and solutions that respond precisely to the expectations of specific customer segments. By working far upstream with specifiers and customers, Lafarge endeavors to aid clients in making their choices and in finding technical solutions. This process led to the 2004 launch of Artevia, a line of very high quality, colored and textured decorative concrete that uses the latest color technology.

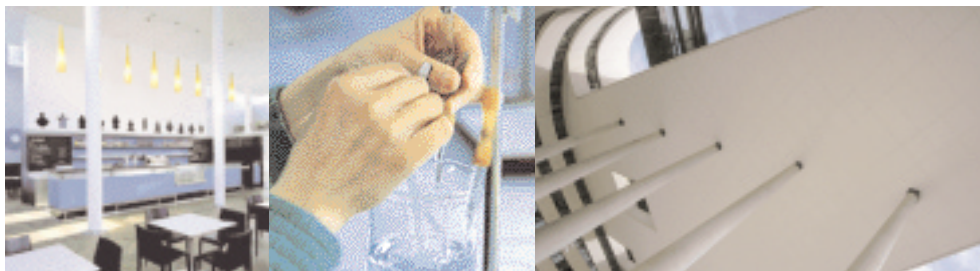
Lafarge is also working continuously on solutions and systems that go beyond the simple notion of supplying building products. The Roofing Division, for example, is constantly enriching its line of roofing components, which accounted for 20% of division sales in 2004.



Top
FRANCE | Ductal® project, MUCEM
(national museum of European and
Mediterranean civilizations) in
Marseilles, computer image |
Architect: Rudy Ricciotti

Down
FRANCE | Motorcycle garage project
using Ductal® for the RATP bus terminal
in Thiais | Architects: Emmanuel
Combarel and Dominique Marrec





Left
AUSTRIA | Cement | Building
at the Vienna Expo in 2004

Right
FRANCE | Concrete | Mère Enfant
Hospital in Nantes, made with
Agilia® | Architect: Rémy Butler

Building genuine partnerships with our customers

The partnership with customers is manifested daily through strong local ties. In all of our Business Units, sales representatives are increasingly responsible for handling every phase of a sale, from start to finish. With a thorough understanding of their customers' needs, they are able to recommend the most appropriate solutions while promoting value-added product lines.

A change of relations with one of the main concrete customers in Colorado, the developer Richmond Homes, offers a good example of this process. Previously, Lafarge sold concrete to subcontractors working for Richmond Homes. Closer ties with the developer revealed that Richmond was spending \$1 million a year on concrete repairs, resulting from certain unqualified subcontractors. Starting in 2005, Lafarge will supply Richmond with concrete directly, help it find qualified subcontractors, provide technical expertise, and supply it as well with a new line of colored concrete.

Lafarge also maintains close ties with architects. The Group is working with architect Jacques Ferrier on the concept of a tall, multistory building that will be exemplary in terms of sustainable development. Currently, there is an unprecedented boom in skyscraper construction in China and the rest of Asia, as well as in the big cities of the western world. Using innovative Lafarge products and systems, this project aims not only to provide concrete solutions to the challenges of urban expansion, but also to foster the development of new construction techniques that will meet the demands of sustainable construction.



UNITED KINGDOM |
Roofing | Staff at
the Crawley technical
center

MARIE-ROSE PINÇON,
CUSTOMER RELATIONS
DEPARTMENT MANAGER,
LAFARGE PLATRES,
FRENCH GYPSUM BUSINESS UNIT

“OUR VOCATION IS TO PROVIDE CUSTOMERS WITH THE BEST SERVICE AT THE LOWEST COST”

The Customer Relations Department, the sole port of call for customers, has three missions: processing orders, handling complaints and advising professionals. It is much more than a call center. Our vocation is to provide customers with added value, as well as to improve internal procedures for satisfying their demands. All our customers have access to a single toll-free number, and each customer is automatically directed to his/her sales representative. Every order is handled within two hours, and 95% of all orders are delivered in total compliance. According to our latest survey, we have a customer satisfaction rate of 91%. Our logistics system provides efficient stock rotation, thanks to our second-day delivery period. Seven out of ten complaints are handled in less than five days.”



Generating value
for our
customers



FRANCE | Pavillon
de l'Arsenal, Paris,
made with Ductal® |
Architects: Finn
Geipel and Giulia
Andi, LIN Agency

CONCRETO CEMENT CONQUERS INDIA

In 2003, an in-depth survey by Lafarge India revealed that 70% of its end consumers were homebuilders looking for a high-quality product. For masons using the product, low cement setting time was a key factor influencing their perception of product quality. In other words, there was a good potential for a premium quality product with a low setting time.

After analyzing market expectations and the growth potential of this segment, Lafarge India set to work designing a cement with the shortest possible setting time. Thus was born a new brand in 2004, *Concreto*, a high-quality, innovative cement that beats out its rivals with a setting time of less than 150 minutes, compared to 200 minutes for its closest competitors. This upmarket product is logically more expensive, but customers seem to think it is worth the premium, according to Mr. Harsh, a building materials distributor for the Jamshedpur company: "We supply *Concreto* cement to our customers. They are truly delighted with the superior quality of the product. We want Lafarge to bring out more innovative products like *Concreto*."



Similarly, as a member of the 'Heritage Partners Circle' in France, Lafarge is researching innovative solutions for the restoration and conservation of historical buildings within a technical partnership with a laboratory that works for the Architecture and Heritage Department of the French Ministry of Culture and Communication. In 2004, Lafarge sponsored an exhibition devoted to concrete architecture at the National Building Museum in Washington, D.C., and also organized a symposium on the future of concrete architecture in partnership with Princeton University, which was attended by architects from around the world.

Research to do more, better, differently

Lafarge has struck a balance between a centralized structure for research and a decentralized approach to product development. Lafarge's Central Research Laboratory (LCR) explores fundamental mechanisms and validates technological breakthroughs, while product developments is handled by technical centers at the divisional level. Through its organization and operations, LCR works very closely with marketing to anticipate the needs and aspirations of customers. It also works with industrial teams to facilitate and accelerate the development of innovations.



“Bison
partnership
opens new
business
prospects.”

PAUL TAGG, ENGLISH, READY-MIX SERVICES
MANAGER, LAFARGE AGGREGATES UK

“Bison partnership opens new business prospects.”

PAUL TAGG, ENGLISH, READY-MIX
SERVICES MANAGER, LAFARGE AGGREGATES UK

“**F**or the past 20 years we have worked with Bison, the UK leader in pre-cast structural products, supplying them with some of the aggregates they use to produce their own concrete. In 2001, Bison’s management informed us of a new unit they wanted to build at their Leeds plant. Yet they were unsure whether they would manufacture the concrete for this new unit by upgrading the existing concrete plant on site, or purchase the concrete externally. This new unit would specialize in pre-cast structures like spiral staircases, terrace seating for stadiums, athletic tracks, etc. in short, all manner of constructions using non-linear forms and responding to certain aesthetic criteria. After long reflection, we decided to convince Bison to use Agilia®, our self-placing concrete, which we considered to offer real added value for their needs. Agilia® is easy to place, very aesthetic and eliminates the need for finishing or leveling. Moreover, it spares investment in vibration equipment and concrete plants. These arguments won over Bison, which had every reason to concentrate on its core business. Consequently, we now ship 30-50 m³ of Agilia® per day to the Leeds plant, or an average of 8,000 m³ annually.

Further to this commercial success, our partnership has opened new growth prospects. Bison said that it would like to use Agilia® at another of its pre-cast production facilities in the UK. Moreover, with the market for pre-cast products increasing, we are actively prospecting other companies specializing in this area.”

Generating value
for our
customers



JAPAN | White Temple near Kyoto | Cement |
Architect: Takashi Yamaguchi & Associates |
Project presented at the 'Liquid Stone - New
Architecture in Concrete' exhibition
organized by the National Building Museum
in Washington, D.C.; Lafarge is the exclusive
sponsor of the exhibition.

Since 2002, LCR has operated around a matrix structure that aligns projects with expertise. This project-based management approach, which has proven to be extremely effective, brings together researchers from the divisions and Business Units. It makes it easier to identify the most pertinent subjects, and significantly reduces the time needed to industrialize research results and bring products to market. Today, the LCR's research activities are well balanced between short, medium and long-term projects, including major breakthroughs that open new horizons.

Open to outside partnerships, Lafarge's research teams work regularly in close collaboration with the world's most prestigious universities, engineering schools and public research labs. Partners include the Massachusetts Institute of Technology (MIT) and Princeton University in the United States; the Laval and Sherbrooke Universities in Canada; and the French Science Research Center (CNRS), the largest fundamental research center in Europe. LCR is also part of the NANOCEM network, which brings together about thirty universities and industrial groups for long-term research on cement and concrete.



FRANZ-JOSEF ULM, GERMAN,
ASSOCIATE PROFESSOR OF CIVIL
& ENVIRONMENTAL ENGINEERING,
MASSACHUSETTS INSTITUTE
OF TECHNOLOGY (MIT), UNITED STATES

“IN MY VIEW, LAFARGE IS THE ONLY GROUP THAT HAS MASTERED A NANOMETRIC APPROACH TO MATERIALS”

In the context of a partnership with Lafarge, I study the mechanical properties of cement at the nanometric level (10^{-9} m). This level approaches the infinitely small, since one nanometer represents roughly four molecules of water. It is a particularly interesting scientific approach, because it reveals previously unknown, yet universal, properties. Like the human genome project, and the gene therapy that has developed from its decoding, this research will make it possible to design extremely high performance materials and to prolong their useful life. Concretely, I test materials in partnership with researchers from Lafarge. In my view, Lafarge is the only construction group that has mastered a nanometric approach to materials.”



Research produces convincing results

Lafarge has invested in research to develop prototypes and elaborate new products. This strategy contributed to the Group's excellent sales performance in 2004, notably with the transformation of a nationally developed product like Agilia® into a worldwide success story. In the light of these results, the Group has decided to significantly increase its research budget in 2005.

Another program to develop concrete with highly innovative characteristics, launched in 2002, has begun to pay off after industrial prototypes were finalized in 2004.

In cement, research is focused primarily on sustainable development. Work on reducing carbon dioxide emissions, for example, has led to greater utilization of raw material substitutes (thus preserving natural resources) and an exploration of technological breakthroughs.

A second line of research aims to monitor, control and modulate cement quality according to customer needs, through a meticulous regulation of the interactions between cement, aggregates and admixtures.

The Gypsum Division is conducting research on the technical performance of plasterboard as well as on different manufacturing methods.

Technological innovations are also to be found in the Roofing Division, which is working actively to develop products with exceptional endurance.

A BRIEF LOOK AT NEW PRODUCTS LAUNCHED IN 2004:

CEMENT: in India, launch of *Concreto*; in Venezuela, *Cemento Ultra*; in North America, *Blockset* – a compound cement for manufacturing blocks – and *Maxcem*, slag cement; in Austria, *FluamixC*®, as well as special binders for civil engineering work.

AGGREGATES & CONCRETE: *Artevia*, a decorative concrete line; fiber-reinforced concrete solutions for slabs and flooring; ongoing development of *Agilia*® worldwide.

ROOFING: for clay roofing tiles, *Plate de pays & Galléane* in France and *Rubin 11V* in Germany; for concrete tiles, *Barcelona* and *Mandara* in the United States, *Protector* in Scandinavia, *Cisar* in Poland, *Ivory* in Brazil; for chimneys, the new energy-saving ventilation systems *Absolut* and *Area*.

GYPSUM: *Signa*™ plasterboard with four tapered edges, a genuine market innovation that improves productivity and aesthetics; *Rapid Deco* (United States), pre-plastered drywall offering a finish of unmatched quality.

Giving our people every opportunity to contribute to the Group and to develop their talents

With 77,000 employees working at nearly 2,100 sites in 75 countries, the Group launched a highly unifying program in 2003, with the goal of rallying all employees around efforts to continuously boost performance and customer satisfaction. Implemented at all levels of the organization, the number of initiatives rose dramatically in 2004. The strong mobilization of managers, followed by that of the entire workforce, has created real momentum for progress that is beginning to bear fruit.



“Successfully mobilizing our employees under the Group’s leadership.”

LILY WANG, CHINESE,
HUMAN RESOURCES MANAGER,
LAFARGE ROOFING CHINA

“Successfully mobilizing our employees under the Group’s leadership.”

LILY WANG, CHINESE, HUMAN RESOURCES MANAGER,
LAFARGE ROOFING CHINA

“The Chinese market is especially competitive, with nearly a thousand new players having emerged on the scene over the past decade. To meet this challenge, *Leader for Tomorrow* has proven an excellent means for mobilizing the employees of Lafarge Roofing China, and marked the beginning of a rapid change of mentality in 2004.

We began by organizing one-and-a-half day workshops for management on a voluntary basis. A 98% participation rate reflects the interest generated by this approach! These meetings were followed by one-day sessions in each of the regions, involving all employees. The different sessions provided occasions for in-depth discussions and reflection on management practices and methods, and on the means of forging a common vision.

These seminars were followed by plans of action in each region, and within each function: customer service, purchasing, logistics and the supply chain. Each plan of action was linked to one of the top priorities of our Business Unit: health and safety, improving performances, boosting profitability, and the development of a customer-oriented approach. Through *Leader for Tomorrow*, we were able to give new meaning and importance to daily management practices.

Our Business Unit’s ambition, which is to affirm its uncontested and profitable leadership of the Chinese pitched roofing market, is now understood and shared by all our employees. This improved understanding of the Group, its strategy and its challenges has had a positive impact on daily operations: Lafarge Roofing China has boosted sales volumes by 9% compared with 2003, and at more attractive prices. We are also in better command of our variable costs.”

Giving our people every opportunity to contribute to the Group and to develop their talents

An unprecedented effort to galvanize 77,000 Group employees

CANADA | AGGREGATES & CONCRETE

THE BRECHIN PLANT GOES ALL OUT TO HELP YOUNG GRADUATES

To encourage the development of young people, Lafarge Canada's Brechin plant helps with the Engineer in Training program by offering two to three-year internships, in which engineers gain experience by working in all departments (production, marketing, logistics, etc.) "Three graduates who followed this program continue to work within Lafarge, as a Plant Manager, an Operations Analyst and a Marketing Analyst. Thanks to their internships, they were able to rise very rapidly into key positions," points out David McCarthy, former manager of the plant and now Maintenance Manager for the Aggregates & Concrete business in North America. The program had another advantage: the entire plant went all out for the interns, to facilitate their integration. "The employees came to feel more especially worthwhile, because they were able to contribute to the training of future managers," concludes Mr McCarthy.

The *Leader for Tomorrow* program's main goal is to orient employees towards a deep performance culture. The plan was launched in 2003, with different phases extending through 2005, and the Group is counting on all its employees to gradually adopt this new corporate culture.

In 2003, the Group and division management teams initiated the process along with 150 executive officers of the Business Units and departments. Shortly after, 800 senior managers followed suit, and in 2004 it was the turn of 10,000 managers. All were participants in a *Leader for Tomorrow* workshop, where they worked in teams to develop the program's four main priorities: a customer-oriented approach, continuous performance enhancements, a more effective organization, and the development of employees.

A wide range of field projects was launched, with each Business Unit devising its own plans to meet specific situations and local challenges. The first big success of the *Leader for Tomorrow* program was to build momentum through tangible local actions, whilst maintaining a common purpose.

An initiative taken by the Gypsum Business Unit in Thailand provides an excellent example of this process: the Business Unit's 485 employees were all trained to install plasterboard, their customers' main business. This was an easy and effective way to help employees put themselves in the customer's shoes and to get a very practical understanding of how to use Lafarge products. Another good example is the overhaul of operations at the Cement Business Unit in Morocco, which succeeded in reducing truck turnaround time fivefold.

Left
THAILAND | Gypsum |
SF cinema in Bangkok |
Architect: Wichai
Khaemajitpishit
of '760i ARCHITECTS'

Right
CHINA | Roofing |
A typical roof





THAILAND | Gypsum |
Customer orientation
workshop as part of the
TMAY program (Tell me
about you)

In Canada, the Aggregates & Concrete business organized numerous meetings with customers in 2004 to hear what they had to say, in order to make further strides toward excellence. After listening to customers, the division has already made some appreciable changes: certain departments are now open on Saturdays, managers have a greater presence in the field, and services have been improved.

In the Philippines, to inspire improvements in comportment, the Cement Business Unit rallied employees around a series of performance indicators, including customer satisfaction rates, truck turnaround periods and the respect of delivery deadlines. This system helps each employee grasp the impact of his own actions on the overall performance of the Business Unit, with the indicators monitored daily and displayed in highly visible locations. As a result, the commitment and motivation of each employee is transformed into a real art of working together.

Common guidelines have encouraged initiatives and numerous concrete actions

Another key goal of *Leader for Tomorrow* is to develop a more effective organization. In 2003, the Group revised its *Principles of Action*. This statement expresses the vision, goals and working methods of the Group, based on deeply shared common values.

This work continued in 2004, with a review of the *Group Principles of Organization* and the compilation of a *Code of Business Conduct*, which describes the ethics that must be respected by all the employees and subcontractors. Additionally, the *Group Rules* were published.

Giving our people every opportunity to contribute to the Group and to develop their talents



UNITED KINGDOM | Roofing |
Cambrian Slate roofing tiles
on the University
of Bournemouth library

MATS EKSTRÖM, SWEDISH,
SALES & MARKETING DIRECTOR,
LAFARGE ROOFING NORDIC
AND BALTIC

This body of principles and regulations is designed to help each employee translate the spirit of the *Leader for Tomorrow* program into concrete actions that best reflect the reality of the Group's multi-local working environment. Reaching beyond borders and cultural diversity, these rules lay a foundation for shared values that brings into harmony the creativity, energy and intelligence of women and men and teams of the Group, fostering a wealth of local initiatives and tangible actions.

In this same spirit, the *Lafarge University* was launched in September 2004. Eighteen months of intensive work led to the creation of a structure and curriculum to help improve the Group's management style.


Developed for managers from around the world, these specific training programs are designed to help them think about their management style; to improve their ability to hold work teams responsible for their actions; to call themselves into question; to promote teamwork; and to accelerate the sharing of experiences and the transfer of best practices. The goal is to encourage cultural change by providing managers with the opportunity to have real influence on their own training. 1,500 senior managers already participated in these training cycles.



“CREATIVITY AS A SOURCE OF PERFORMANCE IMPROVEMENT”

“At *Lafarge University*, I took a *Lead the Group* training course, which deals with the impact management behavior can have on performance. I learned that a rational approach should not be adopted systematically, lest we overlook creative solutions. Since then, I have put additional focus on active listening with employees on a daily basis, in order to stimulate and motivate them to use their full potential.

I also apply these principles with my colleagues from other countries, and in doing so was able to discover some of their good practices. I brought these practices to our Business Unit, which operates in seven countries in the very north of Europe. In this way, for example, I learned about a proven method for segmentation of our markets and differentiation of our offers to customers. Maintaining an open mind, however, requires unwavering attention! Nowadays, I also encourage the work teams to pursue training programs adapted to their personal development plans.”

A close-up portrait of Christine Iddins, a woman with dark, wavy hair, looking slightly to the right with a gentle smile. She is wearing a light-colored patterned jacket over a dark top. The background is softly blurred.

“Through mobility,
best practices
are transferred
from one country
to another.”

CHRISTINE IDDINS, AMERICAN,
MANAGER OF THE LICHTENBURG
CEMENT PLANT,
LAFARGE SOUTH AFRICA CEMENT

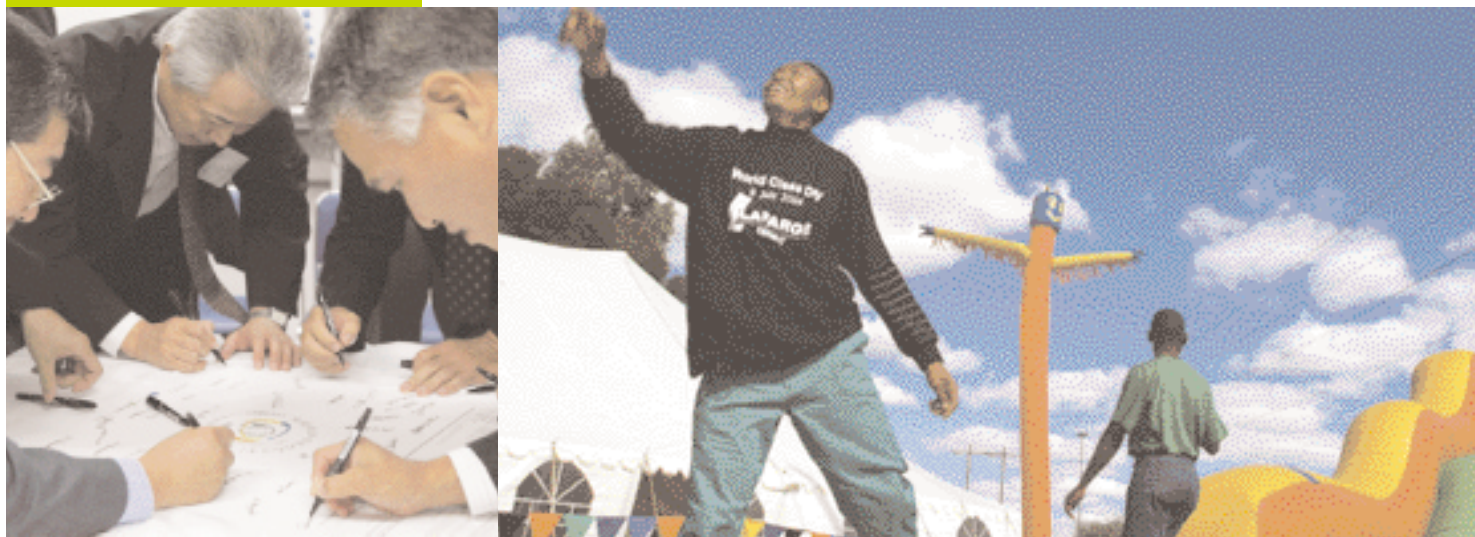
“Through mobility, best practices are transferred from one country to another.”

CHRISTINE IDDINS, AMERICAN, MANAGER OF THE LICHTENBURG CEMENT PLANT,
LAFARGE SOUTH AFRICA CEMENT

I first began working for Lafarge in 1992 as an engineer at the Alpena plant in Michigan, in the United States. I was a plant manager in Canada from 2001 to 2004, before being named Manager of the Lichtenburg plant in South Africa in March 2004. On joining Lafarge in 1992, my goal was to lead an international career. During individual evaluation meetings, I expressed my desire to live abroad. Before leaving for Lichtenburg, I took a cultural training program, which allowed me to become operational very quickly. Right from the start, I was confronted with specific challenges presented by a highly diversified workforce, with employees of different origins, cultural backgrounds and qualifications. The way I managed human resources had to be adapted. Things that I took for granted in my previous location were suddenly more important in South Africa. For example, with the high HIV/AIDS infection rates, education of employees about HIV is critical. The Business Unit has an excellent program in place on HIV/AIDS awareness as well as voluntary counseling, testing and treatment. Moreover in North America, it is easy to assume that all employees have access to transportation while in South Africa dealing with transportation issues for all plant employees is much more complex. The industrial problems I encountered, however, were roughly the same as in North America. I was thus able to transfer to South Africa the best practices developed in my first Business Unit as well as learn from the best practices here. This knowledge transfer typically results in improvements at a faster rate and lower cost. We encourage plant personnel to look to the Group in trying to solve plant problems. In this way, the South African work teams discovered that solutions to their problems might be found in other Group plants, saving us from having to reinvent everything. For this reason, I strongly encourage them to interact with other production units within the Group.”

Giving our people every opportunity to contribute to the Group and to develop their talents

An international Group, rich in diversity



Left to right

JAPAN | *Leader for Tomorrow Day*

SOUTH AFRICA | *Cement | World Class Day*

Mobility is encouraged and continuously increasing, and constitutes a strong asset for Lafarge and its employees

For a group like Lafarge, which is both global and local in each country where it operates, mobility plays a key role in confronting different points of view, sharing experiences and transferring best practices. It teaches employees to adapt to local situations while respecting global demands, and to maintain an open mind. Through mobility, the diversity of the Group is expressed in a single voice: excellence. Mobility has increased constantly in recent years. To encourage mobility between divisions and departments, the Group created a job notification system in 2004 that informs all employees of available job opportunities. A website permanently displays some 500 available posts, and nearly 120 new jobs are added each month. With 8,000 hits per month, this is certainly the most popular website with Group employees.

Moreover, the diversity of expatriate population has also grown significantly. The number of Business Units sending employees abroad doubled between 1998 and 2004. This tendency was confirmed in 2004, when the number of expatriate employees rose 37% compared to 2000, with 44 countries involved compared to only 27 in 2000.



The flow of expatriates is also increasingly multilateral, with employees from Business Units in the developed countries moving towards the emerging countries, and vice versa. This trend is occurring in all lines of business and for all types of expertise. In 2004, a third of the Group's expatriates were located in Asia, nearly a quarter in Western Europe, 15% in Central Europe, 10% in Africa, 8% in the Middle East, 7% in North America and 5% in Latin America. Although Lafarge naturally encourages this mixing of cultures, the Group's goal is to push the internationalization of its teams even further. At present, 80% of Lafarge Business Units have a foreigner on their management team (100% in the Cement and Gypsum Divisions). The manager of the Mbeya cement plant in Tanzania is English; the strategic marketing director of the Gypsum Business Unit in South Korea is Lebanese; the marketing manager of the Roofing Division in Germany is Chinese; and the manager of the Saint Loubés gypsum site in France is Australian. Another key figure also provides an important insight into the Group: soon, a third of all key positions at the head office will be held by non-French executives.

Convinced that diversity is a key factor for the Group's advancement, Lafarge joined 34 other major French corporations in October 2004 to sign a Diversity Charter, illustrating their moral commitment in favor of cultural, ethnic and social diversity. Lafarge has thus pledged itself to developing pluralism and to seeking diversity through recruitment and career development opportunities.

MARTIN TURECKY, CZECH,
MANAGER OF THE RAVENA
CEMENT PLANT,
LAFARGE NORTH AMERICA

“PROFESSIONAL MOBILITY ENHANCES PERFORMANCE”

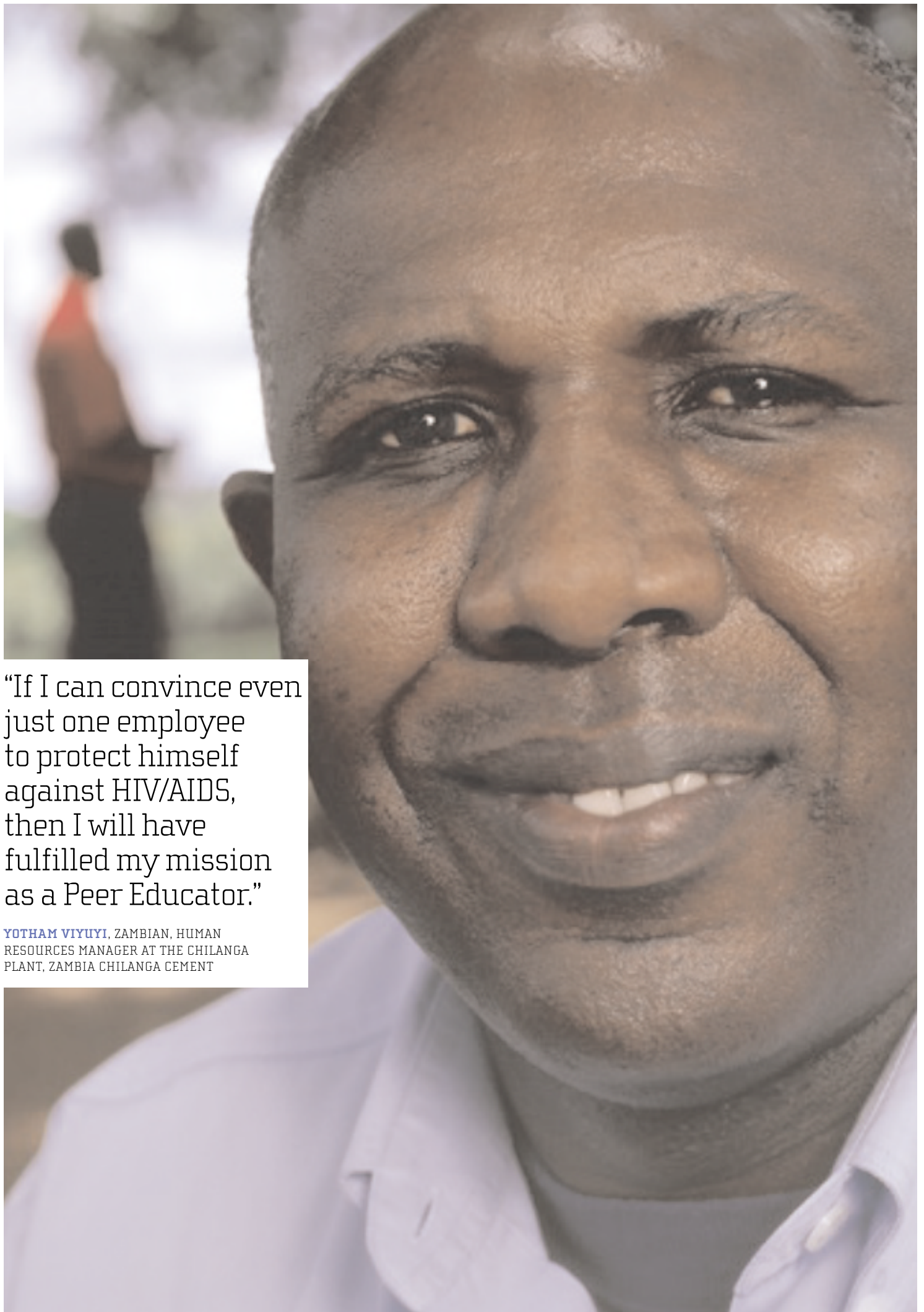
Before Ravenna, I worked in the Czech Republic (my home country), Serbia, Montenegro, and at the Davenport plant in the USA. I believe that professional mobility can help boost a plant or Business Unit's performance. When transferring to a new country, one has to totally immerse oneself in the new situation in order to understand the intricacies of how everything works. This fresh look at a system often provides insights into what is or is not working. Professional mobility also offers another incontestable advantage: thanks to the experiences one acquires, it is possible to draw on the best practices used elsewhere to help solve problems. The fact that a given solution has already proven its worth in other contexts always reassures the work teams, and helps speed its implementation.”



Contributing to building a better world for our local communities

A strong commitment to sustainable development lies at the heart of Lafarge's strategic goals. Like its economic performance, from which they cannot be disassociated, the Group's social and environmental performances are also being monitored with increasing rigor.

Determined to build a genuine partnership between business and society, Lafarge is intensifying its dialogue and cooperation with stakeholders – including governments, associations and NGOs – while increasing its commitments to local communities.



“If I can convince even just one employee to protect himself against HIV/AIDS, then I will have fulfilled my mission as a Peer Educator.”

YOTHAM VIYUYI, ZAMBIAN, HUMAN RESOURCES MANAGER AT THE CHILANGA PLANT, ZAMBIA CHILANGA CEMENT

“If I can convince even just one employee to protect himself against HIV/AIDS, then I will have fulfilled my mission as a Peer Educator.”

YOTHAM VIYUYI, ZAMBIAN, HUMAN RESOURCES MANAGER
AT THE CHILANGA PLANT, ZAMBIA CHILANGA CEMENT

The Chilanga Cement Plant in Africa has not been spared by the HIV/AIDS pandemic. A 2003 study by Lafarge revealed that HIV prevalence levels among employees were above national levels of 20%! Something had to be done. On top of the terrible human drama, the plant faced the eminent risk of high levels of absenteeism and reduced productivity. With the help of the Lafarge Group and Afya Mzuri, a NGO formerly called ZHABS, we set up a prevention program with a team of 44 peer educators, of which I am a member. We have one educator for every ten employees. All categories are represented, and we meet every 15 days, during our working hours. Financed by Lafarge, our actions consist of informing our colleagues and their families about HIV/AIDS and opportunistic infections, and distributing free condoms. We also encourage employees and family members to undertake Voluntary Counseling and Testing (VCT) and to take advantage of the provisions of the Group’s HIV/AIDS policy to gain access to anti-retroviral treatments.

Women play a key role in our intervention program. We quickly understood that full prevention could only be achieved by involving employees’ wives and family members. With Lafarge’s help, 30 women from the Chilanga Community, where our employees live, were trained as part of the HIV/AIDS prevention and wellness program. They have since been sharing their knowledge with numerous other women and families in the area.

These efforts have paid off. The health of our employees has clearly improved since the number of sexually transmitted diseases (STD) has fallen sharply. The absentee rate has also declined, enabling the factory to operate normally. We plan to extend these programs to other communities near the plant.

AIDS is no longer taboo and people are willing to speak openly about it, which has helped to change high-risk behavior. The role of a peer educator is a difficult and demanding task, but if I can convince even just one employee to protect himself against HIV/AIDS, then I will feel that I have fulfilled my mission.”

Contributing to building
a better world for
our local communities

Safety, health and social dialogue are key factors for sustaining growth



JAPAN | Roofing |
Employees at the Himeji
plant participate in a
road safety campaign

At Lafarge, the safety of its employees is a top priority. This criterion has now been fully integrated in the Group's performance targets. Launched in 2003, the safety management system continued to be deployed at an accelerated pace in 2004, and now applies not only to Lafarge employees but to its subcontractors' employees as well. At the end of 2004, 70% of the Business Units had adopted the system. Now the Group has raised its ambitions. No longer content to be the best in its sector, Lafarge now aims to rank among the safest industrial companies in the world, regardless of the sector.

Concern for the health of its employees and their communities has led Lafarge to play a major role in the fight against HIV/AIDS, a calamity affecting employees, their families and their local communities in many regions of the world. In Sub-Saharan Africa, the Group is active in nine nations that rank among the worst hit by the pandemic and where Lafarge has nearly 7,000 employees, representing 9% of its total workforce. Despite its size and influence in these countries, Lafarge is nonetheless confronted by a lack of infrastructure, and does not want to work alone to ensure the durability of the programs it has established. Working closely with the public sector and the medical community, the Group has established several partnerships with NGOs like CARE. The main lines of action are prevention, voluntary testing and the supply of anti-retroviral treatments.

DAVID CHRYSTALL,
ENGLISH, MANAGER
OF THE DUNBAR
CEMENT PLANT,
LAFARGE CEMENT UK



"SAFETY CONTRIBUTES TO STRONG OPERATING RESULTS"

"2004 produced very good results in terms of safety for Lafarge Cement UK's Dunbar Works. We were awarded ISO18001 certification, and extended our own safety record, with no time-loss accidents for the past three years! It proves the validity of our safety plan, which is based on the simple premise that all our employees and suppliers have the basic right to return home safe and sound to their families each night. For over three years, we have made far-reaching efforts to change attitudes and ways of thinking regarding safety. How? By making the clear link that what gives a good safety performance also contributes to strong operational results. Both require risk assessment/inspections, good planning, and accurate procedures executed in a professional manner. This is how we have produced a safer working environment and an improved operating performance."

“WE ARE CONSULTED IN THE VERY UPSTREAM PHASES OF A PROJECT”

I am a member of the European Committee, which is constantly striving to further improve the social dialogue at Lafarge. The Committee consists of some 30 members elected from Lafarge’s European workforce. Our role? To monitor those aspects that affect the life of the Group, safety, and employment trends in Europe, as well as to express our opinion on corporate projects that might have an impact on employees.

The Group consults with us early on concerning strategic projects, and our recommendations are taken into account if they help to better integrate social factors. For example, the European Committee signed a joint declaration on health and safety, which I helped implement in 2004. What is admirable about Lafarge is the absence of confrontation. Instead, we have an ongoing dialogue with Group management, since everybody wins from being constructive.”



PATRICE PONCEAU,
LAFARGE EUROPEAN COMMITTEE
SECRETARY AND PRODUCTION
SUPERVISOR OF THE CONTES
CEMENT PLANT IN FRANCE

Major efforts were also made in 2004 with regard to social dialogue. The European Committee agreement of 1994 was renewed, notably to take into account the expansion of the European Union. Lafarge likewise maintained its approach to restructuring, using practices that have already been implemented in France and Central Europe. The guiding principle is to work as far upstream as possible in the restructuring process and to ensure that no employee is left alone with a job problem. It was largely thanks to this approach that the redeployment program at the Tetouan cement plant in Morocco went so smoothly. Hailed by unions, this plan ended up creating more jobs than were eliminated.

To monitor its social performance, Lafarge has adopted the indicators recommended by the Global Reporting Initiative (GRI). This international benchmark, elaborated in collaboration with the United Nations in 1997, aims to help companies and stakeholders assess the economic impact of their activities. The Group implemented indicators for evaluating the safety and health of employees, cultural diversity, gender issues, and employment – notably concerning the impact of restructuring on the local labor pool. At year-end 2004, 74 Business Units were using GRI indicators, accounting for 84% of Group employees and 91% of sales.



Left to right
VENEZUELA | Aggregates & Concrete | Lafarge is a partner of the Alianza La Vega Education Center near Caracas
BANGLADESH | Cement | A healthcare center set up by Lafarge Surma Cement

Contributing to building
a better world for
our local communities



FRANCE | Aggregates |
Rehabilitation of the
Limay quarry

From a production that respects the environment to sustainable construction

To ensure a responsible approach to its operations, Lafarge works to protect the environment on four main fronts: the battle to stop climate change; the preservation of biodiversity; the conservation of natural resources; and the development of innovative approaches that promote a better respect for the environment.


Concerning industrial ecology, the Group strives to limit its consumption of non-renewable resources by utilizing raw material substitutes, byproducts from other industries, and alternative fuels.

Lafarge is also investing constantly to improve its industrial processes, to make them more efficient, reduce water and fuel consumption, lower emissions and encourage recycling.

Furthermore, considering itself responsible for understanding the environmental impact of its products throughout their lifespan, the Group is committed to developing and promoting construction techniques that better respect the environment and society. In complement to its own Research & Development programs on new products, Lafarge also works with specifiers, architects, design firms and contractors to improve the performance of building systems. In 2004, the Group stepped up such Research & Development efforts and co-founded the “Foundation *Batiment Energie*”, an energy-conservation research foundation. Lafarge also launched several green habitat pilot projects.

Reducing significantly CO₂ emissions

The European Directive on reduction of CO₂ emission came into effect on January 1, 2005, in application of the Kyoto protocol. Thirty-eight industrialized countries signed the pact in 1997, agreeing to reduce greenhouse gas emissions by an average of 5.2%. With its longstanding commitment to fight climate change, Lafarge anticipated these trends and signed a partnership with WWF in 2000. The Group voluntarily introduced a program to drastically reduce its net CO₂ emissions worldwide by 20% per tonne of cement, and its absolute gross emissions in the industrialized countries by 10%, for the period 1990 to 2010. These targets are much more ambitious than those set by the signing members of the Kyoto protocol.

A close-up portrait of Sebastian Popescu, a man with short dark hair, wearing a grey suit jacket, a light blue shirt, and a dark tie. He is looking slightly to the right of the camera with a subtle smile. The background is a bright blue sky with some white clouds. On the left side, there is a yellow rectangular box containing text.

“I had the
impression I was
participating
in the construction
of my country.”

SEBASTIAN POPESCU, GENERAL MANAGER
OF LAFARGE ARCOM GIPS, ROMANIA

“I had the impression I was participating in the construction of my country.”

SEBASTIAN POPESCU,

GENERAL MANAGER OF LAFARGE ARCOM GIPS, ROMANIA

“ Since 2002, the Lafarge Group has worked in partnership with Habitat for Humanity, a NGO which helps needy families build decent homes for themselves. Rallying to the NGO’s cause, Lafarge Romania has been involved in supporting the local branch of Habitat for Humanity and donating building materials since 2002. Employees also work on the construction sites on a volunteer basis, and are highly motivated by this new teambuilding experience.

This is an important project because Lafarge has more than 15 industrial sites in Romania, and thus has an economic and social responsibility in each of these regions. Our goal is to bring Habitat for Humanity projects to as many local communities as possible in the regions where we operate. It was for this reason, in 2003, that Lafarge Gips offered the equivalent of \$3,000 in plaster and other gypsum materials and that 10 of us helped to build apartments in Beius.

I participated in the project because for me, sustainable development is something concrete and I wanted to testify to the fact that Lafarge is a socially responsible company. In hindsight, it is very gratifying to devote time to a project without expecting anything in return, and to participate in building decent and affordable homes for needy families.

This humanitarian partnership is particularly stimulating because all of the Lafarge Business Units in Romania are equally involved. As a result, the cement and concrete Business Units donated the equivalent of \$6,000 in building materials in 2004, and 11 volunteers worked on the foundations of four houses in Radauti. Over the next two years, we plan to redouble our efforts. In 2005, Lafarge Romania will contribute the equivalent of \$12,000 in building materials, and 2 teams of employees will participate in construction projects. In 2006, a Habitat for Humanity house will be built entirely with Lafarge products, by teams of Lafarge volunteers!

The intensification of these efforts is part of the global partnership agreement signed between Habitat for Humanity and the Group.”

Contributing to building
a better world for
our local communities



PARTNERSHIP WITH WWF

Since 2000, Lafarge has partnered with WWF, the global conservation organization. The aim of this pioneering, visionary partnership is to enhance the Group's environmental performances, thereby raising the standards for the industry as a whole.

As part of this partnership, Lafarge has pledged to make significant reductions in its CO₂ emissions. It has also finalized an ambitious quarry rehabilitation policy and laid the foundations for a veritable strategy of biodiversity conservation at its operating sites.

At year-end 2004, 79% of the Group's quarries – or 93% of those in the Aggregates & Concrete Division – had developed a rehabilitation plan that complies with Lafarge standards. Net CO₂ emissions have been reduced by 11.2% per tonne of cement produced, and all performance indicators are reflecting significant progress. Local partnerships have been developed between Lafarge Business Units and national WWF organizations in Austria, France, Canada, China and Kenya, in order to improve the protection of biodiversity and natural resources at the local level.

At the end of 2004, the results were very convincing, with Lafarge having already reduced net emissions by an average of 11.2% worldwide.

Consequently, the Group is prepared to conform to the new European system for trading greenhouse gas emission quotas. This drastic reduction in net emissions was due to a combination of three factors: reduced energy consumption, the use of raw material substitutes and the utilization of alternative fuels, including the growing use of waste products.

Wanting to do still more, Lafarge is now committed to helping developing countries to find, in association with local and government authorities, the solutions that will allow them to pursue growth while limiting the rise in CO₂ emissions. Particularly vigilant about the performance of its plants, Lafarge intends to set an example for the industry. Moreover, the Group also promotes the concept of sustainable construction. For example: in Morocco, Lafarge is currently building the first wind farm ever to be associated with a cement plant, which will generate 40% of the plant's electricity needs with zero greenhouse gas emissions.

Actions for humanitarian development are multiplied at the local level

At all of its locations, the Lafarge Group places a prime importance on local economic development. Alongside its global commitments, the Group and its local Business Units have undertaken numerous actions to help build a better world at the local level.

Among the numerous projects launched in 2004, the initiative taken by Lafarge India, which set up computer training programs for girls with the aim of improving the conditions and status of women in India, is particularly remarkable. The local population surrounding Lafarge India's industrial sites has large numbers of underprivileged women, persistently wide social gaps, unskilled labor, child marriages and illiteracy. Thanks to the central role women play in family life, training girls to use computers is one way to make a direct impact on education and social development. The training programs provide basic computer skills, with evaluation and follow-up systems, and are taught by qualified teachers using educational software.

By 2006, Lafarge India's goal is to have trained 1,500 girls to use



BANGLADESH |
Cement | Children in
Chhatak; social aid
project of Lafarge
Surma Cement

computers at eight middle schools located near its production sites, with a graduation rate of 80%.

To assist poor people in gaining access to housing, Lafarge has been working since 2001 alongside Habitat for Humanity, a NGO that is devoted to building houses with the help of both volunteers and the needy for whom the homes are being built. The Group donates building materials and encourages employees to volunteer to work on the building projects. A network has gradually formed among the Group's Business Units and employees, to share best practices and encourage the emergence of new projects in 2004. In all, twelve countries have already launched this kind of initiative. In late 2004, Lafarge signed a global agreement with Habitat for Humanity to accelerate and expand its commitment to cover 25 countries, and to conduct projects using common performance indicators.

On a totally different level, an initiative taken by two Roofing Business Units in Poland, RuppCeramika and Braas Polska, can be pointed out. In 2004, they launched a nationwide contest for students at professional building schools. Altogether, 250 schools participated in the competition, which produced 15 roofing models using materials provided by Lafarge. This project contributed to the students' education and encouraged creativity.

LAFARGE MAHAWELI CEMENT'S SUPPORT FOR POWER HOUSE, SRI LANKA

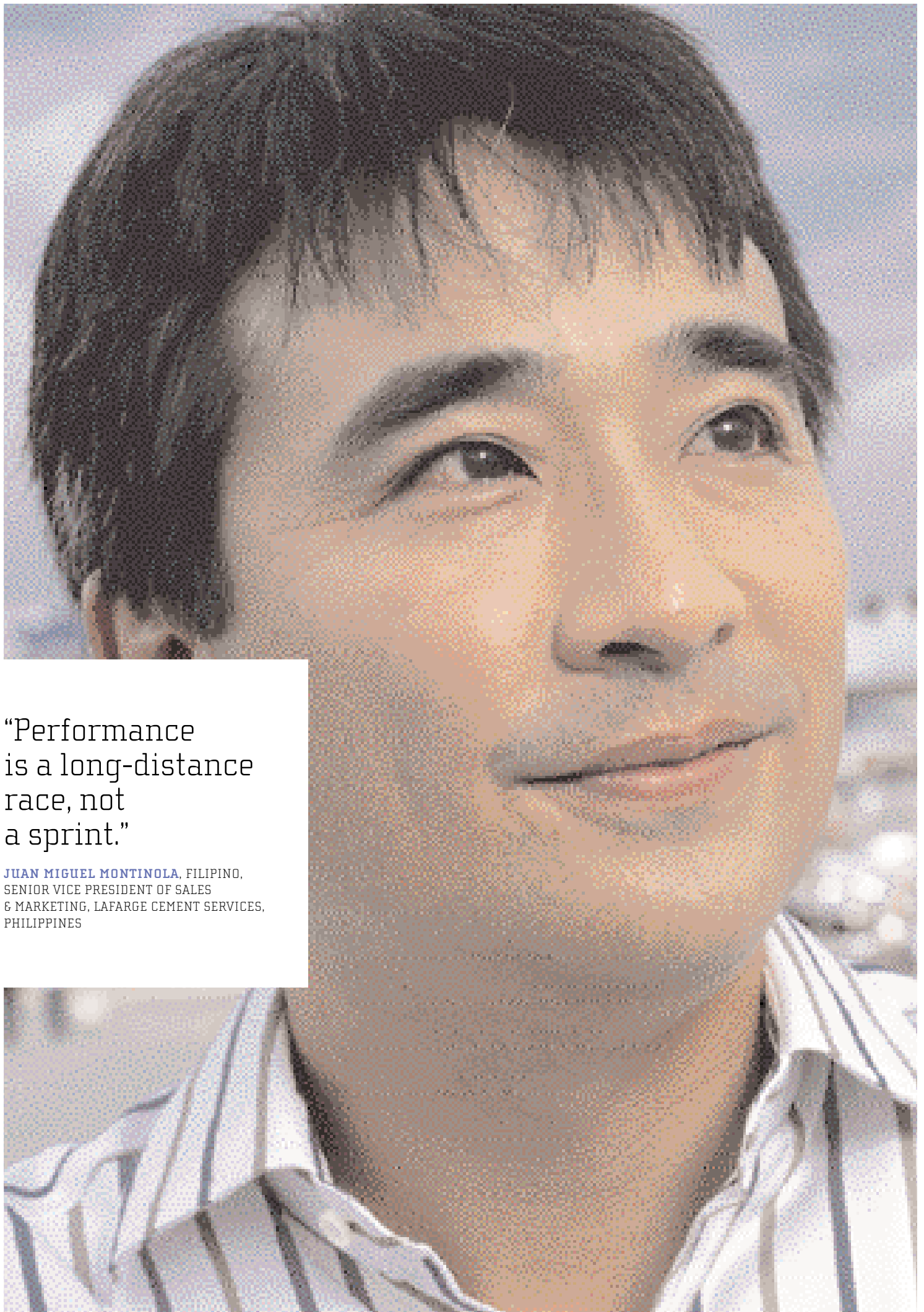
Another example worth highlighting is Lafarge Mahaweli Cement's support for Power House, a project in Sri Lanka that teaches construction skills to young drug addicts. The center provides counseling and helps rehabilitate drug addicts by offering them access to a halfway home for several months. Funded by donations, the center provides training in masonry and farming.



SOUTH AFRICA |
Cement | Lafarge
voluntary employee
on a Habitat for
Humanity worksite

Delivering the value creation our shareholders expect

Lafarge strives to improve continually its performance in all areas. In 2004, performance enhancements fuelled strong growth. The Group has created the conditions that will allow it to increase earnings per share year after year, with a return to solid financial health further supporting its profitable growth strategy. Furthermore, through its efforts to explain its strategy, businesses and market environment, Lafarge has built up a relationship of trust with its shareholders founded on transparency, and continuously improves the effectiveness of management structures with the aim of enhancing corporate governance. It is on the basis of these concrete measures and results that Lafarge confidently renews its commitment to deliver shareholder value.



“Performance
is a long-distance
race, not
a sprint.”

JUAN MIGUEL MONTINOLA, FILIPINO,
SENIOR VICE PRESIDENT OF SALES
& MARKETING, LAFARGE CEMENT SERVICES,
PHILIPPINES

“Performance is a long-distance race, not a sprint.”

JUAN MIGUEL MONTINOLA, FILIPINO, SENIOR VICE PRESIDENT OF SALES & MARKETING,
LAFARGE CEMENT SERVICES, PHILIPPINES

“In the Philippines, we are convinced that performance is a collective challenge. In other words, it is everyone’s concern and not just the responsibility of the most motivated managers and employees. Starting from this principle, our main goal was initially to convince each employee that he or she was an able contributor to the performance of the Business Unit. We use Lafarge’s *Advance* cement program extensively in the Philippines as our chosen performance tool. We achieved success in this program through numerous communications aimed at making performance visible to all, and management has made a point of explaining performance-related challenges during large monthly meetings organized in each factory. Progress reports were also set up, and the results are shared across all of our sites, through displays in areas where employees congregate. Lastly, and in accordance with recognizing performance, we integrated the objectives-setting process with the annual employee evaluation exercise and the salary increase and performance bonus systems.

Each unit of Lafarge Cement in the Philippines strives to achieve the key business priorities. In marketing, for example, our goals are to boost margins by introducing appropriate products by customer segment, launching value-added services and optimizing prices. Last year, all our efforts paid off. The figures speak for themselves: in 2002, the Business Unit was in the red, in 2003 we met our targets, and in 2004 we surpassed them! Today, we are all proud of having turned around our Business Unit. We feel like we are participating fully in the creation of shareholder value for the Lafarge Group. Looking ahead, the big challenge will be to keep up our stride, because performance is a long-distance race, not a sprint.”

Delivering the value
creation our
shareholders expect

Lafarge is constantly striving to improve performance

UNITED STATES |
John F. Limehouse bridge
in Charleston, South
Carolina, made with
Portland cement

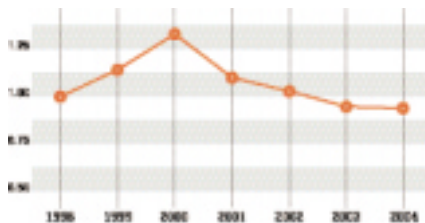


IMPROVEMENT IN KILN RELIABILITY IN CEMENT PLANTS



Improvement in kiln reliability; mastering industrial processes while boosting production capacity.

GYPSUM PRODUCTION COSTS DECLINE IN THE USA



US DOLLARS
After the modernization of the Buchanan plant, this performance will make Lafarge the most competitive gypsum player in each of its markets in the United States.

Over the last ten years Lafarge has become the world leader in building materials. The Group's rise to the top is the result of a well-proven strategy that combines growth and performance.

Be they called *Advance*, *Top*, *Rock*, *Pave*, *SPiD* or *First*, the division-wide programs launched to boost performance have enabled Lafarge to maintain its dynamic momentum, make progress and rapidly integrate a series of recent acquisitions. Specifically adapted to each division and fine-tuned over the years, these performance programs have provided the Group with unique expertise in each of its business lines, as well as extensive experience in vertical integration through its Cement and Aggregates & Concrete Divisions.

For Lafarge, performance is not just a matter of management tools and procedures; it is above all a question of behaviour. As the Group seeks to maintain its position as the undisputed leader in building materials it has stepped up its efforts to switch from an industrial strategy of cost cutbacks to one that instead promotes overall performance.

The unprecedented mobilization campaign of the past two years around the *Leader for Tomorrow* program has created a real drive for progress that is beginning to bear fruit at all levels of the organization.

In 2004, all Business Units set up performance plans that were integrated into management cycles. Divided according to function – such as human resources, marketing and industrial management – they cover the four top priorities of the Group's *Leader for Tomorrow* program: generating value for our customers; giving our people every opportunity to contribute to the Group and to develop their talents; contributing to building a better world; and delivering the value creation that our shareholders expect.

Continuous improvements by division

The Cement Division achieved major improvements in its industrial performance in 2004. The results speak for themselves: kiln reliability has continued to rise, and plant productivity increased 5%. Benefiting from its longstanding energy policy, Lafarge managed to limit the impact of a very sharp hike in energy costs, thanks to reduced energy consumption and alternative energy sources. Moreover, the division's improved performance, purchasing policy and competitiveness in its main markets also enabled it to raise sales' prices. Tangible improvements in marketing and customer services are expected to continue in 2005, as resources and employees are mobilized at all levels of the division.

The excellent results achieved by Aggregates & Concrete in 2004 can be attributed to a favorable economic environment as well as to improved performances. Value added concrete products sales, for example, rose 29% in 2004 and now account for nearly 15% of concrete volumes sold. The operating structure was overhauled to improve support functions, rendering them more efficient and better geared toward customers needs.

In the Gypsum Division, performance gains made a big contribution to profitability, with the operating margin rising to 9.6% in 2004, from 7% in 2003. The division focused on two main aspects – product quality and price management – as it stepped up efforts to share best practices across the division.

Finally, in the Roofing Division, performance programs have paid off both commercially – through product and price segmentation – and industrially. In 2004, variable production costs declined due to higher capacity utilization rates, better purchasing management and optimized waste management.



GERMANY | Gypsum |
Gyproc integration Day

BETTER PERFORMANCE AND TIGHTER CONTROL OF ENERGY COSTS HELPED ABSORB THE SHARP RISE IN ENERGY PRICES

For several years Lafarge has optimized its energy policy by diversifying energy supply sources, reducing energy consumption per tonne of cement and forging an increasingly effective purchasing policy by leveraging the Group's scale. In fact, Lafarge encourages its plants to vary the types of fuel burnt. Major efforts have been made to use alternative fuel sources. These have now reached 10% at the Group level, but exceed 50% in developed countries such as Germany.

In 2003, the Group reduced its energy costs by €0.06 per tonne of cement produced. In 2004, the dramatic increase in fuel prices was effectively offset by gains in plant productivity as a result of the performance programs, and by higher sales prices made possible by the competitiveness of its products in each of its markets.

Delivering the value
creation our
shareholders expect

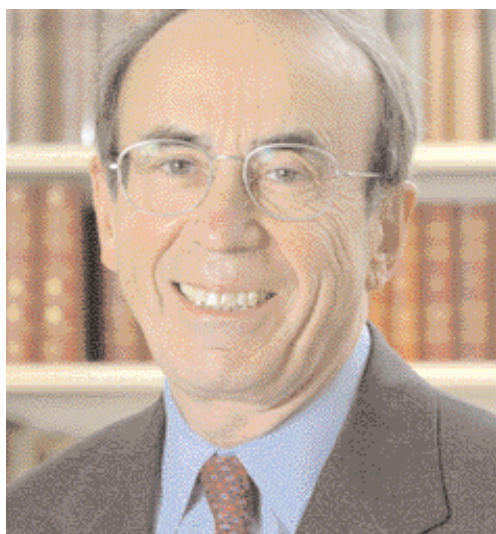
Corporate governance: strengthening the effectiveness of management structures

Board of Directors

In 2004, the Lafarge Board of Directors numbered fifteen members, all elected by the Annual General Meeting of Shareholders for a four-year period. Experience, competence, independence, loyalty and dedication, as well as strong involvement in the Board's work, are the qualities demanded of all Board members, with the aim of improving corporate governance. The Board met five times in 2004 and was supported in its work by three standing committees: the Nominations and Remunerations Committee, the Audit Committee, and the Strategy and Investment Committee.

In addition to its regular business of supervising operations, closing annual and half-year accounts, preparing the Annual General Meeting of Shareholders and dealing with ordinary management issues, the Board also focused on other significant matters in 2004. Notably, it reviewed the Group's strategy, evaluated the performance of its executive officers and set their compensation for the year, and conducted an evaluation of the Board's organization and operations. It also examined the public bond exchange offer launched in June 2004 and heard reports on and discussed the *Group Principles of Action*, the *Principles of Organization*, the *Group Rules* and the *Code of Business Conduct*.

ALAIN JOLY,
DIRECTOR, CHAIRMAN
OF THE NOMINATIONS
AND REMUNERATIONS
COMMITTEE



ROLE OF THE NOMINATIONS AND REMUNERATIONS COMMITTEE

“The Committee's role is to review the different factors necessary to prepare decisions by the Board of Directors. The Committee examines issues at a very early stage. Supported by internal and external findings, its work involves numerous phases, and issues are debated as far in advance as possible. Recommendations for compensation are also based on external research, as well as on performance criteria, which preferably cover several years. The Chief Executive Officer is present for part of these discussions, and the Chairman of the Board participates in discussions except when his own remuneration is being considered.”



Board of Directors

Left to right:

In the foreground | JACQUES LEFÈVRE |
HÉLÈNE PLOIX | Second row | MICHEAL BLAKENHAM |
ALAIN JOLY | BERNARD KASRIEL |
Third row | BERTRAND COLLOMB | PATRICE LE HODEY |
ROBERT W. MURDOCH |
Fourth row | RAPHAËL DE LAFARGE | MICHEL BON |
JUAN GALLARDO | Back row | MICHEL PÉBEREAU |
GUILHERME FRERING | JEAN KELLER |

Bernard Isautier who resigned as director at the end of 2004
does not appear on the photo |

Delivering the value
creation our
shareholders expect

Board Committees

The Committees supporting the Board have between three and ten members. Meetings are called by each Committee Chairman or at the request of the Chairman of the Board, and each Committee meets at least twice a year. The Committees report on their work during Board meetings through oral presentations, opinions or proposals, recommendations or written minutes. In compliance with the Board of Directors' Charter, the Audit Committee consists entirely of independent directors, and the Nominations and Remunerations Committee has a majority of independent directors.

The Nominations and Remunerations Committee is responsible for orchestrating changes to the Board of Directors and the Executive Committee, notably for the succession of executive officers and the selection of new directors. The Committee also reviews the compensation of executive officers and directors, the policies governing stock options and their attribution to Group management and employees, as well as any new share issues reserved for employees. In association with the Chairman of the Board, the Committee proposes new rules of corporate governance applicable to the company and prepares the Board's performance evaluation. The Nominations and Remunerations Committee met three times in 2004.

The Audit Committee, consisting solely of independent directors, reviews the Group's half-year and annual financial statements, monitors internal audits and control procedures, and sets the rules of engagement for the statutory auditors. It is constantly informed of the Group's financial policy, risks and financial reporting. The Committee holds regular hearings for the statutory auditors, executive management and financial division, as well as for the internal auditors. The Audit Committee met three times in 2004.

HÉLÈNE PLOIX, DIRECTOR,
CHAIRMAN OF THE AUDIT
COMMITTEE



EVALUATION OF THE BOARD OF DIRECTORS

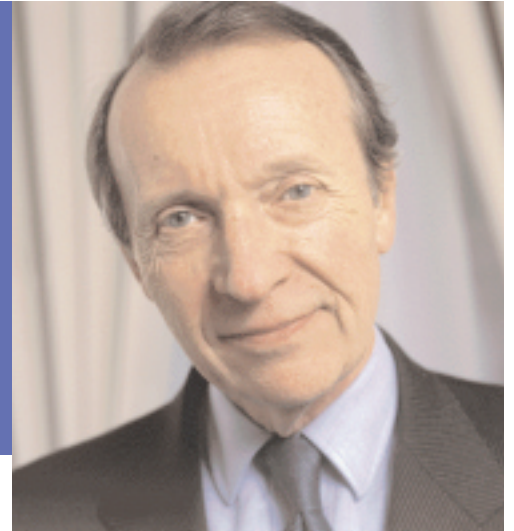
The evaluation of Lafarge's Board of Directors provided an occasion for each director to reflect on the quality of his or her contribution. It was also and above all a unique opportunity to objectively analyze the functions and effectiveness of the Board. Have the Board's discussions and recommendations helped senior management in strategic decisions? Were events correctly anticipated? Can the information provided to directors be further improved?

The conclusions of this evaluation have led to concrete actions. The length of presentations was reduced, for example, to leave more time for discussions between Board members. The work of the Audit Committee was also reinforced: to ensure that there is enough time to give all subjects the attention they require, more meetings will be held, and they will last longer. I think these are important improvements."

MICHEL PÉBEREAU,
DIRECTOR,
CHAIRMAN OF THE STRATEGY
AND INVESTMENT COMMITTEE

THE FINANCIAL COMMUNITY'S PERCEPTION OF LAFARGE

Lafarge's Board of Directors constantly scrutinises the quality of information provided to shareholders. With regard to transparency, the *Direction générale* has made enormous efforts to improve the financial community's perception of the Lafarge Group. It provides an ever-increasing wealth of information on the Group's strategy, financial position and results, which are presented in an intentionally precise and informative manner. As a result, the stock market should be able to make an increasingly fair valuation of Lafarge shares. In my opinion, it is crucial for the Board to ensure that Lafarge's strategy increases the Group's medium and long-term development prospects and bolsters earnings per share. Looking beyond the ups and downs of the stock market, this is what the market will use to value the Group."



The Strategy and Investment Committee provides recommendations to the Board on the Group's major strategic goals and development policy. It also provides a detailed review of major investment decisions, including the construction or modernization of plants, acquisitions and divestments. Committee meetings are open to any directors who wish to attend. The Strategy and Investment Committee met three times last year.

Evaluation of the Board of Directors and its Committees

In late 2003 and early 2004, the Board of Directors conducted a formal assessment of the Board and its Committees by its members in order to improve its organization and operations. This evaluation will be repeated every three years, although improvements will be monitored and discussed by the Board at least once a year. The conclusions of this self-evaluation have led to several initiatives and recommendations: committee reports and minutes will be more structured; a review of policies and rules currently in effect within the Group will be placed on the Board's agenda; the Audit Committee will meet more frequently; and the Strategy and Investment Committee will conduct a complete, detailed review of the Group's strategy and its implementation at least once a year.

Delivering the value
creation our
shareholders expect



VANESSA ARDENTI,
RESEARCH ANALYST
WITH S&P GLOBAL

“LAFARGE STANDS OUT FOR ITS POLICY OF TRANSPARENCY IN ENVIRONMENTAL AND SOCIAL INFORMATION”

“S&P Global Company provides the necessary information for integrating social and environmental factors into investment decisions. We particularly appreciate two things about Lafarge: its reporting based on GRI* international standards, and its willingness to have an independent audit of key performance indicators. This is the case, for example, with greenhouse gas emissions. Considering the nature of Lafarge’s activities, we are particularly interested in the relationships the company has with the local communities surrounding its main industrial sites. While the Group’s transparency policy gets a very high rating, this is one point where communication could still be improved.”

* Global Reporting Initiative

Internal audits and risk analysis

Internal audit procedures consist of setting up and constantly fine-tuning appropriate management systems, with the aim of ensuring that financial reports are reliable, that internal regulations and legal obligations are respected, and that the main corporate procedures function efficiently. Internal audits are supported by risk assessments that are conducted by the heads of the Group, divisions and Business Units, notably as part of annual strategic reviews, and by internal auditors when preparing the annual audit.

Moreover, in preparation for compliance with the stipulations of article 404 of the Sarbanes-Oxley Act, as well as those of the French *loi de sécurité financière*, an official risk analysis was conducted with the following aims:

- Identify procedures that have an impact on financial reporting;
- Identify the risks associated with these procedures, with the protection of assets, and with the detection and prevention of fraud;
- Define key controls to cover these risks.

This analysis, undertaken in 2003 and completed in 2004 for company wide procedures at the Group and division level, has provided the basis for a comprehensive frame of reference to govern internal audits.

More detailed information on corporate governance is provided in Item 6 of the Lafarge 2004 Report on Form 20-F.



Board of Directors

In 2004, the 15 members of the Board of Directors provided the Group with a rich variety of complementary profiles and experiences. Some directors either hold or have held positions in the company in the past, and are thus intimately familiar with its business lines. The Board also has independent directors, who bring with them experience from other sectors and in-depth knowledge of the corporate world, which is an invaluable asset. Elected by the Annual General Meeting of Shareholders for a period of 4 years, each director must own at least 1,143 shares in the Company. In compliance with the Board of Directors' Charter, directors must perform their duties with complete impartiality.

The Lafarge Board of Directors met on February 23, 2005. At this meeting it was agreed that the following proposals should be put forward at the Annual General Meeting of Shareholders for approval: the reappointment to the Board of Directors of H el ene Ploix, Michel Bon, Bertrand Collomb, Juan Gallardo and Alain Joly, as well as the nominations of Jean-Pierre Boisivon, Philippe Charrier, Oscar Fanjul and Bruno Lafont, to the Board of Directors to replace Bernard Isautier who resigned from the Board at the end of 2004, and Jean Keller, Patrice Le Hodey and Robert W. Murdoch, whose mandates are due to expire.

BERTRAND COLLOMB

- Chairman of the Lafarge Board of Directors
- Has served as a director since 1987
- Owns 28,845 shares in the Company
- Age 62

BERNARD KASRIEL

- Chief Executive Officer of Lafarge
- Vice Chairman of the Lafarge Board of Directors
- Has served as a director since 1989
- Owns 17,488 shares in the Company
- Age 58

JACQUES LEF EVRE

- Vice Chairman of the Lafarge Board of Directors
- Has served as a director since 1989
- Owns 13,630 shares in the Company
- Age 66

MICHAEL BLAKENHAM

- Chairman of the British Trust for Ornithology
- Has served as a director since 1997
- Owns 1,806 shares in the Company
- Age 68

MICHEL BON

- Chairman of the *Institut Pasteur*
- Chairman of the Supervisory Board of *Editions du Cerf*
- Has served as a director since 1993
- Owns 3,567 shares in the Company
- Age 61

GUILHERME FRERING

- Chairman of the *Instituto Desiderata* (Brazil)
- Has served as a director since 1997
- Owns 2,298 shares in the Company
- Age 46

JUAN GALLARDO

- Chairman of the Board of Directors of *Grupo Embotelladoras Unidas, S.A. de C.V.* (Mexico)
- Appointed director of Lafarge in 2003, nomination ratified in 2004
- Owns 1,500 shares in the Company
- Age 57

PATRICE LE HODEY

- Vice Chairman of *La Libre Belgique La Derni re Heure* (IPM)
 - Chairman of Audiopresse
 - Has served as a director since 1987
 - Owns 3,255 shares in the Company
 - Age 60
- Patrice Le Hodey's mandate expires at the Annual General Meeting of Shareholders on May 25, 2005.*

BERNARD ISAUTIER

- Chairman and CEO of PetroKazakhstan Inc. (Canada)
 - Has served as a director since 1989
 - Owned 1,767 shares in the Company in 2004
 - Age 62
- Bernard Isautier resigned as director on December 31, 2004 after presenting his resignation to the Chairman of the Board on December 14, 2004.*

ALAIN JOLY

- Chairman of the Supervisory Board of Air Liquide
- Has served as a director since 1993
- Owns 2,628 shares in the Company
- Age 66

JEAN KELLER

- Member of the Standards Advisory Council of the International Accounting Standards Board (IASB)
 - Has served as a director since 1998
 - Owns 1,432 shares in the Company
 - Age 70
- Jean Keller's mandate expires at the Annual General Meeting of Shareholders on May 25, 2005.*

RAPHA L DE LAFARGE

- Has served as a director since 1982
- Owns 45,951 shares in the Company
- Age 62

ROBERT W. MURDOCH

- Director of Lafarge North America and Lafarge Canada
 - Has served as a director since 1993
 - Owns 1,651 shares in the Company
 - Age 63
- Robert W. Murdoch's mandate expires at the Annual General Meeting of Shareholders on May 25, 2005.*

MICHEL P EBEREAU

- Chairman of the Board of Directors of BNP-Paribas
- Has served as a director since 1991
- Owns 2,018 shares in the Company
- Age 63

H EL ENE PLOIX

- Chairman of Pechel Industries S.A.S.
- Has served as a director since 1999
- Owns 1,896 shares in the Company
- Age 60

PROPOSED NOMINATIONS TO THE BOARD OF DIRECTORS*

JEAN-PIERRE BOISIVON

- to replace Bernard Isautier*
- Chairman of the Board of Directors of the *Centre National d'Enseignement   Distance* (CNED)
 - Managing Director of the Institut de l'Entreprise
 - Age 64

PHILIPPE CHARRIER

- to replace Jean Keller*
- Chairman and Chief Executive Officer of Procter & Gamble, France
 - Age 50

OSCAR FANJUL

- to replace Patrice Le Hodey*
- Honorary Chairman of Repsol S.A.
 - Vice-Chairman of Omega Capital
 - Age 56

BRUNO LAFONT

- to replace Robert W. Murdoch*
- Chief Operating Officer of Lafarge
 - Age 48

For more information, see item 6 of the Lafarge 2004 Report on Form 20-F.

** Pending approval by the Annual General Meeting of Shareholders on May 25, 2005.*

Delivering the value
creation our
shareholders expect

FRANCE | Annual General Meeting
of Shareholders, Paris, May 25, 2004



DIVIDEND PER SHARE ON THE RISE

In 2005, the Annual General Meeting of Shareholders for the year 2004 will be asked to approve a normal dividend payment of €2.40 per share plus an added loyalty bonus of €0.24 per share for qualifying shares. This 4.3% increase from the previous year will bring the dividend payout ratio to 47%. The dividend can be reinvested in shares from June 1-22, 2005, or will be paid in cash on July 1, 2005.

Dialogue and transparency enhance communications with shareholders

Informing a diversified shareholder base in real time, worldwide

Lafarge provides a comprehensive information to its highly diversified shareholder base, with the aim of providing investors with the highest possible visibility on the Group's strategy, businesses and outlook. Listed on Euronext and the New York Stock Exchange (NYSE), the shares benefit from broad coverage by analysts from around the world, as well as from the interest of large French and international investors. With a free float of 100%, Lafarge's shareholder base reflects the Group's geographic diversity. From coast to coast in the United States (15% of the Group's capital), the United Kingdom (20%), continental Europe and Asia, Lafarge's shareholder base is spread around the world.

Striving constantly for transparency

The Group's dedicated, responsive and interactive information is designed to meet the expectations of analysts and investors alike. The announcement of the Group's annual and interim sales and earnings figures are given the most exhaustive distribution possible. Presented successively in Paris, London and then New York, the Group's results are also transmitted directly by video on the internet. All financial information is systematically posted online on the website www.lafarge.com.

Throughout the year, Lafarge maintains a schedule of regular meetings with institutional investors in Europe, Asia and North America. Visits to industrial sites are also organized to demonstrate the actual performance of the Group's Business Units. This year, plant tours were organized in Poland, Germany, Scotland, France and Spain. In 2004, the Group received a number of awards that reflect the transparency and effectiveness of the Group's financial communications policy.

Keeping over 244,000 individual shareholders informed and loyal

For Lafarge, service and dialogue as well as listening to investors are all key aspects of financial communications. Starting this year, fully registered shareholders can manage their share accounts directly via the internet using GISnomi®, the dedicated, secure service of BNP Paribas Securities Services. Shareholders with questions may call a toll-free number in France or an international hotline. Individual shareholders meetings are held each year in the main French cities.

In 2004, Lafarge met with investors in Bordeaux, Marseilles, Lille, Lyons and Nantes. In 2005, meetings are scheduled for Nancy, Toulon, Rennes, Toulouse, Strasbourg and Grenoble. An investor relations section is provided on the Lafarge website, and investors receive a shareholder's guide and a twice-yearly newsletter.

The Shareholders' Consultative Committee, consisting of ten members nominated after a public call for candidates, contributes actively to the quality of Lafarge's communications. Meeting several times a year, the committee helps prepare the Annual General Meeting in Paris and investor meetings elsewhere in France, as well as the newsletter to shareholders.

In 2004, Lafarge received the "Golden Award for the best Annual General Meeting of Shareholders". The Group was praised for the clarity and transparency of its presentation at the General Meeting of Shareholders on May 24, 2004. Transmitted in real time via video on www.lafarge.com, the General Meeting of Shareholders was regarded as a unique opportunity to reach out to shareholders and create a dialogue.

NEXT EVENTS

Up-to-date information can be found on www.lafarge.com
Finance | **Shareholders' information** | **Shareholders' diary**

Wednesday, May 4, 2005
 publication of 1st quarter sales

Wednesday, May 25, 2005
 Annual General Meeting of Shareholders

Tuesday, June 14, 2005
 shareholders' meeting in Nancy

Thursday, June 16, 2005
 shareholders' meeting in Toulon

Thursday, June 23, 2005
 shareholders' meeting in Rennes

Thursday, July 28, 2005
 publication of half-year sales

Thursday, September 8, 2005
 publication of half-year results

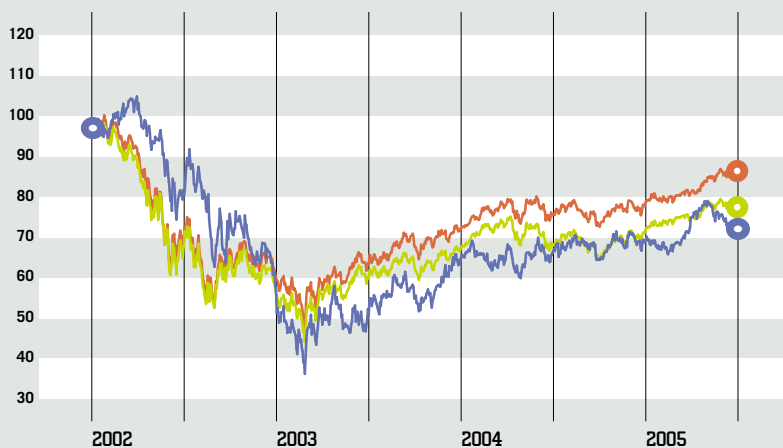
Thursday, October 20, 2005
 publication of 3rd quarter sales

Friday, November 4, 2005
 shareholders' meeting in Toulouse

Monday, November 7, 2005
 shareholders' meeting in Strasbourg

Monday, November 14, 2005
 shareholders' meeting in Grenoble

LAFARGE'S SHARE PERFORMANCE

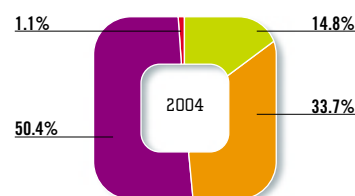


Lafarge's share price remained virtually unchanged between December 2003 and December 2004 as uncertainty over the impact of higher energy costs constrained the Group's share performance. In early 2005, the shares rebounded as the markets anticipated the Group's excellent 2004 earnings report. Nonetheless, high oil prices, the weak dollar and the recent upturn in US interest rates continue to constrain Lafarge shares. We hope that in 2005 the market will be able to discern Lafarge's strong growth potential and ability to create value, as well as ability to boost net earnings per share year after year.

BNP PARIBAS SECURITIES SERVICES

provides the service for Lafarge shares on behalf of pure registered shareholders:
BNP Paribas Securities Services | G.C.T. Services aux Émetteurs |
 Service Relations Actionnaires Lafarge | Immeuble Tolbiac | 75450 Paris Cedex 09 | France |
 Phone France (toll free): 0 800 06 06 46 |
 International Phone: +33 1 55 77 61 00 | Facsimile: +33 1 55 77 34 17 |
paris.bp2s.service.actionnaires.lafarge@bnpparibas.com

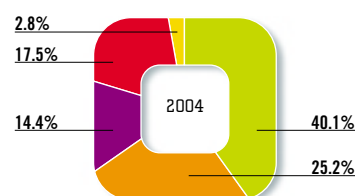
SHAREHOLDER STRUCTURE OF LAFARGE AT DECEMBER 31, 2004



LAFARGE HAS ABOUT 245,000 SHAREHOLDERS, INCLUDING 244,250 INDIVIDUAL SHAREHOLDERS.

- INDIVIDUAL SHAREHOLDERS
- RESIDENT INSTITUTIONAL INVESTORS (FRANCE)
- NON-RESIDENT INSTITUTIONAL INVESTORS (OUTSIDE FRANCE)
- TREASURY SHARES

INSTITUTIONAL INVESTORS BY REGION AT DECEMBER 31, 2004



- FRANCE
- OTHER EUROPEAN COUNTRIES
- NORTH AMERICA
- UNITED KINGDOM
- OTHER COUNTRIES

Delivering the value
creation our
shareholders expect

A financial strategy that supports the Group's development

EARNINGS PER SHARE ARE ON THE RISE

With annual turnover growth potential estimated at about 10%, due to a combination of profitable growth financed through cash flow and improved operating performances, Lafarge is well positioned to boost its earnings year after year. This will, of course, enable the Group to create the favorable conditions required for an increase in net earnings per share over the long term.

In 2004, Lafarge regained its financial flexibility ahead of schedule, giving it the means to pursue its strategy of profitable growth. In the years ahead, the Group's business model will rely on two key growth factors:

- Organic growth is estimated at between 4 and 5%, buoyed by the Group's unique business portfolio (Cement, Aggregates & Concrete, Roofing and Gypsum), as well as by its well-balanced geographic spread and significant presence in fast-growing markets. In 2004, organic growth was very robust at nearly 8%.
- Small and medium-sized acquisitions are also expected to boost growth by another 4 to 5%.

As a result, Lafarge should be in a position to generate annual turnover growth of between 8 and 10% over the years ahead. With growth financed through free cash flow, the Group has the chance to maintain or even widen its advantage as the world leader in building materials by continuously combining high performance with strong growth and value creation.

Optimizing capital costs while ensuring maximum financial security

The Group's financial strategy has endowed Lafarge with a solid financial position, in keeping with its objectives of maximizing shareholder value and increasing financial flexibility. Under these conditions, the Group can continue to pursue its growth model with confidence.

An optimal financial structure

Lafarge returned to an optimal financial structure in 2004 thanks to the quality of free cash flow and its tight grip on investment. Following €3 billion of debt reduction in 2003, Lafarge reduced net debt by another €560 million last year, to €6.5 billion at December 31, 2004.

The cash flow to net debt ratio rose strongly to 32.5%, from 25.5% at year-end 2003, and gearing narrowed to 59%, from 67% in 2003 and 110% in 2002. This puts the Group in a very healthy financial position.

GERMANY | Cement |
Karsdorf cement plant

UNITED KINGDOM |
Aggregates & Concrete |
Distribution and recycling
of aggregates for rail ballast

Solid financial security

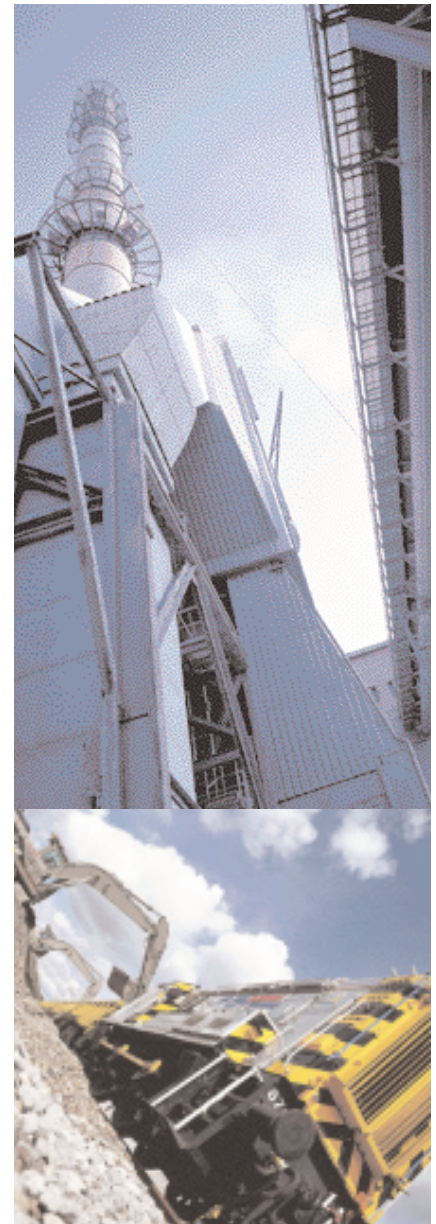
It is Lafarge's liquidity policy to ensure that funds are available at all times to meet the Group's obligations. Consequently, at December 31, 2004, the Group had about €3 billion in credit lines free of covenants. Under its debt policy, Lafarge has taken a very conservative approach to debt maturity. At December 31, 2004, its debt maturity averaged over four years, with no major debt payments in any one year. The majority of debt is in fixed-rate instruments.

An active, dynamic debt management policy

As part of its active approach to Group debt management, Lafarge successfully launched a Eurobond exchange offer in 2004, issuing €612 million in 10-year benchmark bonds in return for the early buyout of a similar amount of bonds with shorter maturity dates.

In early 2005, Lafarge also issued for the first time a 15-year Eurobond, for a total of €500 million. Refinancing will extend the average debt maturity period, at a lower cost than the average cost of debt on the existing market.

Backed by its solid financial position, the Lafarge Group continued to boost earnings in 2004, demonstrating its ability to continuously improve its operating performance. Net profit rose 19%, reflecting the combined impact of overall improvements in the Group's performance, lower interest charges and an active fiscal policy. At €5.20, net earnings per share rose 5% compared to the year 2003.

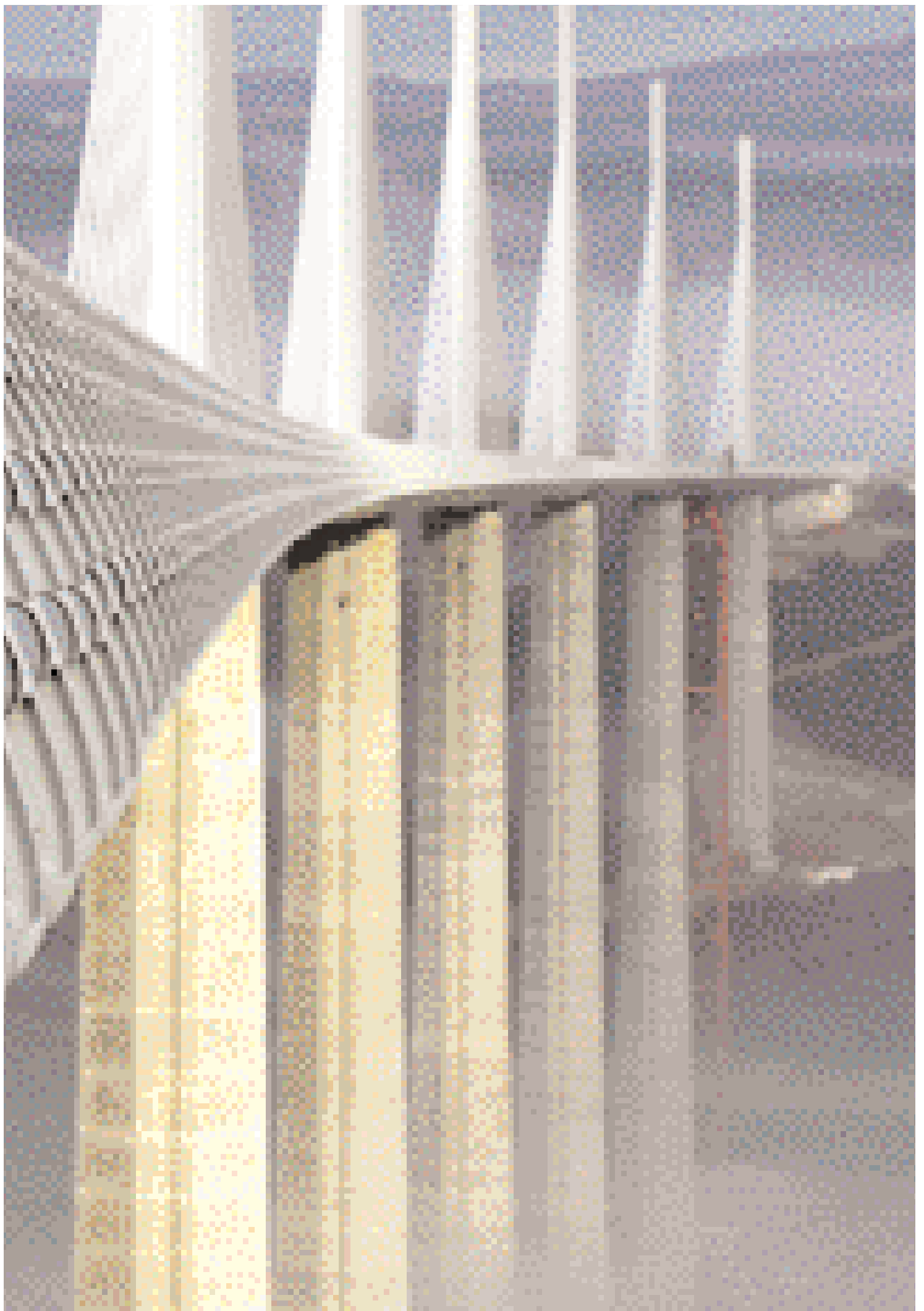


CONSTANT IMPROVEMENTS IN THE CASH FLOW TO NET DEBT RATIO

| €M | 2000 | 2001 | 2002 | 2003 | 2004 |
|-----------------------------|------|------|------|-------|-------|
| GEARING | 84% | 110% | 110% | 67% | 59% |
| CASH FLOW TO NET DEBT RATIO | 24% | 14% | 19% | 25.5% | 32.5% |

Highlights of the year by division

| | |
|-----------------------|---------|
| CEMENT | PAGE 60 |
| AGGREGATES & CONCRETE | PAGE 68 |
| ROOFING | PAGE 74 |
| GYPSUM | PAGE 80 |

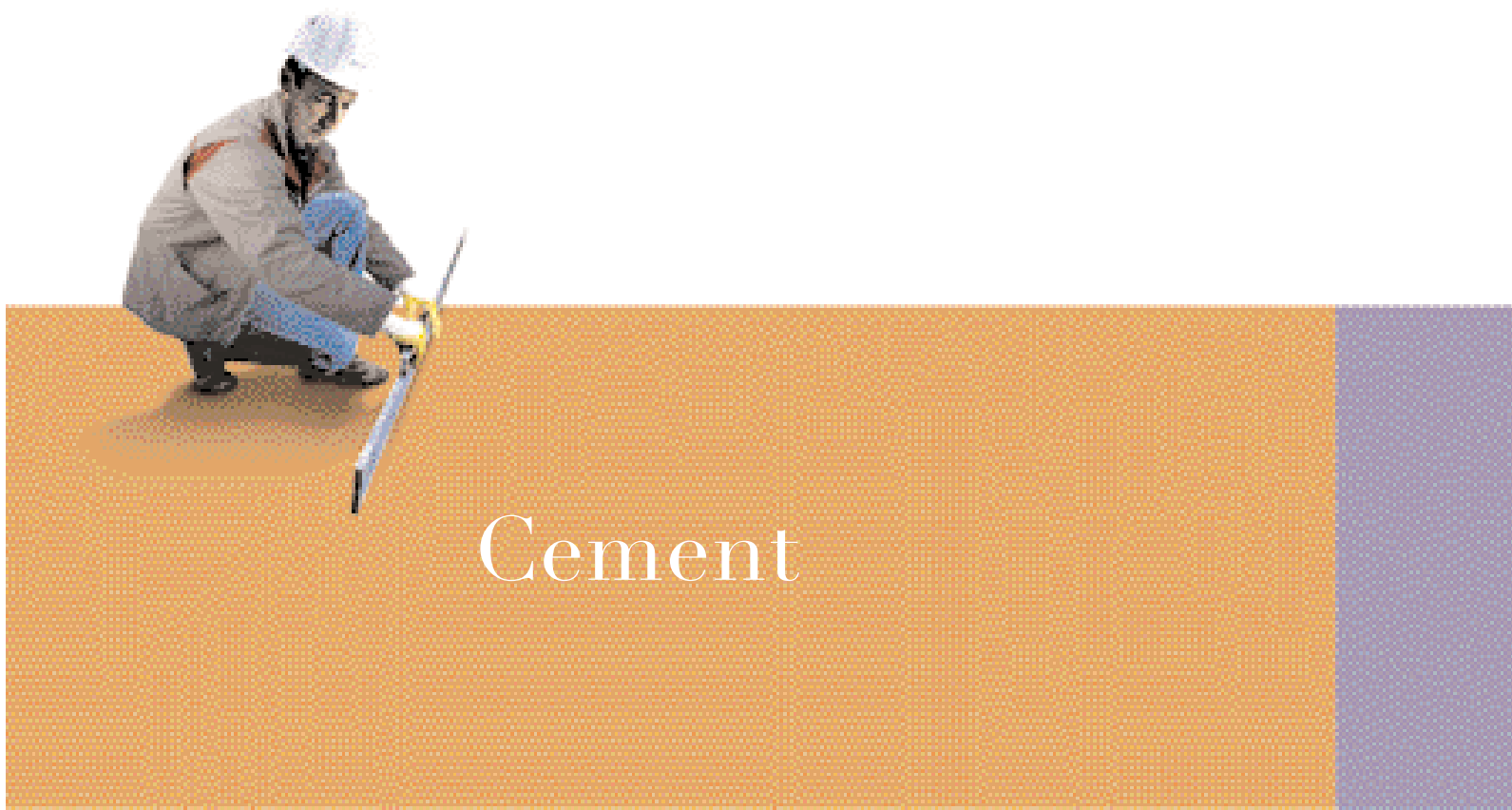


Millau Viaduct, France

CEMENT AND CONCRETE

ARCHITECT: SIR NORMAN FOSTER PRIME CONTRACTOR: EIFFAGE

Topping out at 340 meters, the Millau Viaduct is the world's tallest bridge. Lafarge surmounted numerous challenges to contribute to this exceptional construction project. The genuine technological prowess it took to build the concrete pilings – some of which reach as high as 245 meters – would have been impossible to achieve ten years ago. Thanks to the choice of concrete, the pilings could be very thin for aesthetic reasons, yet also extremely robust to resist wind and bear the weight of the structure. The concrete also had to resist frost, as well as the de-icing salt used on roadways in winter. Altogether, Lafarge supplied 35,000 tonnes of cement as well as concrete for the bridge's foundations and pilings, which harmonize with the metal deck and towers to create a brilliant blend of leading-edge technology and elegance.



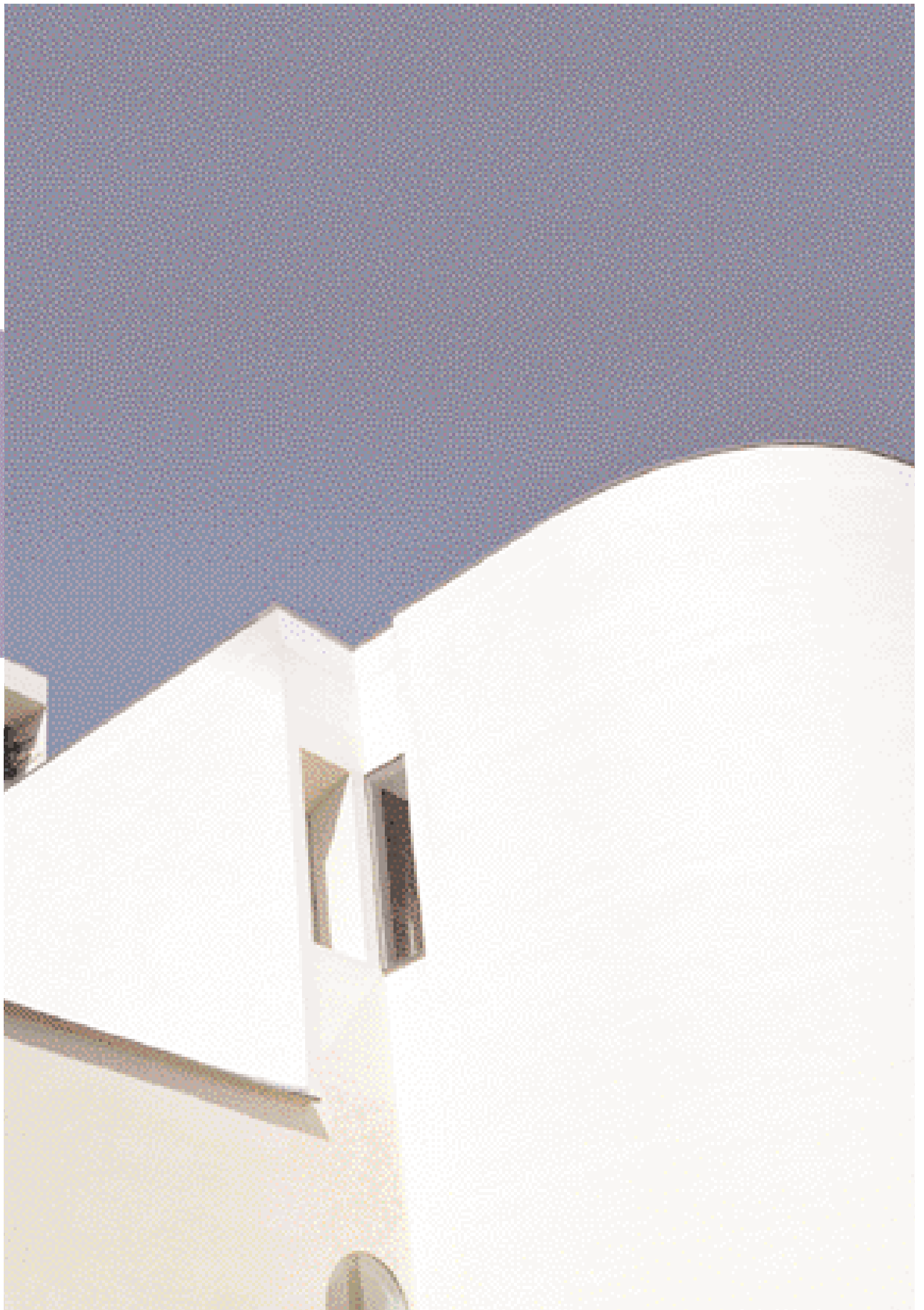
Cement

Bolstered by a favorable market environment, the Cement Division reported growth in virtually all of its markets in 2004, as it continued its efforts to boost performance. Major advances were made in industrial performance as plants became increasingly productive and reliable, and respectful of the environment. In recent months, efforts were also made to adapt ever more closely to customers needs, and this too has begun to deliver results.

SALES | **€6,810** MILLION

GROUP | **38,200** EMPLOYEES

SITES | **140** INDUSTRIAL SITES IN **43** COUNTRIES



Novy Dvur Monastery, Czech Republic

CEMENT, CONCRETE AND GYPSUM

ARCHITECT: JOHN PAWSON CO-ARCHITECT: JAN SOUKUP

Construction of the Novy Dvur monastery included the restoration of an 18th-century baroque manor house located at an altitude of 700 meters near Toužim. A team of architects, companies and French and Czech government agencies spent four years working on the renovation project. The house was completed with new buildings to create a courtyard and the monastery's church and the whole east wing were newly built.

Building materials included cement produced on site, gypsum products from Germany and ultra-high performance Ductal® concrete. The Cement Division also provided financial support for the project. With its vaulted roofs, diffused natural lighting and brilliantly white walls, this haven of peace is a remarkable example of the quality of Lafarge products for the restoration of historic buildings.

> **Strong growth
in 2004**

For the Cement Division, 2004 was a year of strong growth. Sales and operating income rose 9.2% and 10.6%, respectively, on a like-for-like basis. Although operating in a generally favorable environment, division earnings this year were primarily lifted by performance enhancements. Plant reliability improved significantly, fuelling growth in volumes sold and increasing the production capacity utilization rate. Thanks to the competitiveness of the products in different markets, the Cement Division was able to raise prices and thus offset higher costs from external factors. The division's operating margin held steady at 21.2%, demonstrating its ability to contain the sharp rise in energy costs in 2004, thanks to its energy policy and enhanced performances. Return on capital employed after tax rose strongly to 9.5% in 2004, from 8.4% in 2003.

> **An unprecedented effort
to boost production capacity**

Strengthening its leadership position, Lafarge pursued its growth strategy and took unprecedented efforts to build new plants in fast-growing markets. Two plants were inaugurated in Morocco and Serbia in 2004. Six other new production lines – which will add a total of 5.6 million tonnes of production capacity – were launched during the year: two in China, one in Morocco where production capacity is being expanded, and three new plants in Mexico, Bangladesh and Vietnam. The Cement Division has now struck an equilibrium between strong positions in developed markets and reinforced positions in growth markets. This year, these emerging markets accounted for nearly 45% of division assets, sales and earnings. The division probably has one of the most diversified geographic portfolios in the sector, with major development opportunities in countries such as India, China and Russia.

The Cement Division also benefits from its internationally staffed management teams. Accustomed to sharing experiences and transferring know-how, they have demonstrated a remarkable ability to adapt to local conditions, integrate new developments within the division, and share best practice.

This underpins the growing strength of the division.



AUSTRIA | Cement | Rear facade
made with cement, bridal shop,
Guns kirchen

CANADA | Cement | Shawnessy
subway station | Calgary, Alberta |
Made with Ductal® | Architect: CPV
Group Architects & Engineers, Ltd.

Mexico: a ‘new generation’ cement plant

In early 2004, construction began on a new plant in Mexico. Located in Tula, 70 km from Mexico and Lafarge’s existing Mexican plant, this high-performance facility will produce 600,000 tonnes of cement annually. The total investment is estimated at about \$120 million and will be spread out until the plant starts up in first-quarter 2006. With a modern industrial plant and a strategic geographic location, Lafarge will participate in the expansion of the Mexican market, the second largest cement market in Latin America.

MOROCCO | Cement |
New Tetouan II
cement plant



MOROCCO: AN ULTRA HIGH-PERFORMANCE, STATE-OF-THE-ART CEMENT PLANT IN TETOUAN, AND THE DOUBLING OF PRODUCTION CAPACITY IN BOUSKOURA

In May 2004, Lafarge Ciments Maroc – a 50%-owned subsidiary of the Lafarge Group in partnership with SNI (*Société Nationale d’Investissement*) – started up a brand new cement plant in Tetouan, in Northern Morocco, with an annual production capacity of 1 million tonnes. Complying with the strictest environmental and industrial standards, the plant was built to meet the fast-growing demand in the Northern Moroccan provinces. Representing a total investment of €120 million, Tetouan was designed to eventually accommodate a second production line.

The industrial performance of this unit stands up to comparisons with the world’s best cement plants, especially in terms of energy consumption and product quality. A wind farm, to be completed by the end of H1 2005, will provide 40% of the plant’s electrical needs, which is a world premier. This will significantly reduce costs as well as greenhouse gas emissions. Altogether, investment in environmental protection measures accounted for 15% of the new plant’s total cost.

In 2004, Lafarge Ciments Maroc also began doubling its production line’s capacity at the Bouskoura plant near Casablanca. Scheduled to go online in early 2006, the new equipment will increase production capacity by over 900,000 tonnes, bringing total capacity of the plant to 3 million tonnes.



MOROCCO | Cement |
Employees
at the Bouskoura
plant, near
Casablanca

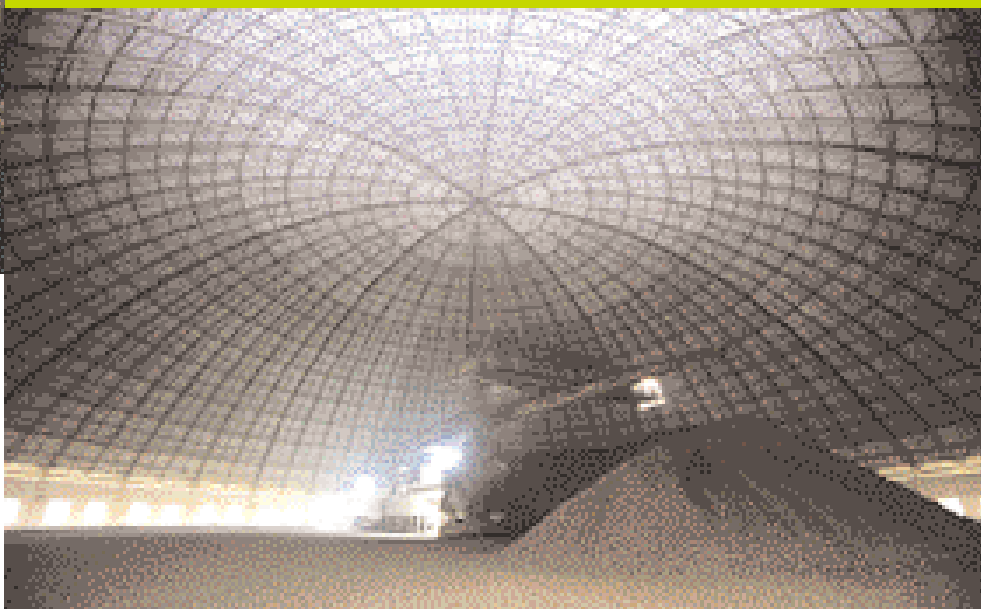
CHINA: PRODUCTION CAPACITY EXPANDED TO MEET STRONG DEMAND

With the aim of expanding Lafarge's cement production capacity in China, two major construction projects were launched in 2004 in Sichuan province, where new production lines will be added to two existing cement plants in the very near future.

The first expansion project was launched at the Chongqing cement plant located in southeast Sichuan, in the heart of a market of 30 million inhabitants. In June 2003, Lafarge purchased a 70% stake in this plant for \$30 million. To cope with the fast growing demand for cement in the local market, Lafarge is investing a further \$40 million in the construction of a new production line. The start-up of the new line in the second half of 2005 will raise annual production capacity at the site to 1.8 million tonnes from 800,000 tonnes at present.

The second expansion project is at the Dujiangyan cement plant, where Lafarge decided to add another production line. Located in the dynamic market of northwestern Sichuan, this plant is ideally situated to provide cement to the provincial capital of Chengdu. Built by Lafarge between 1999 and 2002, it is one of the most state of the art cement plants in China. The \$58 million investment will double the plant's annual production capacity to 2.8 million tonnes. The new Dujiangyan production line will become operational in 2006.

CHINA | Cement |
Employees
of Chongqing
cement plant



CHINA | Cement |
Chongqing
cement plant

Vietnam: a new grinding station

In October 2004, Lafarge began building a cement grinding station with a 500,000-tonne capacity on the Long Tau River, 20 km south of Ho Chi Minh City. The new plant, which was designed to comply with the highest environmental and safety standards, will start up by year-end 2005. The nearly \$30 million investment was made as part of a joint venture that is 70%-owned by Lafarge, in partnership with a Vietnamese building materials company.

SERBIA: INAUGURATION OF A STATE-OF-THE-ART CEMENT PLANT

In October 2004, Lafarge inaugurated a state-of-the-art cement plant in Beocin, Serbia-Montenegro. Located on the Danube about 110 km from Belgrade and 100 km from the Hungarian border, the new plant is equipped with a dry-process clinker production line. The €50 million project is the largest foreign investment in the country in the past five years. Using the very latest technology and complying with the strictest environmental standards, the Beocin plant is designed to handle the strong growth potential of the Serbia-Montenegro construction market.

INCREASINGLY HIGH PERFORMANCE PRODUCTION FACILITIES

The Cement Division made significant progress with its industrial performance in 2004. Remarkable gains were registered in terms of reliability and production capacity: at constant scope, cement production in 2004 was 4.7 million tonnes higher than in 2003, which is the equivalent of five additional cement plants. The division also maintained its dynamic efforts to improve maintenance, resulting in a roughly 3.5% reduction in plant maintenance costs in 2004. Plant productivity also increased significantly, with a 5% gain in 2004 alone.

These improvements, which were particularly significant in the North American units, helped offset the sharp rise in energy costs. The energy bill was also kept down by an effective purchasing policy and the growing use of alternative fuels.

Ecuador: Acquisition of Cementos Selva Alegre

In late 2004 Lafarge invested about €98 million to acquire Cementos Selva Alegre, Ecuador's second largest cement maker, with a 20% market share. The cement plant offers a production capacity of 640,000 tonnes and is located 110 km north of Quito, placing Lafarge in an ideal situation for supplying one of the most dynamic regions in the country. With a population of nearly 13 million, Ecuador represents a buoyant cement market: the country consumed 3.5 million tonnes of cement in 2004. This acquisition will enhance the Group's already solid positions in Latin America, including a strong presence in Brazil, Chile, Honduras, Mexico, Venezuela, French Guiana and the French West Indies.

LAFARGE NORTH AMERICA GIVES PRIORITY TO ADDED VALUE

Thanks to previous efforts to understand customer needs and to develop appropriate pricing policies, products with specific added value – such as cement admixtures – have begun to make a significant sales contribution to Lafarge North America. This trend accelerated in 2004. Cement admixtures grew three to five times faster than traditional product lines over the course of the year, and now account for 30% of sales.

To obtain even more value from its expertise and strategy of differentiation, Lafarge North America is also developing a more rigorous and systematic approach to product performance at its plants. Tested at several pilot sites in 2004, the program will be gradually introduced to all sites in 2005. The idea is to compare the product performance at each plant with end-user expectations in different market segments, to develop and set up specially tailored action plans.



GREECE | Cement |
Olympic Center (O.A.K.A.)
general view for the 2004
Summer Olympics in Athens |
Heracles supplied 1.4 million
tonnes of cement over five years
for the construction of
Olympic-related infrastructure

Greece: a dynamic industrial performance

Two of the three cement plants operated by Hèracles, the Lafarge subsidiary in Greece, set new performance and production records in 2004. The Halkis plant reached a production capacity of over 2 million tonnes of clinker. At the same time, the plant increased kiln reliability by 7% and petcoke usage by 8%. The Milaki plant produced 1.7 million tonnes of clinker in 2004 while maintaining its kiln reliability rate at the 2003 level. Over the past three years, the plant has increased petcoke usage to 40% from 5%. Moreover, in 2004, no accidents occurred at the site for the second consecutive year.



CZECH REPUBLIC | Cement | Stock of tires used as an alternative energy source at the Cizkovice cement plant

CZECH REPUBLIC: THE BENEFITS OF ALTERNATIVE FUELS

At the Cizkovice plant in the Czech Republic, the use of alternative fuels reached 58.3% in 2004, up from only 0.1% ten years ago. Today, the site uses over ten different alternative fuels, both liquid and solid. The flexibility offered by this variety of energy sources is invaluable, to help counter the difficulties with unstable supply. More importantly, the use of alternative fuels has reduced the overall energy bill of the Cizkovice plant by nearly 40% in the past five years and contributes to the general interest by eliminating wastes in a country that lacks appropriate waste disposal facilities.

First results from the performance program in Marketing & Sales

Since 2002, the marketing approach has focused on responding to the different needs of customers and to the changing demands of the cement markets. The division has worked along two main lines: adapting its product offer and strengthening the skills of its sales force.

A new, uniform classification system to measure customers' needs, across geography and distribution channels, has already become the common "marketing language" throughout the world. Implemented first in the Northeastern United States, Romania, the Philippines and the UK in 2002, before being introduced to rest of North America and France in 2003, this language was successfully adopted in India, Malaysia, Greece, Chile, Poland and South Africa in 2004.

As a result, the Cement Division was able to conduct a detailed analysis of 60% of its sales during the two-year period. The project mobilized 460 employees, out of a total of 860, from the sales and marketing teams. In all, 450 market segments were analyzed, 2,500 pricing policies were examined, and 1,400 commercial action plans were developed. In the medium term, this analytical work will be used to redefine product lines using a more readily identifiable brand structure for customers. The division has also devised a plan to improve marketing and sales skills. Nearly two-thirds of the employees in the marketing network joined the Group within the past two years.

FIGHTING AIDS IN CAMEROON

In late 2001, Lafarge launched a three-pronged campaign – based on prevention, testing and treatment – to fight HIV/AIDS in Cameroon. Originally set up for employees and their families, the program was extended in 2004 to include sub-contractors. The campaign is organized in partnership with the local public hospital at the Bonaberi site in Douala, and with the Pasteur Institute for the Figuil site in Garoua. The company also pays for the treatment of employees and their families. These efforts are part of the Group's program to fight HIV/AIDS, which was designed in partnership with the NGO CARE. Initially, priority was placed on the African countries that have been hit hardest by the AIDS pandemic.



CAMEROON | Cement | Distribution of condoms during an HIV prevention program for employees of CimenCam's Douala site



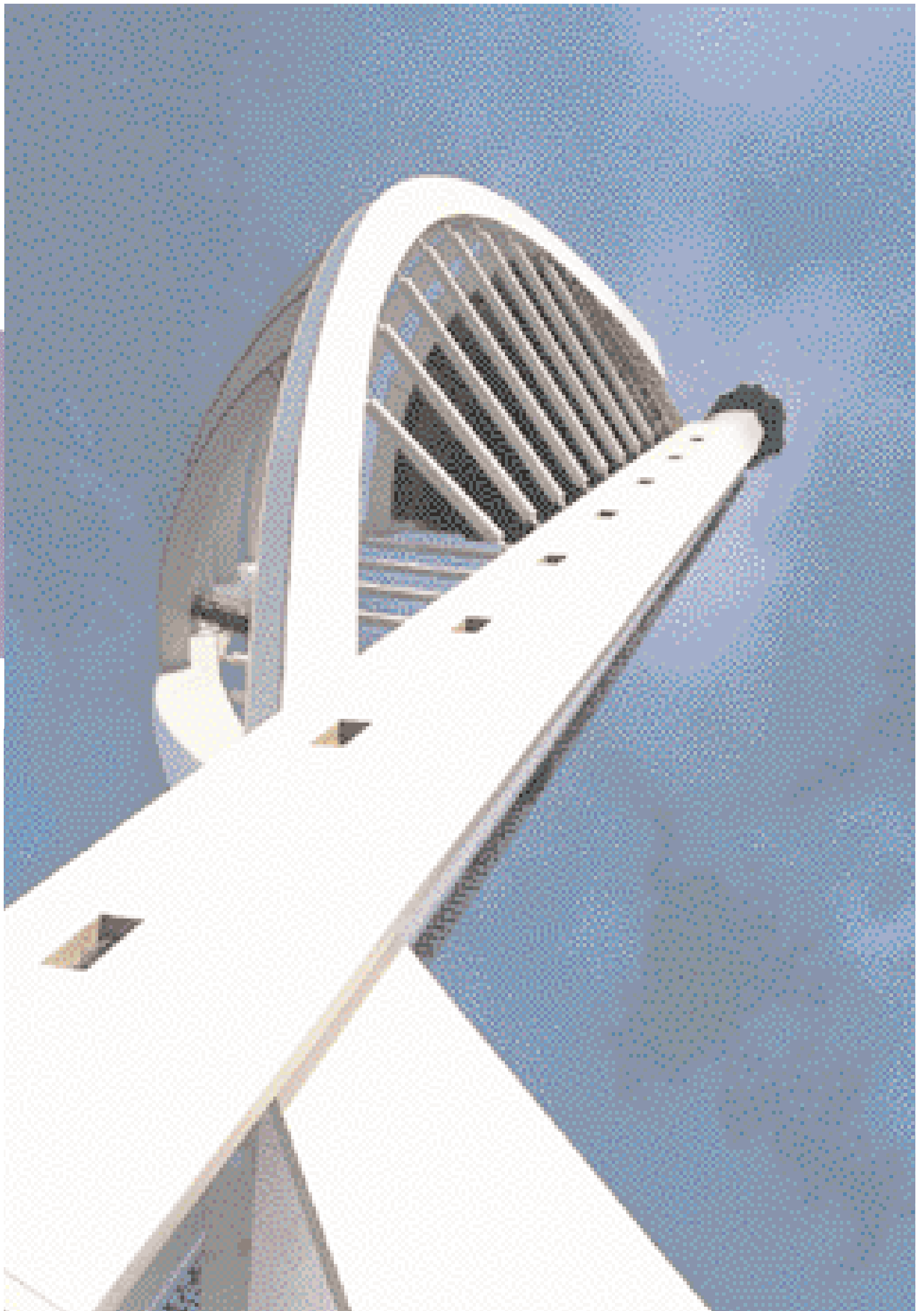
Aggregates & Concrete

Reaping the benefits of performance enhancements and a generally favorable market environment, the Aggregates & Concrete Division reported strong growth in 2004. Thanks to its close ties with customers and research and development efforts in recent years, the division was lifted by the success of new products and services in 2004 that offered customers real added value.

SALES | **€4,747** MILLION

GROUP | **20,100** EMPLOYEES

SITES | **1,714** INDUSTRIAL SITES IN **25** COUNTRIES



Spinnaker Tower, Portsmouth, UK

CONCRETE

DESIGNER: SCOTT WILSON ADVANCED TECHNOLOGY GROUP

Portsmouth's Spinnaker Tower is the UK's tallest public viewing tower outside of London. With three viewing platforms at 100m, 105m and 110m, it offers fantastic views over the River Solent to the south and Winchester City to the north. At 170 meters above the sea, the concrete tower serves as a lighthouse welcoming boats to the famous port.

The Tower will be the centrepiece of Portsmouth's renaissance, opening up areas of the waterfront previously denied to the public.

Lafarge Readymix UK supplied conventional ready-mixed concrete as well as its innovative Agilia® self-placing concrete, an ideal solution for this vertical architectural structure.

> Strong growth in 2004

2004 was an excellent year for the Aggregates & Concrete Division. Sales were up 7.6% and operating income rose 18.3% on a like-for-like basis using a constant exchange rate. The operating margin increased to 7.1% from 6.3%, while return on capital employed after tax rose to 7.9%, compared to 6.8% in 2003.

The performance of the division is notably due to its capacity to raise aggregate prices in its main markets of France, the UK and North America, thanks to its highly competitive products and the confidence of its customers. In the ready-mix segment, strong sales growth of high value-added products shows that past efforts are paying off, and that it has an undeniable lead over its competitors in terms of innovation. Launched in France in 1999, Agilia®, Lafarge's innovative self-placing concrete, is well on its way to becoming a worldwide success story based on the extent to which it has been well received by its customers. Other innovative products will follow in its wake.

In aggregates, the division has built up strongholds in France, Canada, the United States, the UK and South Africa, and is developing its positions in several other countries, notably in emerging markets. Performance programs are in place and continuously enriched, which should continue to boost margins in the near future, contributing to the division's growth potential.

> Value-added products and services: a technological edge over competitors

The Aggregates & Concrete Division has undertaken major research efforts to develop value-added products, in concrete as well as in aggregates.

Sales of value-added products rose significantly in 2004. After gaining a big lead in mastering the technology and different applications of Agilia®, sales increased 50% in volume.

> Performance also means ensuring reliable and sustainable development

The division's development is also linked to its environmental performance. A primary challenge is quarry rehabilitation, which is not only a key factor for obtaining new licenses to operate but is also a strong indicator of Lafarge's respect for the environment. In 2004, 93% of the division's quarries had rehabilitation plans that took into account measures to protect the environment, respect for local regulations, the comfort of neighboring communities during operations and the stakeholders perspective on site restoration.



GREECE | Aggregates & Concrete | Rion-Antirion bridge,
linking Peloponesos with mainland Greece |
Lafarge supplied all the aggregates for its construction

ACQUISITION OF HUPFER HOLDING AND THE CONCRETE COMPANY

In March 2004, Lafarge signed an agreement with the Haniel Group to purchase Hupfer Holding, a producer of aggregates and ready-mix concrete with key positions in Eastern and Central France as well as in the Zurich and Basel regions of Switzerland. Hupfer Holding has seven concrete plants with a total capacity of about 0.3 million m³, as well as nine aggregate quarries with an annual capacity of 4.7 million tonnes.

Lafarge also acquired the cement and ready-mix concrete assets of The Concrete Company. Covering the Southeastern United States from its base in Georgia, this company is a producer of ready-mix concrete and aggregates. The buyout included a cement import terminal with an annual capacity of 0.9 million tonnes, two distribution terminals and 46 concrete plants, 17 of which were sold off by the end of December 2004.

By expanding the division's customer base, this infrastructure will be extremely useful for Lafarge as it continues to grow in Georgia, Alabama and the markets of the Gulf of Mexico. It will also reinforce the Group's cement activities in this region.

These two acquisitions helped Lafarge to strengthen its geographic coverage and vertical integration activities within fast-growing regions.

Acquisition of the Ukrainian company Technobud

In 2004, Lafarge bought out Technobud, an aggregates company located in Western Ukraine. With production capacity of 1.5 million tonnes, this facility will be useful in supplying the buoyant Polish market.

UNITED KINGDOM | Aggregates & Concrete | Amesbury road works, Wiltshire | Lafarge Aggregates UK

UNVARYING RAW MATERIALS TO GUARANTEE A CONSTANT QUALITY CONCRETE

Quality clauses have been added to supply contracts between the Concrete business and suppliers of raw materials used to make concrete – aggregates and cement – to guarantee the regular supply and quality control of raw materials. Lafarge wants to assure end customers that a given concrete product's characteristics and quality will be consistent. Aggregates must have the same level of humidity, form, grade and properties, while cement must have a consistent setting time.



Product quality and customer satisfaction: two new indicators

In 2004, the Aggregates & Concrete Division introduced two key indicators to provide a precise, reliable measure and follow-up of product quality and customer satisfaction. The first indicator measures overall product quality based on a systematic follow-up and analysis of customer relations. It was inspired by a system that was developed and successfully implemented by the Gypsum Division, before being passed on to other divisions. The second indicator is more specifically designed to measure customer satisfaction. Each day and in each sector, four or five customers who have received deliveries the previous day (adding up to several hundred customers across the sectors, on a daily basis) answer some topline questions over the telephone. This very local, but simple and highly effective approach was quickly adopted by all Business Units in 2004.



STRONG GROWTH OF AGILIA® SELF-PLACING CONCRETE

The Agilia® line of self-placing concrete, which was introduced in 1999 after many years of research, contributed to the improved performance of the division. Sales increased 50% in volume. The success of this product line is all the more promising considering that Agilia® will continue to be developed internationally. This high value-added product line provides Lafarge with a big lead on its competitors and reinforces its image as the innovative company in the sector.

FRANCE | Concrete |
Palais de Justice, Pontoise,
made with Agilia® Formes
and Agilia® Horizontal |
Architect: Henri Edouard
Ciriani | Prime contractor:
GTM Construction –
Carillon BTP

Given the success of innovation, the Aggregates & Concrete Division doubles its Research and Development budget

In the light of the success of the value-added product lines launched in recent years, the Aggregates & Concrete Division decided to double its Research and Development budget in 2005 compared to the previous year. The goal is to develop high value-added products and services for highly specific markets. Composed of numerous materials that are themselves complex, concrete is used in multiple applications, of which none account for more than 3-4% of the market. Focusing on aggregates as well as concrete, Lafarge's Research and Development efforts aim to define, for each application, a concrete formula that will offer customers the most added value.

'SKILLBUILDER' LAUNCHED TO IMPROVE SKILLS DEVELOPMENT

In October, the intranet site *Skillbuilder* was presented to human resource managers in the division's Business Units. Using this software tool, line managers can evaluate for themselves and for their employees the level of skills they have acquired compared to those required for their given post; they can also define ways to develop these skills. The launch of *Skillbuilder* is a key step in the division's skills development program.

FRANCE | Aggregates |
Employees at the new
Petite-Craze facility



Safety program is developed and reinforced

The Business Units of the Aggregates & Concrete Division developed a safety policy for Group employees and sub-contractors at all of the division's 1,714 sites. As a result, the number of accidents with work stoppage has been cut in half since 2002. This policy, which has the full backing of the General managers, considers safety a criterion for evaluating the performance of line managers. It also encourages sharing knowledge about the best procedures to use, and the development of skills required for the safety managers' role. At their first world convention in Denver, the Aggregates & Concrete Division's 14 safety managers laid the foundations for a network that will enable them to share advice, initiatives and proper procedures concerning the identification of risks and varying means of prevention.

PRESQUE ISLE, AN AGGREGATE QUARRY IN THE UNITED STATES THAT IS WILDLIFE FRIENDLY

Like all division sites, the Presque Isle quarry near Lake Michigan has been the focus of a rehabilitation plan since it was acquired in 2000. To minimize its impact on the environment and on local communities, an 'earthwork' was built to reduce operating noise; green spaces were created to accommodate wildlife; and original raw materials extracted from the site were used to rehabilitate the Alpena quarry. This project won several environmental awards in 2004. In November, the Wildlife Habitat Council – an association promoting wildlife habitats on public and private lands – praised this site in recognition of the numerous initiatives taken by Lafarge: trout were reintroduced in the quarry pond, wooden birdhouses were built for ducks, and feeding and sheltering grounds were developed for wild geese.



UNITED STATES |
Aggregates |
Rehabilitation
of the Presque Isle
quarry



Roofing

Performance in the Roofing Division continued to improve in 2004 despite an ongoing decline of the German construction market. The division adopted a determined and proactive strategy to boost commercial and industrial performances and continued geographical expansion, notably in high-growth markets.

The strong performance in 2004 can also be attributed to the division's continued focus on innovation, which led to new product launches and solutions offering customers real added value. The buoyant chimney segment, which continues to develop, also made a strong contribution to growth.

SALES | **€1,493** MILLION

GROUP | **11,700** EMPLOYEES

SITES | **158** INDUSTRIAL SITES IN **34** COUNTRIES



Coach House Mews, Bournemouth, United Kingdom

ROOFING

SPECIFIER: BRYANT HOMES

Lafarge supplied roofing tiles for Coach House Mews, a residential development near Bournemouth, consisting of 47 single-level and duplex apartments with vaulted ceilings, galleries and oval windows.

Landmark Double Pantiles from the Redland range were chosen for their aesthetic qualities and attractive finish offering the traditional appearance of clay and long-lasting color. These tiles have a special surface finish that means they look good from day one and will retain their intended look for at least 25 years, but will mellow and age in the same way as natural clay.

> **In 2004, the Roofing Division reported earnings growth for the third consecutive year**

Although division sales declined 1%, operating income rose by 5.7%, on a like-for-like basis, lifted by a strong overall performance and another year of cost reduction to adapt to the ongoing difficult market in Germany. As a result of continued geographic expansion, Germany now represents 25.8% of the divisions' sales with 48.3% coming from other European markets and 25.9% from markets outside Europe. In 2004, the operating margin rose to 10%, from 9.4% the previous year, and the return on capital employed after tax increased to 5.5% from 4.8%.

The Roofing Division is the world leader in concrete roof tiles and has built up strong positions in each of its markets, thanks to a diversified regional portfolio and strong brands. The division has continued to modernize its plant network for clay roof tiles in France and Italy, and the markets of North America, Central and Eastern Europe and Asia offer new growth opportunities.

The solid growth potential of the roofing components segment continues to be realised.

> **Improved performances**

In recent years the main engine for profit growth has been the reduction of fixed costs. In 2004, these efforts continued, but profitability was also fostered through improved performance in other areas, notably marketing. The division made significant progress with product segmentation, new product launches and a more proactive pricing policy.

Production units also reported further improvements in industrial performance. Notably, the industrial performance program *SPiD* delivered, with variable production costs for the division declining in 2004 thanks to better capacity utilization rates, optimized raw material consumption and tighter control over purchasing.

NEW PLANTS IN THAILAND AND INDIA

In early January, Lafarge inaugurated two new industrial sites in Southeast Asia. A fully renovated plant began producing clay roof tiles near Rayong, Thailand. Lafarge Siam Roofing – a joint venture created in 2003 and 75% owned by Lafarge – invested over €8 million in the acquisition and modernization of the plant, which will produce top-quality clay roof tiles marketed under the Ceris brand. The potential demand for clay roof tiles in Thailand is estimated at over 20 million square meters a year.

A concrete roof tile plant in Bangalore was also inaugurated in Central India, complementing the division's existing high-quality glazed tile products manufactured in Calcutta. Initially, the Bangalore plant is starting up with a production capacity of 5-6 million tiles a year, but in time it will be able to produce considerably more. Buoyant economic conditions and population growth in the Bangalore region suggests that the need for high-quality roofing materials will increase. Moreover, the new site's location in Central India will make it relatively easy to supply the states of Karnataka, Kerala, Tamil Nadu and Andhra Pradesh.



THAILAND | Roofing |
Employees
at the Lafarge
Siam Roofing plant
in Rayong

Development in Romania

In September, Bramac – a Roofing Division joint venture that already has eleven production sites in Europe – inaugurated its first concrete roof tile plant in Sibiu, in the heart of Romania. Bramac invested €4.9 million to build this new facility, which will help the Group meet the growing demand for quality roofing products and to gain a foothold in Romania, a market with high growth potential. The Sibiu plant has a production capacity of 13 million concrete roof tiles a year. Also in Romania and in the same month a growth project was finalized in the clay segment: by Tondach Gleinstätten, in which the Roofing Division holds a minority stake.

AUSTRIA | Roofing |
Steel chimney system

Schiedel expands its chimney product line in Europe

Schiedel, the business specializing in chimney systems, maintained momentum with sales growth of +8.4% and international expansion in 2004. Among other acquisitions during the year, Schiedel acquired the UK Rite-Vent group specializing in stainless steel chimney systems for residential and industrial buildings, adding to the existing ceramic product line. Based near Newcastle, Rite-Vent is particularly active in the UK, Italy and Germany. The company exports as far as Asia, and generates about 40% of sales outside of the UK. Thanks to this acquisition, Schiedel, which was already the European leader in ceramic chimney systems, now ranks second in Europe for stainless steel chimney and flue systems.

In 2004, Schiedel also acquired the Flemish company Bemal NV, reinforcing its position in the Belgian market. Bemal NV supplies chimneys and ventilation systems to the multi-family housing segment in Belgium.



SPiD and *Booster* performance initiatives to lift industrial and sales & marketing performances

The *SPiD* program has changed significantly the way we work industrially. It has delivered results in many areas, such as raw material and energy consumption, production costs and has helped to improve the division's health & safety record. All this has been achieved through the transfer of best practices, people involvement, training and standardized tools.

In *Booster*, the divisional performance program in sales & marketing, customer orientation was the key lever. Initiatives have started such as segmenting markets and launching segment specific offers as well as in the definition of a common approach for customer satisfaction measurement and related activity.

INNOVATION CREATES VALUE FOR LAFARGE AND ITS CUSTOMERS

In recent years, the Roofing Division has positioned itself in the upmarket segment of roofing solutions and systems. The division launched underlays, dry ridge products, roof ventilation tiles and other roofing components to complete its offer to the roofing market. These roofing components generate attractive returns on a moderate investment and have reported constant sales growth, not only in Europe (up 13% in France, 10% in Scandinavia, and 8% in Italy) but in the rest of the world as well (up 100% in South Africa and 22% in China). All in all, they accounted for over 20% of division sales in 2004. Lafarge was the first to enter this innovative segment, and has gained a powerful technological lead.

In 2004, the Roofing Division also launched a wide range of new tiles designed to meet the needs and expectations of customers: clay roof tiles (*Galeane 10* and *Plate de Pays* in France, *Rubin 11V* in Germany), concrete roof tiles (*Barcelona* and *Mandara* in the USA), and tiles with innovative surfaces (*Protector* in Scandinavia, *Cisar* in Poland and *Ivory* in Brazil).

Cool Roof, a ventilation and heat reflection system for areas with tropical weather conditions, continued to be a successful tailored solution taking into account sustainable construction. This innovative offer reduces indoor temperatures by 3-4%. Savings on air conditioning costs rapidly cover the investment in *Cool Roof*. Another example of extra roof functions is the *Storm Roof* that has started to be a commercial success in France.

In the chimney segment, Schiedel added new solutions to its product catalogue that meet the requirements of sustainable construction. Some examples include *Absolut*, a balanced flue system for low energy and passive houses, and *Area*, an energy-saving ventilation system which contributes to our sustainable construction approach.



CUSTOMER SATISFACTION: A SHARED GOAL OF THE ENTIRE DIVISION

In 2004, the *OTIFIC* method was deployed to Lafarge Business Units in Germany, the UK, Scandinavia, France and China, as well as at Schiedel. Developed and successfully implemented by the Gypsum Division, this method optimizes management of the entire customer chain. *OTIFIC* stands for “*On Time, In Full, Invoiced Correctly*”. This new indicator is used to identify the need for corrective measures for continuous quality improvements, as well as to anticipate products and services of the future.



HEALTH AND SAFETY PROGRAM LAUNCHED



In 2004, the Roofing Division introduced a health and safety program applicable to all of its Business Units. Based on the Group's health and safety policy, but adapted to the specific nature of the Roofing business, the program includes a health & safety management system and driving guidelines. The program also includes an audit system for all division plants worldwide, training sessions for health & safety program managers and auditors, and a dedicated space, accessible via the division's intranet, for sharing safety training applications. This program is promoted by a broad in-house communications and awareness campaign.



Gypsum

The Gypsum Division reported remarkable earnings growth in 2004, illustrating the success of the division's strategy in North America and performance improvements in numerous areas. SIGNA™, a new plasterboard product with four tapered edges, looks particularly promising in light of the enthusiastic response it has received from French customers. The division's achievements in terms of innovation, product quality, service and pricing policy augur well for its future performance. Building on this success, the Gypsum Division confirms its position as the most dynamic company in its sector.

SALES | **€1,340** MILLION

GROUP | **6,000** EMPLOYEES

SITES | **83** INDUSTRIAL SITES IN **24** COUNTRIES



Altmark shopping centre in Dresden, Germany

GYP SUM

ARCHITECT: JOST HERING, MANFRED STANEK, HAMBURG

Located in the historic heart of the city of Dresden, Germany, the Altmark shopping arcade adopts the form of a classical atrium thanks to its rotunda design. This cylindrical structure was an architectural challenge met by Lafarge Gips with its *LaArt* solutions. The adaptability, lightness and technical robustness of *LaArt-Elemente* products allowed the company to reduce construction times while providing outstanding quality in terms of the materials used. And the building's aesthetic aspects were not forgotten, either. The stability of *LaArt-Teile* preformed plasterboards made it possible to limit jointing work and allow the skilful management of lighting from the light shaft formed by the rotunda.

> **2004: Results that validate
a winning strategy**

With sales up 12.2% and operating income up 50% on a like-for-like basis, the Gypsum Division reported excellent results in 2004 owing in part to strong improvements in North America, illustrating the success of the Group's American strategy launched in 2000. Production continued to rise during the year at the high-output, ultra-modern gypsum plants in Silver Grove and Palatka. The industrial performance also continued to improve, and price increases were successfully introduced thanks to competitive, high-quality products. Buoyed by the French market, Western Europe also contributed to earnings growth. The quality of this overall performance can be seen in the strong rise in the operating margin, which rose to 9.6% from 7%. Return on capital employed after tax also rose significantly to 9.5% from 6.8% in 2003.

The division now has strong positions in each of its markets and significant growth potential for the years ahead. Once the Buchanan plant located near New York is modernized and a new plant is constructed in the Midlands, UK, Lafarge will be the most competitive company in all its markets. In Asia, the division's industrial network is unmatched by competitors, and, in China, two new plants will be added soon: one in Shanghai and the other in Chongqing, in the heart of Sichuan province.

> **Improved performance made a significant
contribution to higher profitability in 2004**

The division's industrial performance improved substantially during the year. Existing plasterboard plants reported production up 8% in 2004, with particularly strong improvements in Poland, Mediterranean area and Argentina. Improvements in plant reliability also contributed to the 3.5 point increase in the equipment utilization rate.

Improvements in paper and energy consumption and a decline in defective plasterboard helped limit the impact of higher costs. Moreover, by keeping a tight lid on working capital requirements, the division reduced the working capital requirements to sales ratio by more than three points.

In 2004, the Gypsum Division focused on two key aspects of the *FIRST* performance enhancement program: total quality and price management. These efforts will be stepped up in 2005.

Finally, the year 2004 also marked a new phase in the division's innovation efforts and in the expansion of its product lines and services.

IN SOUTH AFRICA, MACSTEEL INTERIOR SYSTEMS BECOMES LAFARGE GYPSUM

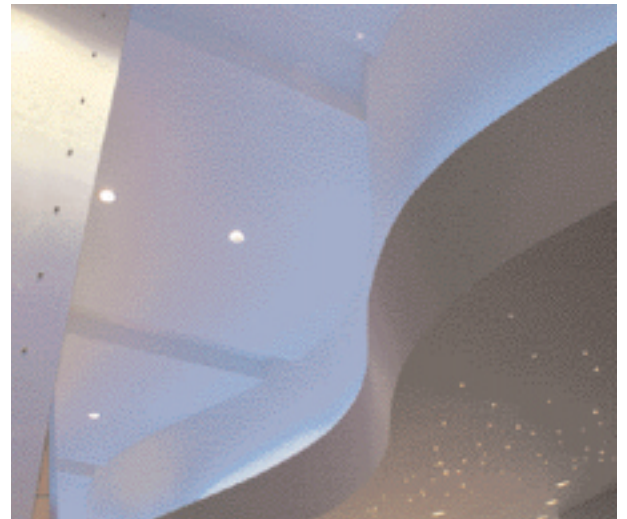
After acquiring a 40% stake in Macsteel Interior Systems in February 2003, Lafarge bought out the rest of the South African company in 2004. This specialist interior furnishings business is one of South Africa's key producers and distributors of ceiling, wall and trapdoor systems for commercial and residential buildings. In addition to its production units, the company has distribution centers located throughout South Africa, as well as in Mozambique and Botswana, enabling it to serve this fast-growing market.



AUSTRALIA |
Gypsum |
Sutherland
Hospital

In the United States, production capacity will be doubled at the Buchanan plant

In November 2004, Lafarge North America decided to invest \$75 million to modernize the Buchanan plasterboard plant in New York. Work will begin in mid 2005 and is slated to be finished by mid 2006. With the aim of doubling its annual production capacity, Buchanan will supply 60 million m² of plasterboard annually to the very dynamic market of Greater New York. Along with two ultramodern plants in Palatka, Florida and Silver Grove, Kentucky, these improvements will bolster Lafarge's position as the most competitive, high-quality producer in each of its markets. This investment, combined with the Newark plant, will enable Lafarge to meet growing demand in the Northeastern American market. It is worth noting that the US market alone accounts for 50% of the world plasterboard market.



DEVELOPMENTS IN POLAND AND ROMANIA

The gradual start-up of the brand new plant in Gacki, Poland, will triple local production capacity while making a significant contribution to earnings growth. In Romania, Lafarge has increased its stake in Lafarge Arcom Gips. This unit recently opened a product-installation training center, and created a customer showroom in Bucharest.

ENHANCING PERFORMANCE: QUALITY AND PRICE SEGMENTATION WERE TOP PRIORITIES IN 2004

Total quality is the top priority of the *First* performance program and the cornerstone of the entire organization, with the aim of meeting customers' demands worldwide faultlessly at every moment. The division first focused on the quality of its products and systems to ensure that they were constantly offering higher added value, especially compared to its rivals. Moreover, it made sure that its customers could see the difference. This program was successfully launched in several pilot countries in 2004 – notably in Thailand, Indonesia, South Korea and the United States – before being adopted by the entire division in early 2005. Drawing on the experience acquired in these pilot countries, the division also developed tools that will enable the sales department to adopt a more precisely segmented pricing policy. These measures paid off in 2004 and made a significant contribution to the division's ability to raise prices in the United States. Price management, the second priority of the *First* program, was also extended to the rest of the division in early 2005.



SIGNA™ – the ‘new generation’ plasterboard

With its four tapered edges, the new SIGNA™ plasterboard concept could well become the industry standard in the years ahead. Thanks to an exclusive, patented technology, SIGNA™ plasterboard is manufactured at production lines on a continuous basis, which means that it can be produced at very competitive costs without compromising on quality or consistency. This product is ideal for ceilings and very high walls, offering a remarkably flat surface and an impeccable finish, with joints that are totally invisible. Using SIGNA™, the work done by installation companies really stands out.

Production of SIGNA™ plasterboard was launched in France in June 2004. All of Lafarge plasterboard units around the world will be able to plan to equip their plants to alternate between the production of traditional and SIGNA™ plasterboard.

CHINA: TRAINING FOR SALES TEAMS TO BE THE BEST

In 2004, Lafarge Gypsum China started an ambitious training program to develop the skills of its sales teams. The initial focus was on marketing strategy, management of distributors and pricing policy. In an extremely competitive market, the training program is designed to make Lafarge's Chinese sales teams the best in the sector.



CHINA | Gypsum | Cinema,
Nanjing, Jiangsu Province |
Architect: Warner International
Film Co.

ELEVEN INDUSTRIAL SITES RECEIVED ISO 14001 CERTIFICATION IN 2004

Environmental management – a widespread practice in all countries where the Gypsum Division operates – uses indicators to monitor and manage site performances. At year-end 2004, eleven sites obtained ISO 14001 environmental certification. Designed to help companies continuously monitor and control the impact of their industrial activities on the environment, this international standard is completely voluntary. To obtain ISO 14001 certification, a site must prove that it has a genuine environmental management policy with measurable targets to improve performance.

An environmental priority: increasing the use of synthetic and recycled gypsum

With the aim of conserving natural gypsum resources, the use of synthetic and recycled gypsum accounted for 43% of Lafarge's gypsum consumption in 2004. This percentage is bound to grow, since the division's goal is for all plants to recycle their production wastes instead of using landfill disposal. Pilot projects have also been launched in France and the UK to set up reliable and economically sustainable waste recovery systems, and to reduce the volume of waste generated by construction sites.

FRANCE: CENTENNIAL CELEBRATIONS FOR LAFARGE PLÂTRES

This 100th anniversary was above all an occasion for the Lafarge Group to recall how far the *Plâtrières du Vaucluse* company has come since it was first created in 1904. One century later, Lafarge now ranks third worldwide in Gypsum, with 6,000 employees at 83 industrial sites in 24 countries.



Development of an international training program to boost skills

In 2004, the Gypsum Division continued pursuing its international training program, designed to improve expertise and performance in its different lines of business. This program is open to all senior managers in the division's Business Units. Created in partnership with the International Institute for Management Development (IMD), the 'Gypsum Master' general management program has so far trained 100 executives from a wide range of Business Units. The two-week program is held in France and Switzerland.

Financial information

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2004 Review of operations and financial results

GROUP RESULTS IN 2004

The following text is summarized from the '2004 Report on Form 20-F'. Its purpose is to inform the reader about the main results elements occurred in 2004 in the Group and its divisions.

Sales

Sales increased by 5.7% between 2003 and 2004, from €13,658 million to €14,436 million. Currency fluctuations had a negative impact of €442 million or 3.5% reflecting in particular the strong appreciation of the euro against the majority of other currencies. Changes in the scope of consolidation had a net positive impact of €214 million, or 1.5%. Positive scope changes amounted to €392 million, including in particular the effect of the increase in the ownership of Lafarge Halla Cement in South Korea, of the acquisition of the cement and concrete operations of The Concrete Company (TCC) in the United States and of the acquisition of Hupfer Holdings in the Aggregates activity in France and Switzerland. Negative scope changes amounted to €178 million primarily reflecting the impact of divestments of cement operations in Florida in 2003, as well as various Aggregates & Concrete activities in North America and the disposal of the remaining lime operations in Europe and road marking activities in the United States. Our sales from continuing operations at constant scope and exchange rates grew by 7.7% benefiting from good weather conditions and strong demand in a number of our markets.

Operating income on ordinary activities

Operating income on ordinary activities grew by 9.8% between 2003 and 2004, from €1,934 million to €2,124 million. The depreciation of the US dollar, as well as a number of associated currencies, against the euro had a negative impact of €57 million. Changes in the scope of consolidation accounted for a net increase of €9 million and are essentially due to the additional interest acquired in Lafarge Halla in South Korea and the acquisition of Hupfer Holdings by the Aggregates & Concrete Division, being offset by the divestment of cement operations in 2003 in Florida. At constant scope and exchange rates, operating income on ordinary activities from our ongoing operations recorded an increase of 12.8%. As a percentage of our sales, operating income on ordinary activities represented 14.7% in 2004, compared to 14.2% in 2003.

By division, sales and operating results in 2004 were as follows.

CEMENT | 74% OF TOTAL OPERATING INCOME ON ORDINARY ACTIVITIES

| (IN € MILLION) | 31/12/04 | 31/12/03 | % VARIANCE 2004/2003 | EXCLUDING FOREIGN EXCHANGE, AND SCOPE EFFECTS | EXCLUDING FOREIGN EXCHANGE, SCOPE EFFECTS AND BEFORE INTER DIVISIONAL SALES ELIMINATION |
|---|----------|----------|----------------------|---|---|
| SALES | 6,810 | 6,383 | +6.7% | +9.2% | +9.2% |
| OPERATING INCOME ON ORDINARY ACTIVITIES | 1,567 | 1,466 | +6.9% | +10.6% | - |

Sales

in 2004 rose by 9.2% excluding foreign exchange, scope effects, and before inter divisional sales elimination (+12.9% in Quarter 1, +10.7% in Quarter 2, +7.8% in Quarter 3 and +6.7% in Quarter 4). The Cement Division's strong sales growth has been driven by good pricing trends in the context of sharply rising energy costs. Volume growth overall has been solid, with strong growth in North America, the Eastern Mediterranean, and on the African continent and a moderate rise in Asia.

Operating income on ordinary activities

of the Cement Division grew by 6.9% to €1,567 million in 2004 compared to €1,466 million in 2003. At constant scope of consolidation and exchange rates, operating income on ordinary activities rose by 10.6%. Currency fluctuations had a negative impact of 3.7% or €49 million. Net changes in the scope of consolidation had almost no impact on operating income on ordinary activities with negative scope effects, in particular the divestment of cement operations in Florida in 2003, being offset by positive scope effects, primarily the increased shareholding in Lafarge Halla in South Korea. As a percentage of the division's gross sales, operating income on ordinary activities remained stable at 21.2%. Overall, 2004 benefited from a favorable environment with good weather conditions, strong economics and favorable pricing trends in some of our main markets. These positive factors were however mitigated by a sharp rise in energy costs, and in certain areas by additional transport and purchase costs to absorb the surge in demand.

Return on capital employed* (after tax, calculated at 2003 tax rate, of 28.6%) rose to 9.5% from 8.4%.

WESTERN EUROPE

Operating income on ordinary activities: €624 million (€606 million in 2003)

Sales

growth in 2004 was largely driven by favorable pricing trends. France delivered the strongest sales growth in the region with sustained volume growth throughout the year coupled with a favorable pricing environment. In the UK, volumes were slightly down in a market that saw slower construction growth and increased imports. Spain continued to record favorable trends in construction spending allowing for good price increases. In Germany, the construction market and cement volumes weakened once again, but this was more than offset by the steady recovery in prices from the low level of the previous year. In Greece, volumes slowed as expected following the completion of Olympics' related building projects but pricing showed good levels of increase.

Operating income on ordinary activities

in Western Europe increased by 3.0% to €624 million compared to €606 million in 2003. The strengthening of the Pound Sterling versus the Euro had a favorable impact of €2 million. Operating income on ordinary activities at constant scope of consolidation and exchange rates rose by 2.6% compared to 2003. The evolution of operating income on ordinary activities was mixed across the region. The strong construction market led to robust growth in operating income on ordinary activities in France and in Spain, despite higher energy expenses. The steady improvement in prices in Germany allowed for losses incurred in 2003 to be greatly reduced in 2004. In the United Kingdom, a soft market environment and the pressure of imports did not allow sufficient price rises to cover the increase in energy costs. In Greece operating income on ordinary activities was down as a result of the decline in volumes following the Olympic Games and the increase in energy costs.

*The return on capital employed is one of the measures of profitability of our operations used by the management. It is the sum of the operating income on ordinary activities after tax and the share of net income of equity affiliates divided by the average capital invested per division. The calculation of the return on capital employed for year 2004 is based on the effective tax rate for the year 2003 - 28.6% - because the effective tax rate for the year 2004 is not representative for the purposes of this calculation.

NORTH AMERICA

Operating income on ordinary activities:
€260 million (€247 million in 2003)

Sales

grew strongly during 2004.

Favorable economic conditions supported strong levels of demand across markets throughout the year, and we also benefited from more favorable weather conditions at both the start and the end of the year. High levels of demand particularly in the first half of the year, led to increased imports to meet customer demand. Pricing trends continued to be positive, with successful price increases achieved in the majority of markets during the first half. In several US markets, a second price increase was also realized later in the year.

Operating income on ordinary activities

in North America grew by 5.3% to €260 million compared to €247 million in 2003. Currency fluctuations had a negative impact on operating income on ordinary activities of €12 million. The net scope effect including the divestment of our operations in Florida and the acquisition of the cement operations of The Concrete Company (TCC) had a negative effect of €14 million. At constant scope and exchange rates, operating income on ordinary activities in North America grew by 17.5%. The growth in results reflects the strong general economic conditions and sustained construction activity which led to increased volumes, allowed for higher prices albeit partially offset by additional imports, increased fuel, raw material and distribution costs. Plant fixed costs were kept flat. Several of our plants achieved record production levels for the year.

EMERGING MARKETS

Operating income on ordinary activities:
€683 million (€613 million in 2003)

Sales

Positive sales trends were recorded in all other regions of the world.

In Central and Eastern Europe, sales grew strongly, driven by a buoyant construction market in Romania. In the Mediterranean Basin, sales were up sharply in Jordan and in Turkey where the market grew strongly. In Morocco, volumes saw good growth, although overall sales prices were negatively affected by the implementation of a cement sales tax in 2004. In Sub-Saharan Africa, high levels of growth were seen particularly in Nigeria and in South Africa. In Latin America, the continued improvement in Venezuela offset lower volumes and prices in Brazil. In Asia, demand was disappointing, with the exception of India, China and Indonesia where demand was strong. In the Philippines significant price increases were successfully implemented throughout the year but volumes were slightly lower due to low levels of government spending. Similarly, Malaysia suffered from lower public sector spending especially in infrastructure, leading to lower selling prices. In South Korea the construction industry was badly affected by government initiatives to dampen property price inflation, which led to a sharp fall in construction orders. The consequent decline in cement volumes increased competition between domestic producers and importers, leading to price weakness.

Operating income on ordinary activities

in emerging markets rose by 11.4% to €683 million compared to €613 million in 2003, representing 44% of the Cement Division's operating income on ordinary activities, compared to 42% in 2003. Currency fluctuations had a negative impact on operating income on ordinary activities of €39 million. Changes in the scope of consolidation arising primarily from the increase in ownership of Lafarge Halla Cement in South Korea, from the acquisition of Ural Cement in Russia and from the full-year operation of the Chongqing plant in China had a positive impact of €14 million. Operating income on ordinary activities at constant scope and exchange rates grew by 16.3%.

- **In Central and Eastern Europe** operating income on ordinary activities grew by 15.6% to €104 million compared to €90 million in 2003. The negative impact of currency fluctuations on the region's operating income on ordinary activities amounted to €4 million. Operating income on ordinary activities at constant scope and exchange rates improved by 20.9%, with strong growth in Romania, and to a lesser extent in Poland, Czech Republic and Slovenia. Favorable market trends allowed for price increases to compensate for the increase in energy costs that could not be offset by performance improvement initiatives. In Serbia delays to the modernization of the production line had a negative impact on operating income on ordinary activities which was down on 2003. In Russia, despite the favorable effect of the Ural Cement acquisition, operating income on ordinary activities decreased.
- **In the Mediterranean basin**, operating income on ordinary activities increased by 25.6% to €152 million compared to €121 million in 2003. The negative impact of currency fluctuations on the region's operating income on ordinary activities amounted to €8 million. Operating income on ordinary activities at constant scope and exchange rates grew by 34.5% with strong growth in operating income on ordinary activities in Jordan and Turkey on well oriented markets. In Egypt operating income on ordinary activities increased strongly driven by higher prices. Operating income on ordinary activities in Morocco was slightly down due to margins being impacted by the need to absorb the implementation of a cement sales tax in early 2004.
- **In Latin America**, operating income on ordinary activities declined by 12.2% from €164 million in 2003 to €144 million in 2004. The negative impact of currency fluctuations on the region's operating income on ordinary activities amounted to €11 million. At constant scope and exchange rates, operating income on ordinary activities was down 6.5%. In Brazil lower volumes and the decline in prices led to a significant reduction in operating income on ordinary activities. Part of this decline was however mitigated by reductions in production costs. In Venezuela, the strong market recovery allowed for an improvement in operating income on ordinary activities. In Chile operating income on ordinary activities was largely unchanged on 2003. Weak prices in the first half of 2004 in Honduras and higher fuel costs in Mexico led to some slippage in operating income on ordinary activities compared to 2003.
- **In Sub-Saharan Africa**, operating income on ordinary activities increased by 36.3% to €184 million in 2004 from €135 million in 2003. The negative impact of currency fluctuations on the region's operating income on ordinary activities amounted to €7 million. At constant scope of consolidation and exchange rates, operating income on ordinary activities grew by 41.9% with strong growth in Nigeria and South Africa. In Nigeria where the ramp up of the new Ewekoro plant continued in 2004, we benefited from high volume growth and favorable pricing conditions which helped to pass on to customers the rise of energy costs. In South Africa the buoyant construction market continued to drive margin growth. Operating income on ordinary activities in Kenya was at a similar level to 2003 despite the unfavorable effect of currency fluctuations. Cameroon and Uganda both increased their operating income on ordinary activities.
- **In Asia**, operating income on ordinary activities declined by 3.9% from €103 million in 2003 to €99 million in 2004. The negative impact of currency fluctuations on the region's operating income on ordinary activities amounted to €9 million. The positive impact of changes in the scope of consolidation as a consequence of the increase in ownership of Lafarge Halla Cement in South Korea and of the full-year operation of the Chongqing plant in China amounted to €13 million. At constant scope of consolidation and exchange rates, operating income on ordinary activities declined by 7.4% as a result of the sharp fall in South Korea and Malaysia. Operating income on ordinary activities in the region was favorably impacted by a significant recovery in prices in the Philippines which led to a strong increase in margins despite unfavorable energy costs. In India also, margin continued to improve, supported by the solid sales growth. Significant weakness was however recorded in South Korea where operating income on ordinary activities collapsed from previous levels as a result of the sharp fall in the construction market and higher energy expenses. In Malaysia also, the disappointingly weak construction market and higher energy costs led to a drop in operating income on ordinary activities. In China operating income on ordinary activities rose as a result of good performance seen in recent acquisitions. The operating income on ordinary activities generated in Indonesia was marginally down on 2003.

AGGREGATES & CONCRETE | 16% OF TOTAL OPERATING INCOME ON ORDINARY ACTIVITIES

| (IN € MILLION) | 31/12/04 | 31/12/03 | % VARIANCE 2004/2003 | EXCLUDING FOREIGN EXCHANGE, AND SCOPE EFFECTS | EXCLUDING FOREIGN EXCHANGE, SCOPE EFFECTS AND BEFORE INTER DIVISIONAL SALES ELIMINATION |
|---|----------|----------|----------------------|---|---|
| SALES | 4,747 | 4,465 | +6.3% | +7.6% | +7.6% |
| OPERATING INCOME ON ORDINARY ACTIVITIES | 337 | 283 | +19.1% | +18.3% | - |

Aggregates | Operating income on ordinary activities €225 million (€191 million in 2003)

Concrete | Operating income on ordinary activities: €112 million (€92 million in 2003)

Sales

in 2004 rose by 7.6% excluding foreign exchange, scope effects, and before inter divisional sales elimination (+11.4% in Quarter 1, +6.0% in Quarter 2, +5.9% in Quarter 3 and +8.4% in Quarter 4). The Aggregates and Concrete Division delivered robust levels of sales growth overall with strong volumes in both North America and France, coupled with favorable pricing trends in most countries.

Operating income on ordinary activities

of the Aggregates & Concrete Division increased by 19.1% between 2003 and 2004, from €283 million to €337 million. Currency fluctuations had a negative impact of 2.9% or €7 million. Increases in the scope of consolidation, the most significant being the operations of Hupfer Holdings in France and Switzerland and also the operations of The Concrete Company in Alabama in the United States had a positive effect of €7 million. At constant scope of consolidation and exchange rates, operating income on ordinary activities grew by 18.3%. As a percentage of the division's gross sales, operating income on ordinary activities represented 7.1% in 2004, compared to 6.3% in 2003. Operating income on ordinary activities for Aggregates totaled €225 million up 17.8% from €191 million in 2003. Currency fluctuations had a negative impact of €7 million. Operating income on ordinary activities for Concrete totaled €112 million up 21.7% from €92 million in 2003. The division as a whole experienced in 2004 a strong increase in its operating income on ordinary activities under the combined effect of well oriented markets in most countries, more favorable weather pattern, good pricing conditions in the Aggregates activities and development of special quality products in Concrete. The overall improvement was however partly mitigated by the pressure on margins on a few competitive markets in North America in the ready-mix and paving activities.

Return on capital employed (after tax, calculated at 2003 tax rate, of 28.6%) increased to 7.9%, from 6.8%.

WESTERN EUROPE

Sales

of Aggregates in Western Europe faced a mixed situation. In France, sales growth varied regionally, with stronger growth in Southern regions. In the UK, sales were lower due to a decline in infrastructure spending, which strongly affected Asphalt and Paving. Aggregates prices continued to show favorable trends compared to 2003.

In France, sales of Concrete grew strongly due to a combination of high levels of residential housing in most regions and favorable pricing trends supported by increased sales of special quality concretes. In the UK, Concrete sales were robust with improved pricing trends supported by increased volumes of special quality products.

Operating income on ordinary activities

in Western Europe grew by 17.3% to €156 million. The net positive effect of changes in the scope of consolidation arose to €8 million. In France, significant improvements were recorded in both Concrete and in Aggregates activities. In the United Kingdom operating income on ordinary activities was down. The significant decline in infrastructure spending led to a decrease in operating income on ordinary activities in both the asphalt and paving and the Aggregates activities as a result of the weak level of orders received.

North America

Sales

Volumes of Aggregates rose with solid overall demand levels in the U.S.A. and strong sales in Canada. Aggregate prices were also higher in most North American markets. In Concrete, sales rose 7.3%, with overall positive pricing conditions. Demand was particularly strong in West Canada and in the Eastern part of the United States.

Operating income on ordinary activities

in North America, grew by 7.1% to €135 million. The weakening of the dollar against the euro had a negative impact of €9 million. Changes in the scope of consolidation had a net positive impact of €2 million. Although sales delivered solid growth, operating income on ordinary activities improvement was dampened by the increase in pension costs which totaled €7 million, higher fuel costs across all product lines and increased maintenance costs with higher plant activity. The increase in operating income on ordinary activities was driven by the Aggregates activity due to strong volumes and solid pricing gains across all regions. This improvement was however partly mitigated by less favorable trends in a few markets in the ready mix and paving activities.

Elsewhere in the world

Operating income on ordinary activities

continued to grow reaching €46 million in 2004 compared to €24 million in 2003. In South Africa, operating income on ordinary activities continued to grow significantly driven by the strong construction market, under the combined effect of improved performance and the rand's appreciation against the euro. In Poland and Turkey the operating income on ordinary activities continued to improve.

ROOFING | 7% OF TOTAL OPERATING INCOME ON ORDINARY ACTIVITIES

| (IN € MILLION) | 31/12/04 | 31/12/03 | % VARIANCE 2004/2003 | EXCLUDING FOREIGN EXCHANGE, AND SCOPE EFFECTS | EXCLUDING FOREIGN EXCHANGE, SCOPE EFFECTS AND BEFORE INTER DIVISIONAL SALES ELIMINATION |
|---|----------|----------|----------------------|---|---|
| SALES | 1,493 | 1,510 | -1.1% | -1.0% | -1.0% |
| OPERATING INCOME ON ORDINARY ACTIVITIES | 150 | 142 | +5.6% | +5.7% | - |

Sales

in 2004 were down by 1% excluding foreign exchange, scope effects, and before inter divisional sales elimination (+6.0% in Quarter 1, +6.0% in Quarter 2, -6.2% in Quarter 3 and - 7.5% in Quarter 4). The Roofing Division's decline in sales resulted from renewed weakness in Germany in the second half after a more promising first half.

Operating income on ordinary activities

was up 5.6% to €150 million from €142 million in 2003. Currency fluctuations had a negative impact of €1 million. As a percentage of the division's gross sales, operating income on ordinary activities represented 10.0% in 2004, compared to 9.4% in 2003. Further margin improvement was hampered by continued weakness in Germany.

Return on capital employed (after tax, calculated at 2003 tax rate, of 28.6%) increased to 5.5% from 4.8%.

WESTERN EUROPE**Sales**

of both concrete and clay tiles were down. The renewed decline in sales in Germany offset the generally favorable trends seen across the rest of Europe, particularly in France, Italy and Scandinavia.

Operating income on ordinary activities

in Western Europe rose by 8.6% to €114 million. In Germany, however, the weakness in the construction market pushed volumes lower and as a consequence operating income on ordinary activities declined by 11.4% to €39 million. In other Western European countries operating income on ordinary activities rose strongly from €61 million in 2003 to €75 million in 2004. In France, the operating income on ordinary activities benefited from the strong sales development and lower overhead costs. In the United Kingdom, operating income on ordinary activities rose as a result of reduced costs of sales. All other countries recorded improved operating income on ordinary activities with the exception of the Netherlands where increased competition led to a sharp decline.

NORTH AMERICA AND OTHER COUNTRIES**Sales**

in the United States, continued to be strong, driven by a buoyant housing market.

Operating income on ordinary activities

declined slightly to €36 million in 2004 from €37 million in 2003 due to a lower operating income on ordinary activities in Malaysia in the context of the disappointing construction market. This decline was partly offset by improved results in North America. In Central Europe and Eastern Europe operating income on ordinary activities was slightly down.

GYP SUM | 6% OF TOTAL OPERATING INCOME ON ORDINARY ACTIVITIES

| (IN € MILLION) | 31/12/04 | 31/12/03 | % VARIANCE 2004/2003 | EXCLUDING FOREIGN EXCHANGE, AND SCOPE EFFECTS | EXCLUDING FOREIGN EXCHANGE, SCOPE EFFECTS AND BEFORE INTER DIVISIONAL SALES ELIMINATION |
|---|----------|----------|----------------------|---|---|
| SALES | 1,340 | 1,194 | +12.2% | +12.0% | +12.2% |
| OPERATING INCOME ON ORDINARY ACTIVITIES | 129 | 84 | +53.6% | +50.0% | - |

Sales

in 2004 rose by 12.2% excluding foreign exchange, scope effects, and before inter divisional sales elimination (+14.2% in Quarter 1, +13.2% in Quarter 2, +10.8% in Quarter 3 and +10.8% in Quarter 4). The Gypsum Division's strong sales growth in 2004 was driven by positive trends in both volumes and prices in most markets.

Operating income on ordinary activities

grew by 53.6% from 84 million in 2003 to 129 million in 2004, following the significant improvement achieved in 2003. Currency fluctuations had no impact on the operating income on ordinary activities. At constant scope, operating income on ordinary activities increased by 50%. As a percentage of the division's gross sales, operating income on ordinary activities increased to 9.6% in 2004 from 7.0% in 2003.

Return on capital employed (after tax, calculated at 2003 tax rate, of 28.6%) increased to 9.5% from 6.3%.

WESTERN EUROPE

Sales

in Western Europe, pricing was favorable in France but continued to be negative in Germany. Volumes were driven by strong demand in the UK and by strong fourth quarter sales in Germany ahead of 2005 price increases.

Operating income on ordinary activities

in Western Europe improved by 10.6% to €73 million up from €66 million in 2003. In France it grew largely as a result of favorable pricing trends and product mix. In the United Kingdom, it fell sharply due to the additional costs associated with the need to import boards from continental Europe to meet high levels of demand. In Germany, stability in the market and increased exports helped offset the effect of lower prices, however losses continued to be incurred.

North America

Sales

grew significantly in the United States with our plants running at high capacity rates. The strong activity in residential housing and renovation work continued and facilitated further price increases in all of our markets during the year.

Operating income on ordinary activities

in North America, the significant increase in market prices and good plant performance ensured that the operations recorded a positive operating income on ordinary activities of €18 million, compared to a loss of €14 million in 2003. Prices recovered steadily throughout the year to levels not seen since 2000, but this favorable effect was partly offset by higher paper costs and increased energy expenses. The two high speed plants at Silver Grove and Palatka performed well running at high levels of output.

Other countries

Operating income on ordinary activities

rose to €38 million in 2004, compared to €32 million in 2003. A significant turnaround was recorded in Poland, where after the loss incurred in 2003, break even operating income on ordinary activities was reached due to increased domestic prices and export volumes. Our operating income on ordinary activities in the Asia-Pacific region decreased overall due to the weaker market conditions experienced in South Korea and increased competition in Thailand resulting in lower prices in these countries.

OTHER (INCLUDING HOLDINGS)

Operating income on ordinary activities

of our other operations rose to –€59 million in 2004 compared to –€41 million in 2003 being adversely affected by an increase in pension costs, a decline in the contribution of our properties activities, and an unfavorable net scope effect resulting primarily from the disposal of the remaining lime operations in Europe.

OTHER INCOME STATEMENT ITEMS

Non-recurring items:

€-169 million (€-122 million in 2003)

Gains (losses) on disposals, net, represented a net gain of €41 million in 2004, compared to €299 million in 2003. The most significant capital gains were earned on the sale of the 40% stake in Carmeuse North America BV. In 2003, gains (losses) on disposals, net, included the gains on the sale of certain cement assets in North America for €111 million and on the sale of the stake in Materis Participations for €122 million.

Other income (expenses), net, represented a net expense of €210 million in 2004, compared to a net expense of €177 million in 2003. In 2004, the most significant expense items arose from exceptional amortization and depreciation for €109 million, including an intangible asset write off of €45 million related to real estate development rights, from restructuring charges for €35 million split between Cement at €9 million, Aggregates & Concrete at €6 million, Roofing at €15 million and other activities at €5 million and from litigation expenses of €27 million.

Net interest expenses:

€517 million (€568 million in 2003)

Financial expenses, net, decreased by 9.0% between 2003 and 2004, from €568 million to €517 million. Financial expenses, net, are comprised of financial expenses on net indebtedness and other financial income and expenses including foreign exchange gains and losses. Financial expenses on net indebtedness decreased by 12% between 2003 and 2004, from €505 million to €443 million as the result of the decrease of our net average indebtedness. The average interest rate on our debt was 5.3% on December 31, 2004 as compared to 5.8% on December 31, 2003. Other financial income and expenses was a net loss in 2004 of €74 million compared to a net loss of €63 million in 2003. Foreign exchange losses amounted to €41 million in 2004 and to €75 million in 2003.

Income tax:

€247 million (€425 million in 2003)

Income tax decreased by 41.9% between 2003 and 2004, from €425 million to €247 million. The effective tax rate for 2004 decreased to 17.2% compared to 28.6% in 2003. This reduction resulted principally from €193 million of non recurring tax savings. These tax savings arose from tax efficient restructurings, from asset reevaluation allowed in several countries and from the enactment of lower tax rates notably in Greece. Excluding these non recurring tax savings, our effective tax rate would have been at 30.6% in 2004.

Income from equity affiliates:

€74 million (€37 million in 2003)

Share of net income in equity affiliates doubled between 2003 and 2004, from €37 million to €74 million. The share of net income in equity affiliates in our Cement Division amounted to €40 million, of which Molins accounted for €25 million. The share of net income in equity affiliates in our Roofing and Gypsum Divisions amounted to €24 million. The share of the net income of Carmeuse North America BV, divested in December 2004, was positive in 2004 at €6 million and compared favorably to the share of net loss of €33 million recorded in 2003.

Amortization of goodwill:

€133 million (€135 million in 2003)

Amortization of goodwill declined by 1.5% between 2003 and 2004, from €135 million to €133 million.

Minority interests:

€264 million (€237 million in 2003)

Minority interests increased by 11.4% between 2003 and 2004, from €237 million to €264 million, reflecting primarily improved net results in Greece, Jordan and Nigeria.

Net income, Group share:

€868 million (€728 million in 2003)

Net income increased by 19.2% between 2003 and 2004, from €728 million to €868 million. Net income represented 6% of sales in 2004, compared to 5.3% in 2003.

Earnings per share:

€5.16 (€4.92 in 2003)

Earnings per share were up 4.9% at €5.16 compared to €4.92 in 2003. The average number of shares outstanding during the year was 168.3 million (170.9 million at December 31, 2004), as compared to an average number of shares at 147.9 million in 2003 (167.2 million at December 31, 2003). Between December 31, 2003 and December 31, 2004 the increase in the number of shares is essentially due to the 3.5 million shares issued to shareholders opting for the reinvestment of the dividend in June 2004.

The diluted earnings per share were up 4.8% at €5.00 compared to €4.77 in 2003.

CASHFLOW STATEMENT

Net cash provided by operating activities decreased by €353 million in 2004 to 1,736 million

(€2,089 million in 2003)

The decrease arose from additional working capital requirements of €377 million between December 31, 2003 and December 31, 2004. The increase in working capital needs was primarily due to the termination of the receivables securitization program in North America and to a net increase of other receivables over other payables related to the payment of acquisitions and divestitures. Excluding working capital variation, net cash provided by operating activities rose strongly by 17.5%.

Net cash used in investing activities amounted to €893 million

(€673 million in 2003)

Capital expenditures and Investments totaled €1,553 million

(€1,184 million in 2003)

Sustaining capital expenditures (i.e. ongoing upgrading and modernization of existing facilities) totaled €783 million (€536 million in 2003). Capital expenditures for new capacity totaling €350 million (€328 million in 2003), included expenditures on major cement projects such as the new production line in Tula, Mexico (€22 million), the new line at Ewekoro in Nigeria (€10 million), the second line in Chongqing, China (€15 million), the new plant in Bangladesh (€32 million) and a variety of smaller projects which amounted to €149 million in cement, €63 million in Aggregates & Concrete, €48 million in Roofing and €11 million in Gypsum.

Acquisitions totaled €420 million (€320 million in 2003), of which the most significant were:

- the acquisition in Ecuador of Cementos Selva Alegre for €98 million. Cementos Selva Alegre acquired on December 29, 2004, will be consolidated starting January 1, 2005;
- the acquisition of the cement and concrete operations of The Concrete Company of Columbus, Georgia, United States for €87 million;
- the acquisition of Hupfer Holdings for €69 million with Aggregates operations in France and Switzerland;
- the acquisition for €57 million, of an additional stake of 10.2% of Lafarge Halla Cement, in South Korea. Cash acquired amounted to €41 million and debt acquired amounted to €54 million;
- the acquisition, for €34 million, of an additional 14% stake in the 'Lafarge Gypsum in Asia' holding, head of our Gypsum operations in Asia, in joint venture with Boral.

Disposals of €574 million (€603 million in 2003) were made during 2004. The most significant disposals included the disposal of the 40.9% stake in Molins in Spain for €265 million and the disposal of the 40% stake in Carmeuse North America BV for €98 million.

BALANCE SHEET STATEMENT

Total equity as at December 31, 2004 stood at €11,072 million

(€10,494 million end of December 2003)

The increase from December 31, 2003, reflects the income generated in the period, and the impact of the change in the consolidation method of Lafarge Halla Cement from proportionate to full consolidation. These items are partially offset by the dividend distribution, net of reinvestment and the change in translation adjustments as the result of the strengthening of the euro between December 31, 2003 and December 31, 2004. In addition, total equity is further reduced by a negative translation effect of €289 million affecting the goodwill and the market shares of certain subsidiaries operating outside the euro zone, which were, prior to January 1, 2001 denominated in euros, and have been reconverted at the end of 2004 into local currency.

Net consolidated debt totaled €6,499 million down €562 million from €7,061 million at the end of 2003 (including the impact of currency fluctuations of €111 million). The gearing ratio at year end was reduced from 67% in 2003 to 59% in 2004 and the ratio of cash flow from operations to net debt improved from 25.5% in 2003 to 32.5% in 2004.

OUTLOOK

We are confident that most of our markets should continue to show favorable trends, in both volumes and pricing, in 2005.

In Cement, we are confident that these favorable trends will continue in most of our markets in 2005, with clearly, once again, the benefit of our well spread and well balanced geographical portfolio being key to sustained organic growth. We expect in Western Europe markets to remain broadly stable, with the exception of post Olympic Greece and Germany where the construction market looks like entering a further year of weakness. However, we believe that cement prices should continue to improve progressively in Germany. Elsewhere pricing conditions should remain favorable across the region with price increases being implemented in most countries during the first quarter. With regard to North America, the level of demand in 2004 was high and weather conditions favorable, and following a strong year-end, we expect a continuation of solid demand and positive pricing trends. Around the rest of the world we expect the good levels of growth to continue in 2005. The only countries of concern, will continue to be Brazil where the difficult competitive environment will bring further pressure on prices, and South Korea where difficult market conditions should remain in 2005.

For Aggregates & Concrete, we expect to see further growth overall in 2005, with good pricing trends continuing in most of our markets.

In Roofing, many markets with the exception of Germany, are expected to show favorable market trends, with further growth in the share of roofing components.

In Gypsum, 2005 should bring another year of sustained growth and well oriented prices overall.

As far as costs are concerned, after the record increases of 2004, we expect our energy and ocean freight costs to increase again in 2005. Both solid fuel and ocean freight markets should remain strong in 2005 as the consequence of the Chinese economic boom. Diesel and gas oil 2005 prices should also stay at high level. As in previous years, risk management policies and performance programs should help to mitigate the impact of these increases.

With respect to income taxes, our majority owned subsidiary Lafarge North America has announced that it will take advantage of new legislation reducing among other things the tax rate on foreign earnings repatriated to the United States, and intends to repatriate in 2005 around \$1 billion in cash from Canada to the United States. This money represents accumulated after-tax earnings associated with normal

operations in Canada. Lafarge North America will record a one-time charge associated with the repatriation of between \$100 million to \$120 million during the first quarter of 2005. This adverse effect should however be compensated at Group level by the favourable tax effect resulting from asset re-evaluation allowed in some countries and certain tax efficient restructurings.

IFRS: TRANSITION COMPLETED

- The main impact of the transition to IFRS on the 2004 financial statements is due to the accounting treatment of pension plans and goodwill.
- Net income increases to €1,046 million mainly as a consequence of the end to the amortization of goodwill and of pension related prior actuarial losses.
- Total equity at year-end is reduced to €9,901 million, principally as a result of the charge to equity of €766 million of after tax prior actuarial losses on pension plans.
- Net debt at year-end increases to €6,958 million, mainly as a consequence of the inclusion of the amount of the receivable securitization program and of the sale options of subsidiary shares granted to minority shareholders.
- Our financial ratios under IFRS at the end of 2004 remain solid, with gearing at 70% and cashflow to net debt at 30.4%.



Consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS OF INCOME

| | <i>Year ended at December 31,</i> | | |
|--|-----------------------------------|----------------|----------------|
| <small>(IN € MILLION, EXCEPT PER SHARE DATA)</small> | 2004 | 2003 | 2002 |
| SALES | 14,436 | 13,658 | 14,610 |
| Cost of goods sold | (9,633) | (9,088) | (9,734) |
| Selling and administrative expenses | (1,775) | (1,750) | (1,775) |
| GROSS OPERATING INCOME | 3,028 | 2,820 | 3,101 |
| Depreciation | (904) | (886) | (969) |
| OPERATING INCOME ON ORDINARY ACTIVITIES | 2,124 | 1,934 | 2,132 |
| Gains on disposals, net | 41 | 299 | 216 |
| Other income (expenses), net | (210) | (177) | (525) |
| OPERATING INCOME | 1,955 | 2,056 | 1,823 |
| Financial expenses, net | (517) | (568) | (521) |
| INCOME BEFORE INCOME TAX, SHARE OF NET INCOME OF EQUITY AFFILIATES, AMORTIZATION OF GOODWILL AND MINORITY INTERESTS | 1,438 | 1,488 | 1,302 |
| Income tax | (247) | (425) | (448) |
| INCOME BEFORE SHARE OF NET INCOME OF EQUITY AFFILIATES, AMORTIZATION OF GOODWILL AND MINORITY INTERESTS | 1,191 | 1,063 | 854 |
| Share of net income of equity affiliates | 74 | 37 | 33 |
| Amortization of goodwill | (133) | (135) | (158) |
| Minority interests | (264) | (237) | (273) |
| NET INCOME | 868 | 728 | 456 |
| EARNINGS PER SHARE (EUROS) | 5.16 | 4.92 | 3.52 |
| DILUTED EARNINGS PER SHARE (EUROS) | 5.00 | 4.77 | 3.49 |
| AVERAGE NUMBER OF OUTSTANDING SHARES (IN THOUSANDS) | 168,253 | 147,949 | 129,629 |

CONSOLIDATED BALANCE SHEETS

ASSETS

| | <i>At December 31,</i> | | |
|------------------------------------|------------------------|---------------|---------------|
| (IN € MILLION) | 2004 | 2003 | 2002 |
| Goodwill, net | 3,718 | 4,149 | 4,633 |
| Intangible assets, net | 2,760 | 2,823 | 2,835 |
| Property, plant and equipment, net | 10,641 | 10,402 | 11,667 |
| Investments in equity affiliates | 236 | 383 | 652 |
| Other investments | 560 | 481 | 462 |
| Other long-term assets | 738 | 810 | 919 |
| LONG-TERM ASSETS | 18,653 | 19,048 | 21,168 |
| Inventories, net | 1,509 | 1,422 | 1,591 |
| Accounts receivable-trade, net | 2,054 | 1,754 | 1,816 |
| Other receivables | 903 | 977 | 955 |
| Cash and cash equivalents* | 1,653 | 1,634 | 1,109 |
| CURRENT ASSETS | 6,119 | 5,787 | 5,471 |
| TOTAL ASSETS | 24,772 | 24,835 | 26,639 |

SHAREHOLDERS' EQUITY AND LIABILITIES

| | <i>At December 31,</i> | | |
|---|------------------------|---------------|---------------|
| (IN € MILLION) | 2004 | 2003 | 2002 |
| Common stock | 684 | 669 | 532 |
| Additional paid-in capital | 6,000 | 5,798 | 4,546 |
| Retained earnings | 4,538 | 4,053 | 3,548 |
| Cumulative translation adjustments | (2,745) | (2,335) | (1,645) |
| SHAREHOLDERS' EQUITY | 8,477 | 8,185 | 6,981 |
| Minority interests | 2,479 | 2,191 | 2,155 |
| Other equity | 116 | 118 | 134 |
| Deferred taxes | 731 | 870 | 979 |
| Provisions | 1,930 | 1,857 | 1,922 |
| Long-term debt | 6,948 | 7,370 | 10,271 |
| LONG-TERM LIABILITIES | 12,204 | 12,406 | 15,461 |
| Accounts payable, trade | 1,424 | 1,234 | 1,205 |
| Other payables | 1,463 | 1,685 | 1,938 |
| Current portion of long-term debt | 991 | 985 | 524 |
| Short-term bank borrowings | 213 | 340 | 530 |
| CURRENT LIABILITIES | 4,091 | 4,244 | 4,197 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 24,772 | 24,835 | 26,639 |

* At December 31, 2004 and 2003 'Cash and cash equivalents' includes treasury shares for €69 million and €71 million respectively, which aim at covering employee stock purchase option plans.

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS

| | <i>Year ended at December 31,</i> | | |
|--|-----------------------------------|--------------|--------------|
| (IN € MILLION) | 2004 | 2003 | 2002 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Net income | 868 | 728 | 456 |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> | | | |
| Minority interests | 264 | 237 | 273 |
| Depreciation and amortization of assets and goodwill | 1,037 | 1,021 | 1,127 |
| Share of net income of equity affiliates less dividends received | (54) | (11) | (17) |
| Gains on disposals, net | (41) | (299) | (216) |
| Deferred income taxes and tax provisions | (187) | 15 | 92 |
| Other, net | 226 | 108 | 241 |
| Changes in operating working capital items (see analysis below) | (377) | 290 | (165) |
| Net cash provided by operating activities | 1,736 | 2,089 | 1,791 |
| NET CASH USED IN INVESTING ACTIVITIES | | | |
| Capital expenditures | (1,133) | (864) | (1,149) |
| Investment in consolidated companies ⁽¹⁾ | (309) | (218) | (337) |
| Investment in non-consolidated companies | (111) | (102) | (27) |
| Disposals ⁽²⁾ | 574 | 603 | 725 |
| Net (increase) decrease in other long-term assets | 86 | (92) | 14 |
| Net cash used in investing activities | (893) | (673) | (774) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | | |
| Proceeds from issuance of common stock | 251 | 1,438 | 260 |
| (Increase) decrease in treasury shares | - | - | (4) |
| Increase (decrease) in other equity | 1 | - | - |
| Dividends paid (including those paid to minority interests in subsidiaries) | (504) | (395) | (388) |
| Proceeds from long-term debt | 958 | 173 | 642 |
| Repayment of long-term debt | (1,783) | (2,042) | (751) |
| Increase (decrease) in short-term debt | 284 | (40) | (685) |
| Net cash (used in) provided by financing activities | (793) | (866) | (926) |
| Increase (decrease) in cash and cash equivalents | 50 | 550 | 91 |
| Net effect of foreign currency translation on cash and cash equivalents | (31) | (105) | (183) |
| Treasury shares reclassification | - | 80 | - |
| Cash and cash equivalents at beginning of year | 1,634 | 1,109 | 1,201 |
| Cash and cash equivalents at end of year | 1,653 | 1,634 | 1,109 |
| (1) Net of cash and cash equivalents of companies acquired | 49 | 25 | - |
| (2) Net of cash and cash equivalents of companies disposed of | 7 | 4 | 1 |
| SUPPLEMENTAL DISCLOSURES | | | |
| Analysis of changes in operating working capital items | | | |
| (Increase) decrease in inventories | (108) | 34 | (40) |
| (Increase) decrease in accounts receivable-trade | (243) | (38) | 446 |
| (Increase) decrease in other receivables | 16 | (71) | 11 |
| Increase (decrease) in accounts payable-trade | 142 | 86 | (532) |
| Increase (decrease) in other payables | (184) | 279 | (50) |
| Cash payments during the period for | | | |
| Interest expense | 398 | 470 | 604 |
| Income taxes | 454 | 399 | 442 |

CONSOLIDATED FINANCIAL STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| | OUTSTANDING SHARES | TREASURY SHARES | COMMON STOCK | ADDITIONAL PAID-IN CAPITAL | RETAINED EARNINGS | CUMULATIVE TRANSLATION ADJUSTMENTS | SHAREHOLDERS' EQUITY |
|--|-----------------------|--------------------|-----------------|----------------------------------|----------------------|--|-------------------------|
| | (IN NUMBER OF SHARES) | (IN € MILLION) | | | | | |
| BALANCE AT JANUARY 1, 2002 | 130,145,800 | 1,864,372 | 521 | 4,324 | 3,389 | (352) | 7,882 |
| Net income | | | | | 460 | (4) | 456 |
| Dividends paid | | | | | (297) | | (297) |
| Issuance of common stock (dividend reinvestment plan) | 1,400,494 | | 5 | 127 | | | 132 |
| Exercise of stock options | 171,583 | | 1 | 7 | | | 8 |
| Employee stock purchase plan | 708,718 | | 3 | 42 | | | 45 |
| Issuance of common stock (Cementia exchange offer) | 453,838 | | 2 | 46 | | | 48 |
| Purchase of treasury shares | | 56,587 | | | (4) | | (4) |
| Change in translation adjustments | | | | | | (1,289) | (1,289) |
| BALANCE AT DECEMBER 31, 2002 | 132,880,433 | 1,920,959 | 532 | 4,546 | 3,548 | (1,645) | 6,981 |
| Net income | | | | | 728 | | 728 |
| Dividends paid | | | | | (303) | | (303) |
| Issuance of common stock | 31,831,528 | | 127 | 1,135 | | | 1,262 |
| Issuance of common stock (dividend reinvestment plan) | 2,391,039 | | 10 | 111 | | | 121 |
| Exercise of stock options | 114,813 | | | 6 | | | 6 |
| Treasury shares* | | (1,122,989) | | | 80 | | 80 |
| Change in translation adjustments | | | | | | (690) | (690) |
| BALANCE AT DECEMBER 31, 2003 | 167,217,813 | 797,970 | 669 | 5,798 | 4,053 | (2,335) | 8,185 |
| Net income | | | | | 868 | | 868 |
| Dividends paid | | | | | (383) | | (383) |
| Issuance of common stock (dividend reinvestment plan) | 3,483,477 | | 14 | 193 | | | 207 |
| Exercise of stock options | 217,788 | | 1 | 9 | | | 10 |
| Change in translation adjustments** | | | | | | (410) | (410) |
| BALANCE AT DECEMBER 31, 2004 | 170,919,078 | 797,970 | 684 | 6,000 | 4,538 | (2,754) | 8,477 |

* As of December 31, 2003, treasury shares, which aim at covering employee stock purchase option plans, were classified as short-term investments.

** Of which €(279) million related to the accounting for goodwill and market shares on foreign subsidiaries (Note 2(e) of the Report on form 20F - Accounting for business combinations).

Organization of the Group

Board of Directors

Bertrand Collomb

Chairman of the Board of Directors

Bernard Kasriel

Chief Executive Officer and Vice
Chairman of the Board of Directors

Jacques Lefèvre

Vice Chairman of the Board
of Directors

Michael Blakenham

Michel Bon

Guilherme Frering

Juan Gallardo

Patrice Le Hodey*

Bernard Isautier**

Alain Joly

Jean Keller*

Raphaël de Lafarge

Robert W. Murdoch*

Michel Pébèreau

Hélène Ploix

Proposition de nominations

Jean-Pierre Boisivon***

to replace Bernard Isautier

Philippe Charrier***

to replace Jean Keller

Oscar Fanjul***

to replace Patrice Le Hodey

Bruno Lafont***

to replace Robert W. Murdoch

Honorary Chairmen

Jean Bailly

Jean François

Olivier Lecerf

Direction Générale

Bernard Kasriel

Chief Executive Officer

Michel Rose

Chief Operating Officer, co-manager
of the Cement Division

Bruno Lafont

Chief Operating Officer, co-manager
of the Cement Division and head of
the Aggregates & Concrete Division
as well as Lafarge North America.

Other members of the Executive Committee

Jean-Charles Blatz

Executive Vice President,
Aggregates & Concrete

Ulrich Glaunach

Executive Vice President, Roofing

Isidoro Miranda

Executive Vice President, Gypsum

Jean-Jacques Gauthier

Executive Vice President, Finance

Christian Herrault

Executive Vice President, Human
Resources & Organization

International Advisory Board

Lynda, Baroness Chalker

of Wallasey | United Kingdom
Chairman, Africa Matters Limited

Barbara H. Franklin | United States

President and Chief Executive Officer,
Barbara Franklin Enterprises
Former US Secretary of Commerce

Charles O. Holliday, Jr. | United States

Chairman and Chief Executive Officer,
DuPont

Mohamed Kabbaj | Morocco

Adviser to the King of Morocco
Chairman, Lafarge Maroc

Reuel J. Khoza | South Africa

Chairman, Eskom Holdings Limited

Takuzo Kitamura | Japan

Corporate Executive Deputy
President, Ajinomoto Co., Inc.

David K.P. Li | Hong Kong

Chairman and Chief Executive Officer,
The Bank of East Asia Ltd.

Thierry de Montbrial | France

Founder and President, French
Institute for International Relations

Alexei A. Mordashov | Russia

Chairman of the Board, Severstal

Hugh M. Morgan | Australia

Director of the Board,
Reserve Bank of Australia

N.R. Narayana Murthy | India

Chairman and Chief Mentor,
Infosys Technologies Limited

Henning Schulte-Noelle | Germany

Chairman of the Supervisory Board,
Allianz AG

* Through May 25, 2005. | ** Ended December 31, 2004. | *** Pending approval by the Annual General Meeting of Shareholders on May 25, 2005.

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