

2005 Sustainability report



Contents

	<i>Group profile</i>
01	<i>Message from the CEO</i>
03	<i>Involvement of the Group in Sustainable Development</i>
04 	<i>Our approach</i>
06	<i>Staying in constant touch with our stakeholders</i>
08	<i>Our sustainability issues</i>
10	<i>Our sustainability objectives and action plans</i>
12	<i>Exerting a responsible influence</i>
14	<i>Public positions of the Lafarge Group in 2005</i>
16	<i>Implementing governance standards</i>
18 	<i>Protecting the environment</i>
18	<i>Taking into account environmental concerns when establishing new units</i>
19	<i>Optimizing our consumption of non-renewable raw materials</i>
20	<i>Fighting climate change</i>
22	<i>Protecting surroundings and reducing local nuisances</i>
23	<i>Rehabilitating our quarries and promoting biodiversity</i>
24	<i>Working towards sustainable construction</i>
26 	<i>Supporting the development of our employees</i>
26	<i>Pursuing a responsible recruitment and career management policy</i>
29	<i>Assuring our employees' safety and protecting their health</i>
32	<i>Rallying our employees to meet collective performance targets</i>
34 	<i>Contributing to local economic development</i>
34	<i>Making sustainable development part of our economic decision-making process</i>
36	<i>Managing our multi-local development</i>
38	<i>Our Principles of Action put to work after the tsunami in Indonesia</i>
40 	<i>Monitoring our performance**</i>
40	<i>Our environmental, social and community performance</i>
44	<i>Indicators and correspondence tables</i>
47	<i>Enhancing the comparability of our performance</i>
48	<i>Reporting methodology</i>
	<i>Independent Report</i>
	<i>Opinion of our stakeholders on the 2005 Sustainability Report</i>

** This year, we have decided to dedicate part of the report entitled "Monitoring our performance" to highlight trends in various aspects of our sustainability performance. Certain indicators have been grouped together in pages 40 to 50, while others are presented within the corresponding texts.

@ Throughout this report, this symbol refers to our website, where more information is available.

Cover: Chongqing Cement Plant in China, Lafarge's first 100% cement production line inaugurated in 2005.

Group profile

Founded in 1833, the Lafarge Group is the world leader in building materials. The Group manufactures and markets cement, aggregates, ready-mix concrete products, tiles and roofing systems, plasterboards and other related products throughout the world.

In 2005, the Group significantly strengthened its presence in China, particularly in the South-West of the country by forming a joint venture with Shui On, a group headquartered in Hong Kong. Lafarge has thus become one of the leading cement producers in China. China now represents one of Lafarge's largest markets in terms of its sales volumes and workforce.

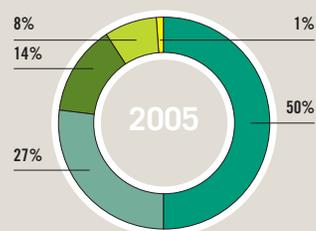


Sales
€16
billion

80,000
employees

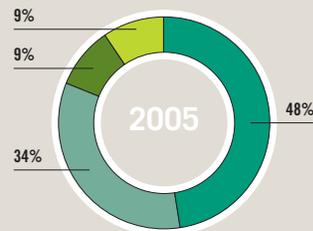
In
76 COUNTRIES

2005 WORKFORCE BY BUSINESS



- Cement
- Aggregates & Concrete
- Roofing
- Gypsum
- Others

2005 SALES BY BUSINESS



- Cement
- Aggregates & Concrete
- Roofing
- Gypsum



Cement

WORLD LEADER | Lines of cement, hydraulic binders and lime for construction, renovation and public works
40,000 employees
€7,600 million in sales
122 cement plants, **24** clinker grinding stations and **6** slag grinding stations
 Present in **43** countries*



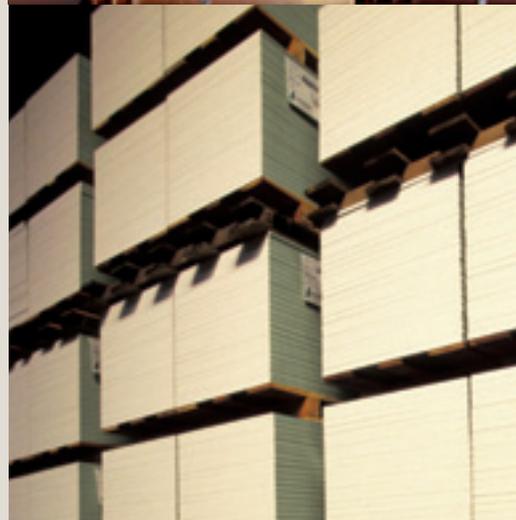
Aggregates & Concrete

N° 2 WORLDWIDE | Lines of aggregates, ready-mix and pre-cast concrete products, asphalt and paving for engineering structures, roads and buildings
21,000 employees
€5,400 million in sales
567 quarries and **1,141** concrete plants
 Present in **27** countries*



Roofing

WORLD LEADER | Lines of concrete, clay and metal roofing tiles, roofing components and chimney systems
12,000 employees
€1,500 million in sales
162 plants
 Present in **35** countries*



Gypsum

N° 3 WORLDWIDE | Plasterboard systems and gypsum-based interior solutions for new construction and renovation
6,000 employees
€1,500 million in sales
78 plants
 Present in **23** countries*

* Consolidated figures at December 31, 2005



Message from the CEO

BRUNO LAFONT

As we head into the 21st century, our society is becoming fully aware of its new social and environmental responsibilities. Lafarge is already recognized by its peers and by the large global organizations as being one of the most dynamic and advanced players in the sphere of sustainable development, an area in which our humanist values support our growth around the world. I have asked our employees not only to maintain our lead, but to accelerate the pace.

In early 2006, when presenting my strategic plan to steer Lafarge toward a sustained leadership position, I said that I was determined to make innovation one of the main driving forces of our strategy – because innovation is a source of added value for our customers, and enables us to respond to the broader concerns of today’s society in terms of both respecting the environment and mankind.

We have high ambitions: we want to truly commit ourselves to sustainable construction. This is a new challenge, one that requires developing new products and solutions to reduce the ecological footprint of buildings and improve living standards. To achieve these goals, we can rely on the results we have obtained as well as leading edge solutions we have developed, both in our research center and through innovative partnerships with other players in our sector. This is illustrated, for example, by our collaboration with architect Jacques Ferrier to create an ultra-ecological tower building concept – Hypergreen – designed to meet the needs of the world’s megacities, as well as by the chair for teaching and research on material sciences for sustainable construction that we have created in concert with the prestigious engineering schools *École des Ponts* and *École Polytechnique*, and in association with the world’s greatest universities.

Message from the CEO

The year 2005 was marked by the very strong mobilization of the Group and all our employees, following the tsunami that struck Indonesia in December 2004. The year also marked the renewal of our partnership with WWF International; the signing of an agreement on international labor relations with three international labor federations; our commitment to our global partnership with Habitat for Humanity; and above all, numerous advances at the very local level between our subsidiaries and the communities in which they are involved.

Among our priorities for 2006, I place safety at the top of the list. We are already the best in our sector, but that is not enough; we want Lafarge to rank among the world's top performing industrial groups. This is an absolute priority for each and every one of our employees, because safety is both a condition for operating excellence and a core value, in a Group that places mankind's welfare at the heart of its concerns.

This document was developed in close collaboration with our panel of stakeholders, who keep a critical eye on our actions and results. Eager to push the transparency of our procedures still further, we have decided to expand our program of third-party verification, which currently covers half of our sustainable development indicators.

Our responsibility to society is expressed by our ever growing commitment to sustainable development, as well as by our employees' enthusiasm for striving to create a better world. The internationalization of our Group in recent years has made it much richer – with a wealth of cultural diversity that is now expressed at every level of the organization, and which, day after day, reinforces our conviction that leadership means ethics, solidarity, openness, respect and striving for excellence.

BRUNO LAFONT
Chief Executive Officer



Hypergreen, a concept tower that meets the needs of sustainable construction, imagined by Jacques Ferrier, architect, using Lafarge materials.

Involvement of the Group in

sustainable development

Respect for the environment and local communities, as well as social advancement, are the factors preserving our license to operate and assuring a high standard of performance. We wish to share our convictions with other companies to encourage active participation in our industry's progress towards greater sustainability.

OUR PRINCIPLES OF ACTION AND POLICIES FRAME OUR OPERATIONS

Integrity, responsibility, courage and respect for others are the values underpinning our philosophy. They are embodied in our corporate commitments:

- To generate value for our customers;
- To give our employees every opportunity to contribute to the Group's success and to develop their talents;
- To contribute to building a better world for our local communities;
- To deliver the value creation that our shareholders expect.

These commitments are listed in our Principles of Action enabling all our employees to situate their actions in a clear framework.

 The Group's Principles of Action are available on our website.

In addition, our policies govern the conduct of our operations and ensure compliance with our commitments, taking into account our sustainable development priorities: Code of Business Conduct, Competition Policy, Environmental Policy, Human Resources Policy, Employment

Policy, Health and Safety Policy, Public Health and AIDS Guidelines, Purchasing Policy and Transportation Directives.

 The issues covered by the Group's various codes, policies, guidelines and directives are available on our website.

In addition to the values defined internally by the Group, we have signed the Global Compact and its commitments are part of our guiding principles.

 The Group's responses to the ten commitments set forth in the Global Compact are available on our website.

LAFARGE'S CONTRIBUTIONS TO THE CEMENT INDUSTRY'S APPROACH

In 2001, Lafarge embarked on its first voluntary initiative with WWF International by setting ambitious targets to reduce CO₂ emissions from our cement plants. With two other cement companies and with a view to extend this type of initiative, Lafarge enrolled other companies in the sector that are members of WBCSD's¹ Cement Sustainability Initiative (CSI). CSI was established in 2001 for an initial period of five years. Its objective is to establish conditions for a more

sustainable development of the industry. This sectoral approach carries genuine legitimacy from the perspective of climate change and responsible and voluntary commitment. It extends beyond the scope of the Kyoto Protocol, as 6 of the 16 CSI members come from countries that have not committed to the protocol. Members of the CSI currently account for slightly more than half of the worldwide cement production (outside China).

The CSI commitments are widely recognized, even beyond the confines of the cement sector. For instance, the Asia-Pacific Partnership on Clean Development and Climate² has identified the CSI as a key initiative and referred to it in one of its working groups. The State of California has adopted the methodology developed by the CSI for calculating CO₂ emissions for its register of emission quotas.

Lafarge currently leads a CSI working group responsible for developing new initiatives for the CSI over the next few years.

¹ | WBCSD: World Business Council for Sustainable Development.

² | Asia-Pacific Partnership on Clean Development and Climate, an agreement signed by the United States, Japan, South Korea and Australia on research and technology sharing.

CORNIS VAN DER LUGT (UNEP)

You can make wonderful statements and public commitments to sustainable development and a corporate responsibility agenda. But if you don't allocate clear responsibilities from top to bottom and engage all employees in the execution of strategy, the impressive statements and commitments will come to nothing. The introduction of a sustainable development committee with top management involvement, sustainability criteria in performance appraisals of managers, ongoing training of employees - suppliers and subcontractors - and annual reporting according to GRI... these are examples of how leading companies are making it happen. It is impressive to see how Lafarge is making the shift to sustainability performance, considering longer term risks and opportunities. As Lafarge expands its involvement in rapidly growing markets such as China, the Group needs to build on its experience and to support building the performing capacity of its new business partners. We also look forward to its continued engagement with other industries and partners in applying life cycle approaches for more sustainable building and construction.

PANEL

The sustainability approach of a Group like Lafarge is continuously being enhanced



INTERVIEW WITH
OLIVIER LUNEAU,
SENIOR VICE PRESIDENT
SUSTAINABLE DEVELOPMENT
AND PUBLIC AFFAIRS

How do you account for the vitality of the Group's sustainable development approach?

This vitality is fueled by the 2,000 sites that we operate in 76 countries. Each plant has to deal with different economic, social and environmental conditions, and it is up to our employees to develop the necessary solutions: the expectations of local communities around a plasterboard facility in the United States differ from those at one of our quarries in France. Our markets and customers are generally located very close to our facilities from a geographical standpoint: 60 minutes from a concrete plant to a customer. It is therefore critical for us to build a strong local presence and our global performance depends on our capacity to become a seamless part of the local fabric. This vitality can be measured through the very numerous initiatives implemented locally. The ones implemented with Care International and Habitat for Humanity have subsequently been pursued Group-wide. Lafarge cannot move forward on its own: stakeholders and our panel challenge us regularly and act as critical friends if we appear to lose our momentum... This is how we are constantly improving our approach.

What are the aims for the future?

Nothing can ever be taken for granted: society's needs are constantly evolving, and communities' expectations are changing. We need to be able to listen, to state our ambitions and to be credible in our results. Our methods probably represent the area in which we can make the most progress by focusing on:

- More effectively embedding sustainable development in the Group's strategy: our businesses have a significant environmental footprint. We need to reduce it (reduction of CO₂ emissions, quarry rehabilitation) and to develop products and construction systems consistent with the needs of a more sustainable construction: products that are easier to use, construction systems improving buildings' energy efficiency and greater safety for our employees and our subcontractors.
- Concerning our approach: increasing the emphasis on sustainable development and relations with stakeholders, by incorporating them into managers' training cycles and ensuring consistency with the Group's internal goals.
- Greater emphasis on listening and transparency: this approach needs to be developed and become institutionalized so that it can always guarantee that the Group does not become isolated from its stakeholders.
- The link between objectives (crystal-clear and specific) and results is critical. We have begun to have our results reviewed and certified by an external organization. For instance, since 2001, the audited results of our CO₂ emissions have been reported to WWF International, who thus monitors our progress.

As you can see, we still have a lot of work to do! This is what makes my job exciting because the challenges facing the Group are real, as is the Group's determination to meet them.

PERFORMANCE PROGRAMS IN EACH BUSINESS

Each business has its own performance program (Rock, Top and Pave in Aggregates & Concrete, Advance in Cement, Booster and SPiD in Roofing, FIRST in Gypsum), in which it draws up its own action plan and specifies its contribution to the attainment of the Group's overall objectives. These performance programs are updated on a regular basis. For instance, Cement added the visual impact of plants to its Advance program during 2005.



See the sustainable development related levers chosen as part of their 5 annual priority levers by Business Units in the Cement business on our website.

A sustainability-oriented organization

Integrating a sustainability-oriented organization into the operation of the Group safeguards the approach's internal consistency and its durability. Lafarge firmly believes its approach only makes sense if its Group-wide objectives match the ability of Business Units to achieve them on a local level.

LAFARGE INTERNAL MANAGEMENT SYSTEMS' COVERAGE



- Internal environmental management system (% of sales)
- Of which ISO 14001-certified systems (% of sales)
- Lafarge's health and safety management systems (% of total workforce)

Benchmark > The indicator provided by Lafarge (proportion of sales) is not directly comparable with EMS coverage indicators published by other WBCSD CSI companies (proportion of sites). One global competitor and one multi-local company have achieved a coverage of 100% of their sites, while two local companies have achieved ISO 14001 certification of 100% of their sites.

RESPONSIBILITIES RELATED TO SUSTAINABLE DEVELOPMENT

The approach is coordinated by the Senior Vice President for Sustainable Development and Public Affairs, who is assisted by the Vice President for Environmental Affairs and the Vice President for Social Policies. Strategic decisions are taken by the Sustainable Development Committee chaired by Chief Executive Officer, Bruno Lafont, which meets three times a year. In the field, the head of each Business Unit is responsible for ensuring that the approach is implemented.

SUSTAINABILITY OBJECTIVES INTEGRATED IN THE GROUP'S MANAGEMENT

The organization is based on local action by Business Units to reach the objectives set by the Group. These objectives, including those linked to sustainable development, are integrated in the Group's management cycle (see box). They are assessed during the annual strategic review and are part of a three to five-year action plan.

IMPLEMENTATION OF MANAGEMENT SYSTEMS

The environmental and safety components of performance programs are based on the deployment of specific management systems. The level of implementation of these management systems is regularly assessed through audits. For instance, in the Cement business, the level of environmental audits (four-year audits) increased from 70% in 2004 to 85% in 2005.

THE MANAGEMENT REVIEW SYSTEM

Individual annual appraisals of managers are partly based on sustainability criteria. For instance, the emphasis placed on safety in the workplace is reflected in the way managers are appraised in the Cement business. In 2005, 25% of their individual bonuses were linked to their safety record.

During their 2005 meetings, the panel members expressed the desire that sustainability-related criteria should be taken into account in the appraisal of the Group's managers to strengthen their commitment to this issue.

Staying in constant touch

with our
stakeholders

The Group performance is closely connected to our ability to make our sites an integrated part of the local community. This permanent concern feeds the development of best practices and the highest-profile partnerships forged at Group-wide level.

Using expertise and taking a long-term view at Group level

REGULARLY CONSULTING OUR STAKEHOLDER PANEL

Created in 2003, Lafarge's stakeholder panel provides an external view on emerging issues and expresses opinions on the Group's practices to help it progress.

During the November 2005 meeting, the following issues were discussed: a diversity policy, responsible lobbying, sustainable construction, Lafarge's efforts in the aftermath of the tsunami in Indonesia and the identification of priorities for the years to come.

To enhance the quality of the relationship with the panel, all parties were interviewed on the discussions held and their impact on Lafarge's policy. While the Group believes that the panel is essential and has a genuine influence over its actions, the panel would like its comments to be taken into account to a greater extent in decision-making. During 2005, the operating procedures for both parties were also formally laid down in a reference document.

DEVELOPING OUR PARTNERSHIPS

These partnerships bring us expertise in areas extending well beyond the traditional scope of our operations. In return, we provide our partners with our perspective as an international and

multi-local business and fund some of their initiatives.

Renewal of our partnership with WWF International

After a five-year partnership, WWF International and Lafarge renewed their mutual commitment for three years. The areas of sustainable construction and persistent pollutants were added to those of climate change and biodiversity. We also wish to bolster the initiatives developed jointly by the national WWF organizations and our local units, notably by funding local projects.

CARE International: from consultation to a partnership in the field

This partnership specified general principles of the Group policy in the fight against HIV/AIDS. Long term programs were developed in ten Sub-Saharan countries in which we operate. The programs that have been launched are dedicated to employees and their families, depending on the local context, but also to local communities through public/private partnerships. Initially set up in Africa, this program will gradually be extended to other regions and other health issues, such as the fight against malaria.

Worldwide partnership signed by Lafarge and Habitat for Humanity in 2005

> See page 37



For more information on the engagements taken with our partners, see our website.

CRISIS MANAGEMENT IN WESTBURY (UNITED KINGDOM)

In late 2004, Lafarge Cement UK discovered that the alkali level in its cements had been under evaluated over the last two years. Lafarge Cement UK immediately reacted in a transparent and responsible way and informed all its clients. A number of ready-mix concrete producers may therefore have inadvertently supplied non-conforming concrete to customers. Soon afterwards, Lafarge Cement UK investigated the situation to confirm that the incident was isolated to Westbury Works and solely related to the reporting of alkali levels. Lafarge Cement UK reviewed its procedures and controls in light of this incident and adapted its quality management system to ensure that such an incident could not recur and set up a liaison committee involving elected representatives, local NGOs and the Environment Agency. The individuals responsible for the misreporting no longer work for the Group.

Encouraging local initiatives

The program to promote dialogue and a listening approach between our 2,000 facilities and their local stakeholders (state authorities, associations, neighbors ...) not only meets local regulatory requirements, but primarily relies upon voluntary initiatives.

The quality of our relationships with local communities is part of our Environment Policy and was formally incorporated by the Cement business during 2003 as one of the 19 levers of its performance program and by the Aggregates business through its unremitting actions. The quality of this dialogue helps preserve our license to operate and assure local acceptance of our activities.

COORDINATED QUARRY REHABILITATION IN SOUTH KOREA

In line with the Lafarge quarry rehabilitation standards, Lafarge Halla Cement in South Korea went well beyond local regulations and developed an ambitious approach when requesting its quarry extension in Okke, which is located within the preserved Baekdudaegan Mountains. The environmental impact study was followed by the main local stakeholders (government members, professors and environmental experts, NGO, neighbors). By demonstrating the proof of its past performance and presenting a very progressive rehabilitation plan, Lafarge Halla showed its

commitment in favor of the environment and won everyone's confidence. The rehabilitation plan is progressive and takes into account aspects such as dust, noise, water, ecosystems and safety. Trees will be planted alongside the conveyor belts, corridors will be established for deer, a garden for rare wild flowers has already been created and the water resource will be maintained through a tunnel and a dam. This comprehensive approach allowed Lafarge to go beyond the stakeholders' concerns and to obtain a new license to operate.



A DIALOGUE SEEKING A COMPROMISE BETWEEN VARIOUS IMPERATIVES IN MILLERY

After 12 years of consultation with its local stakeholders, Lafarge secured the renewal, in 2005, of its license to operate the aggregates quarry at Millery, close to Lyon (France).

The local stakeholders (municipal authorities, water authorities, local authorities and surrounding communities) took action with Lafarge to solve the conflict of use in this urban zone between the optimization of the site's facilities and the protection of drinking water resources. Constant dialogue and listening between Lafarge and the various stakeholders led to an agreement that modifies the initial redevelopment plan.

The quarry will no longer be rehabilitated as a leisure park, but as a 100-hectare water reserve.

1 | ADEM: Association de Défense de Montagny.
 2 | ACE: Association des Consommateurs d'eau.
 3 | SauvSOL: Sauvgarde du Sud Ouest Lyonnais.

Our sustainability issues

1 EXTRACTION

Environmental issues

- Curb local nuisances (dust, noise, visual impact, traffic, etc.)
- Control the impacts of our facilities on biodiversity
- Give our sites a second lease of life once they are taken out of service

Social and community issues

- Contribute to local economic development

2005 key figures

- 71% of our quarries have a rehabilitation plan
- 10 audits of suppliers were conducted

6 REHABILITATION



2 PRODUCTION

Environmental issues

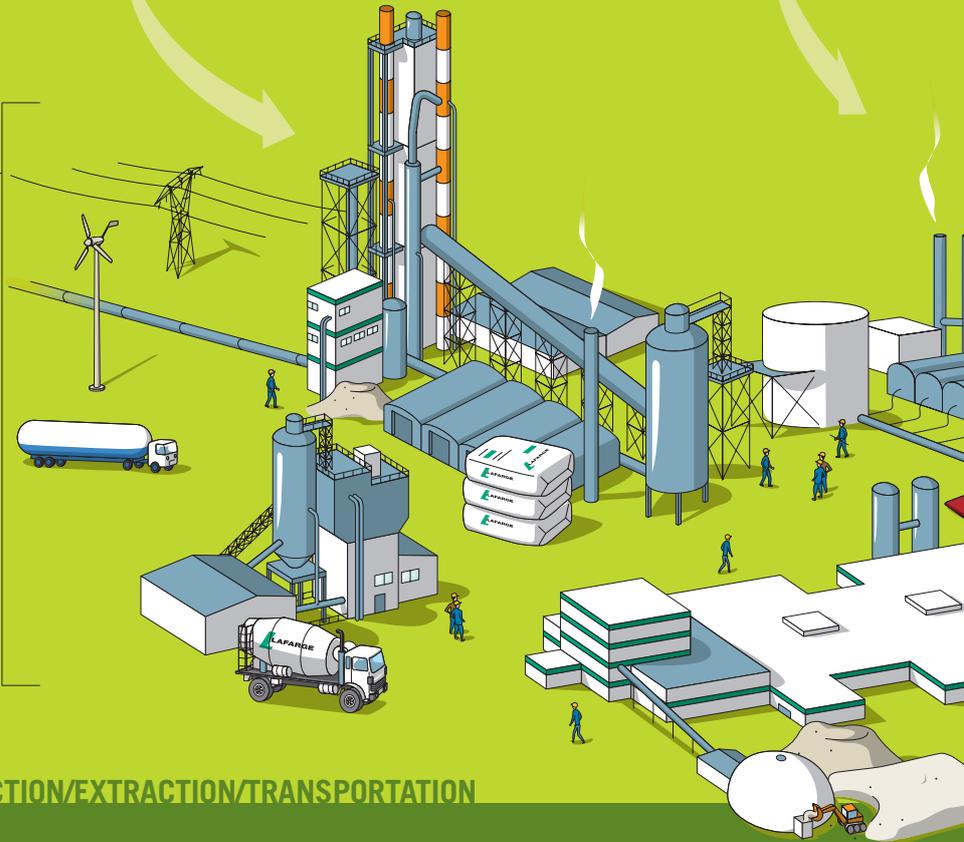
- Reduce greenhouse gas emissions
- Control local pollution (dust, NOx, SO2, persistent pollutants, etc.)
- Curb consumption of non-renewable raw materials

Social issues

- Encourage career development and promotion for all, throughout each employee's professional life

2005 key figures

- 12.75% decrease in our net CO2 emissions per tonne of cement since 1990
- 1,772 managers attended a training session in 2005



CROSS-DIVISIONAL THEMES: PRODUCTION/EXTRACTION/TRANSPORTATION

Environmental issues

- Embed environmental criteria into the selection of our suppliers

Social issues

- Responsibly manage restructurings
- Maintain social dialogue with the entire workforce
- Guarantee healthy and safe working conditions for workers at our facilities

- Foster diversity and non-discrimination among the workforce

Economic and community issues

- Ensure the integration of our facilities in the local environment
- Provide solutions geared to the specific needs of local communities

Beginning in 2000, a list of 250 sustainability issues for the Lafarge Group has been established from fifty internal interviews, thirty external interviews and analyses from reports, such as the ones published by the WBCSD.

In 2002, Lafarge led a new series of external interviews and consulted its stakeholders to define more precisely the Group's issues. Since 2003, the panel has regularly followed the update of the list of issues, in comparison with other groups.

The following diagram presents just a few of these issues in order to put them in a global perspective.

 For more information on the Group's sustainability issues, see our website.



CROSS-DIVISIONAL IMPACTS

Social impacts

- Uphold and promote the protection of Human Rights
- Embed social criteria into the selection of our suppliers

Economic and community impacts

- Maintain a dialogue with and report to our stakeholders on our practices and performance levels



- Ensure the fair allocation of value between our stakeholders (shareholders, suppliers, etc.)
- Conduct our activities based on the principle of free competition and in line with responsible business practices

Our sustainability objectives

and action plans

Since 2001, the Group has set itself formal performance targets as part of its roadmap.

DRAFTING OF THE 2003-2005 ROADMAP:

Michel PICARD, Vice President, Environment

"In conjunction with WWF International, we identified the key areas related to the environment in which the Group needed to monitor its performance and set itself objectives. Subsequently, each business drew up its own commitments and objectives. What's more, in 2002, the CSI published the action plan presenting the environmental objectives targeted by its members. Lafarge naturally incorporated these objectives from that year onwards into its roadmap for the Cement business."

The social indicators, selected in our roadmap, come from three different origins:

- Objectives set as part of the *Leader For Tomorrow* project led by the Group > See page 32;
- Objectives meeting the expectations of our social partners, notably those mentioned by our stakeholder panel;
- Objectives arising from emerging issues and priorities.

Patrice LUCAS, Vice President, Social Policies

"The Group set an ambitious goal in terms of safety: to become one of the world's best industrial groups. Noticing that its progress was slowing down, after a marked improvement phase, the Group Executive Committee has decided to implement a major program of action to mark a break with old practices and speed up the achievement of our safety ambitions in 2006. The absolute priority that has been given today to safety is expressed by the introduction of a new objective in our sustainability roadmap: halve the occupational frequency rate among Lafarge employees (Fr = 3.87) recorded in 2005 by 2008."

The next roadmap is currently being drawn up. It requires detailed work and will be discussed with our stakeholders.

Group targets	
MANAGEMENT	
	New target: Continue to check the implementation of our Competition Policy in our Business Units
	Safety Set up a Health and Safety management system in 100% of our Business Units
	New target: Halve the 2005 occupational frequency rate for Lafarge employees by 2008 (Fr: 3.87)
	Environmental management Have 100% of our sites audited environmentally within the last 4 years
ENVIRONMENT	
	Reach a rate of 80% of quarries with a rehabilitation plan in line with Lafarge standards
	Mesure the number of facilities equipped with water recycling systems
	Reduce the amount of production waste going to disposal to the following levels: <ul style="list-style-type: none"> • 1% for the Cement business • 1.5% for the Roofing business • 1.5% for the Gypsum business
	Reach a level of recycled raw materials use as follows: <ul style="list-style-type: none"> • 10% in the Cement business • 2% in the Roofing business • 45% in the Gypsum business (boards only)
	Emissions Cut our worldwide net CO ₂ emissions per tonne of cement by 20% as compared to 1990
	Cut our absolute gross emissions in the Cement business in industrialized countries by 10% as compared to 1990
	Cut our absolute net emissions in the Cement business in industrialized countries by 15% as compared to 1990
	Achieve a maximum dust level level of 50 mg/Nm ³ in 100% of our cement plants by 2010
SOCIAL	
	Double the number of female senior managers between 2003 and 2008
	Report on training at Business Units level using the GRI guidelines
	Double the number of in-house training sessions for managers (Lafarge University) as compared to 2003 (500)
	Reach a level of 50% of employees holding shares in the international shareholding plan

✓ Indicators verified by PwC.
The reporting methodology for these indicators is presented on page 48.

* Reconstructed every year since 2004.

Deadline	2005 progress	Comments on the level of performance achieved compared to the target
yearly*	 10 checks	The target of self-assessment of compliance with our Competition Policy has been achieved in 100% of our European Business Units. We have therefore set a new target. > See page 16 for more information
2005	 99%	The Units that do not use a health and safety management system are exceptions today: Units being integrated or presenting isolated difficulties.
2008	 Base 2005: Fr = 3.87 Target 2008: Fr = 1.93	Within all businesses, action plans involving all the management are mobilized and progressively implemented.
yearly*	 92% ✓	Important efforts have been made, especially in Asia in the Cement business. Within 144 cement sites operated by Lafarge in 2005, 22 sites, of which 7 acquired in the last 4 years, have not yet been audited.
2004	 71% ✓	In Cement, 32% of quarries have a rehabilitation plan but the time taken to comply with Lafarge standards is very long. All businesses have improved, apart from Aggregates & Concrete that operate many sites.
2005		Since 2005, all businesses measure this indicator.
2005	 0.8%	During 2006, the Group will update this target for the Cement business.
2005	 2.5%	
2005	 0.8%	
2005	 10%	During 2006, the Group will update this target for the Cement business.
2005	 0.9%	
2005	 50.6%	
2010	 -12.7% ✓	This is an ambitious target and important efforts still need to be made. The key to improvement is the reduction of the product intensity through an increase in the addition ratio.
2010	 -8.3% ✓	
2010	 -10.8% ✓	
2010	 66% ✓	66% of kilns meet this target. Cement is improving its performance by replacing or modernising filters.
2008	 9.7% ✓	Considering the progression rate of the percentage of female senior managers from 2004 to 2005 and if we maintain this pace, we should achieve the target by 2008.
2005	 Implementation on hold	This year, we are publishing the average training time for managers and non-managers. Depending on the country, quality evaluation may be different and the reporting needs to be reinforced.
2005	 1,772	48 training sessions have been carried out worldwide by Lafarge University.
2005	 49.7% ✓	Satisfying result in a difficult stock market environment.

Exerting a responsible influence

Like all international industrial groups, Lafarge needs to provide full disclosure concerning its business activities, while keeping its strategic affairs confidential.

PUBLIC AFFAIRS

Our lobbying activities and the relevant budgets are relatively modest. We do not have a permanent presence in Brussels and Washington D.C., where we are represented by our trade associations.

In Europe, our network of twenty or so participants representing each of the Group's business and some Business Units meets three or four times a year. They coordinate the Group's positions, defend them at national, European and

international level and convey them to the trade associations.

LAFARGE'S OBJECTIVES AND POSITIONS

By way of its public affairs or lobbying activities, Lafarge pursues three types of objective:

- Raising awareness of its activities and issues;
- Anticipating stakeholders' expectations and regulatory changes, calling for the required changes, sometimes through

voluntary programs, encouraging the authorities to have them enforced effectively and pressing for implementation of a framework that prevents a distortion of competition;

- Exerting its responsibility as a sector leader, notably by developing and promoting more environmentally friendly technologies and practices conducive to social progress.

PANEL



KARINA LITVACK
F&C Asset Management

An excellent start on an emerging, sensitive topic. Lafarge clearly states its policy objectives and provides a good overview of the range of topics pursued.

A highlight is its position on EU Climate Change policy, which clearly reveals the dilemmas the company faces, and is likely to trigger healthy debate on this vital subject.

Recommended improvements include:

Global consistency: Beyond the 20 European staff, how is lobbying coordinated and controlled in other markets?

Trade associations: A web reference to key memberships, as well as disclosure of material instances of disagreement with these groups

Clarity and breadth: Provide more detail beyond Europe and North America, state clearly what the 'ask' is and explain the context, to enable readers to understand the implications of Lafarge's stance, provide a weblink to actual official submissions

Employee
in a Lafarge
cement plant.

AN EXAMPLE OF RESPONSIBLE PARTNERING BETWEEN INDUSTRY AND UNION REPRESENTATIVES

Through its trade associations, Lafarge has campaigned very actively in the multi-sectoral European social dialogue aimed at protecting workers' health by reducing their exposure to respirable crystalline silica. What sets this initiative apart is the fact that rather than legislating through a new directive, the European Commission opted to support an agreement between industry and union representatives. Lafarge actively supported this approach. The preliminary agreement, secured in early 2006, called for implementation of best practices and special monitoring of workers' health. It will be implemented through reporting at national and European level, approved by a joint committee of employee and employer representatives.



For more details on the position held by Lafarge North America, see our website.



Lafarge Zement's Söthenich
cement plant, Germany.



MORE RESPONSIBLE LOBBYING

The November 2005 meeting with the stakeholder panel focused in particular on responsible lobbying, which requires compliance with three major principles:

- Keeping our lobbying activities transparent: our practices put Lafarge at the top of the class in this area¹. Each year, we publish our public positions.
> See pages 14 and 15
- Exchanging different points of view: this represents the most effective type of action. Consequently, we regularly meet with our stakeholders and representatives of government agencies and organize site visits, so that they gain an insight into the reality of situations in the field.

- Drawing up lobbying objectives consistent with our sustainability engagements: we firmly believe that it is in the interest of the Group to influence the adoption of high-quality environmental, social and technology standards and to call for strict enforcement of regulations.

There is still room for improvement, especially in terms of getting trade associations to embrace our positions more effectively, since it is they that subsequently defend them.

1 | Study: Risk & Opportunity, Sustainability 2004.
"While Lafarge is selective in the issues it addresses it does discuss its public policy activities in relation to climate change.
The global cement company's declared stance may not be to everyone's liking, but at least it is clear what it is".

Exerting a responsible influence

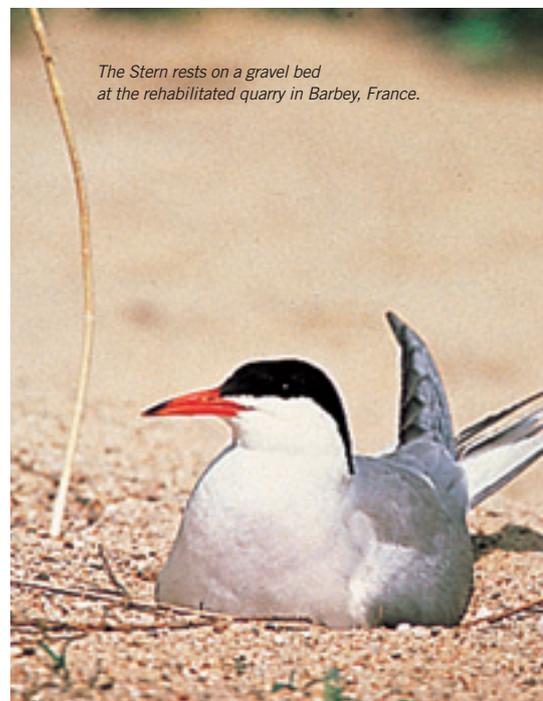
Public positions of the Lafarge Group in 2005

IMPLEMENTATION OF THE CO₂ EMISSIONS TRADING SCHEME

Having taken the voluntary initiative in 2000 to cut its CO₂ emissions, Lafarge supports in principle any system contributing to a reduction in greenhouse gases and thus the EU-ETS¹ mechanism. The Group believes that the current CO₂ emission quota trading system could be more effective and more competitive if it took into account the following factors:

- The allocation of emission quotas should be based on performance standards allowing past efforts to be taken into account rather than on historic emissions, which put less effective installations at an advantage and do not give recognition to initiatives taken in recent years. The competitive gap created by the value of CO₂ in the EU-ETS with the rest of the world is a very grave concern for Lafarge's business activities, which are vulnerable to imports.
- Auctions should be banned, because the proceeds are not systematically invested in new emission-lowering technologies.
- Lafarge believes that combustible waste should be regarded as neutral in terms of CO₂ emissions because its re-use in a cement plant helps to reduce overall emissions.
- Lafarge does not want any restriction to be placed on the use of the Kyoto flexibility mechanisms.
- The Group supports the "domestic project" concept enabling an industry player to obtain CO₂ credits when it invests in a project to reduce greenhouse gas emissions in its national territory.

1 | EU - ETS : European Union - Emissions Trading Scheme.



The Stern rests on a gravel bed at the rehabilitated quarry in Barbey, France.

BIODIVERSITY

Quarry operation represents only one stage in the life of soil. Lafarge thus believes that its activities can be incorporated within the logic of the Natura 2000 EU project (network designed to protect threatened and/or outstanding habitats and species throughout Europe).



In the Philippines, Lafarge uses rice husks as alternative fuel up to 35% substitution.

WASTE RECOVERY (INDUSTRIAL ECOLOGY)

Lafarge commits to minimizing its consumption of fossil fuels and non-renewable raw material: by-products and waste are alternatives that Lafarge favors to limit the environmental impacts. Lafarge therefore advocates for regulations in favor of these practices and commits to controlling the environmental and health impacts of using these by-products and wastes.

REACH

Lafarge believes that the REACH regulation is applicable by the industry in its current form. Clinker, the basic substance used to manufacture cement, is exempt from the registration procedure. Cement is subject to the marketing restriction rules laid down in REACH. The quality of the information provided in safety data sheets is highlighted by REACH, and Lafarge supports full disclosure in this area and is participating in efforts by the European cement industry to harmonize these forms.

FUTURE INTERNATIONAL REGIME FOR COMBATING CLIMATE CHANGE

We are urging the European Union not to embark alone on ambitious programs to reduce its emissions. We would like all countries and all sectors of the worldwide economy to participate in the process. We support public initiatives encouraging research efforts to find technologies producing lower emissions. We are in favor of setting emission reduction targets, but are arguing the case for them to be compatible with economic growth. To this extent, we are in favor of setting unit-based objectives based on technical standards. We are also encouraging governments to consider a sectoral approach, which may represent a promising alternative to the existing country by country approach.

FINANCING FOR HIGHWAY INFRASTRUCTURE (US)

Lafarge North America has a governmental relations program that deals with key federal, state, and provincial legislative and regulatory matters. In 2005, Lafarge North America participated in a broad coalition of transportation companies and organizations that worked with the United States Congress and the Bush Administration for reauthorization of the Federal highway construction funding legislation. The legislation that was enacted and signed into law by President Bush benefits the public by extending the federal funding authorization of highways, bridges and mass transit for the next five years, with a commensurate increase in funding.

John F. Limehouse Bridge in Charleston, USA, made with Portland Cement.



DUMPING BY MEXICAN CEMENT PRODUCERS

Lafarge North America has been a member of an industry coalition addressing Mexican cement companies' practice of dumping cement in the United States at prices well below the prevailing rate in Mexico. The coalition has always supported the levying of duties on such Mexican imports of cement. During 2005, the coalition participated in intergovernmental negotiations between the governments of the United States and Mexico to resolve the matter of duties due on such imports.

CLEAN AIR ACT

Lafarge North America has been a member of trade associations that have worked with the United States Environmental Protection Agency to establish more appropriate ambient air quality standards under the Clean Air Act for 2.5 – 10 micron range of particulate matter. The Agency has recently issued new regulations which continue to protect the public while exempting most farming and mining operators (such as Lafarge North America) from regulations applicable to this range of particulate matter, due to the fact that particulates in this range commonly exist at the earth's surface and are generally not of the type that cause human health effects.

PROMOTING A COMMON COMMUNICATION FRAMEWORK TOWARDS INVESTORS AND FINANCIAL MARKETS

Lafarge is convinced that financial markets are increasingly going to integrate extra-financial aspects in their evaluation criteria. The Group believes that companies must participate in the elaboration of a framework for common reporting practices. Lafarge has done this with the CSI (WBCSD).

Implementing governance standards

The Lafarge Group is administered transparently with a corporate governance system ensuring observance of independence rules. The Group's corporate governance principles are also clear in the fields of competition, corruption and contributions to political parties.

A MAJORITY OF INDEPENDENT DIRECTORS

The Board of Directors has fifteen members, nine of whom are independent directors. The recommendations of the Bouton report in France and the requirements of the Sarbanes-Oxley Act in the United States have been used to determine whether directors are independent, with the exception of the criterion of 12 years service. Because of the long-term nature of our business activities and the high degree of stability of our management team (3 chairmen in 47 years), we believe a director who has held his or her responsibilities for a lengthy period brings to bear valuable experience and authority.

In compliance with their internal charter, the Board of Directors, the Nominations Committee and the Remunerations Committee have a majority of qualified and independent directors¹ and all the members of the Audit Committee are totally independent.

A proposed resolution submitted by a group of three shareholders with a combined stake of 0.55% was voted on by Lafarge shareholders at the Extraordinary General Meeting of May 25, 2005. The proposal called for eliminating an article in the bylaws that limits shareholders' voting rights in proportion to the quorum of the General Meeting of Shareholders. The Board of Directors did not approve this resolution and recommended voting against the proposal. The resolution was not adopted by the General Meeting. Lafarge favors a healthy, transparent and open shareholder democracy.

This bylaw is designed to prevent a shareholder or a group of shareholders holding a minority equity stake in the company, and present or represented by proxy at the General Meeting, from wielding significantly more influence than their real equity stake in the company. General Shareholder Meetings in France very often only bring together between 25% and 40% of the equity capital of listed companies.

DISTRIBUTING THE CODE OF BUSINESS CONDUCT

The Code of Business Conduct, which covers issues relating to conflicts of interest, corruption, contributions to political parties, financial transparency and insider trading, helps Lafarge to ensure that basic international standards are applied at its operations throughout the world.

During 2005, 15,000 copies of the Code were distributed and it is available and downloadable by all its employees on the Group's intranet. Launched in 2006, an internal survey, which was sent out to 80,000 employees of the Group, will help to measure the extent to which the Code is actually implemented, among other subjects.

An alert system was introduced in 2004 across all the countries in which Lafarge is present. This system enables each and every employee to report breaches of the Code within the Group. In line with the five stages described in the Code, this alert system is available as a last resort only. Since it was set up, three calls have been received over an 18-month period. In France, it has been

suspended since the summer of 2005 following a position from the CNIL² on the topic.



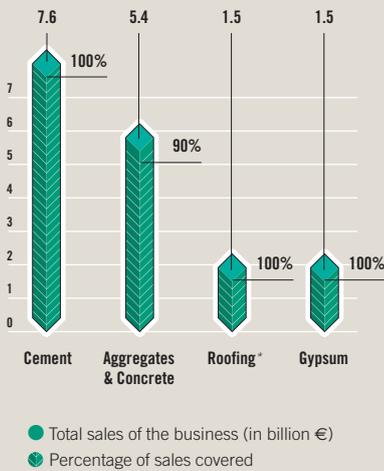
For more information on the CNIL position, see our website.

TRAINING OUR EMPLOYEES IN COMPETITION POLICY

Implementation of Lafarge's Competition Policy, which was introduced in early 2004 based on several documents summarizing the principal rules of the major systems of competition law, was expanded during 2005:

- The key documents are now available in German, English, Spanish, French and Portuguese;
- The program to train and raise the awareness of the Group's employees continued at the major European subsidiaries, covering not just senior managers, but also their sales departments, and was initiated at several units outside Europe (Brazil, Chile, Turkey);
- An interactive training program was also set up. It is aimed at all internal legal staff, and from 2006 will be available via the Group's intranet to all employees directly concerned;
- After a moratorium to allow dissemination of the policy to the Group's employees and in respect of social rights regulations, internal sanctions may now be applied in accordance with labor law, but may not have retroactive effect and may not relate to events that occurred prior to 2005;
- 10 verifications were carried out. The units verified were selected primarily,

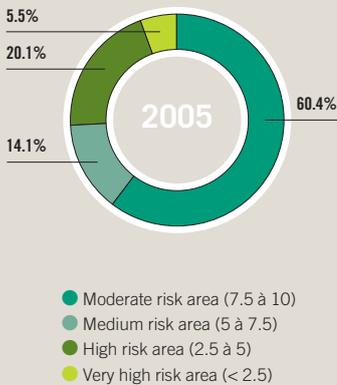
BUSINESS UNITS COVERED BY AN AWARENESS-RAISING SESSION ON THE NEW COMPETITION POLICY IN 2005



* All Roofing executive managers attended a training session.

CORRUPTION RISK AND PREVENTATIVE POLICIES. BREAKDOWN OF OUR SALES BY COUNTRY-RISK ACCORDING TO TRANSPARENCY INTERNATIONAL 2005*

* Perception index (countries rated from 1 to 10)



but not exclusively, from among the Group's European operations and took into account country-, business- and local legal rule-related risks. Three verifications were carried out without any prior notice. Generally conducted in a similar manner to those implemented by the competition authorities, these checks were concentrated on the premises, IT files and equipment of the relevant units.

In 2006, we plan to continue this program, including outside Europe, initially in countries where competition law is progressively starting to take shape.

In 2002 and 2003, Lafarge was fined for anti-competitive practices, respectively by the European Commission and by the Bundeskartellamt. Both decisions were appealed respectively in the EU Court of First Instance and the competent German court in Düsseldorf. These proceedings are still pending, and no decision is expected for several months, if not longer.

PROVIDING OUR MANAGEMENT WITH TOOLS TO FIGHT CORRUPTION

In 2005, we took steps to gain a better understanding of the Group's exposure to the risk of corruption in its business activities. Interviews held within the Group, provided further evidence that Lafarge has only limited exposure in its

role as a producer of building materials. Even so, it became clear that there was a need for tools to be set up to heighten the awareness of Business Unit managers of corruption-related issues and to help them make appropriate decisions. These tools are ready and will be put into action in 2006. This work will be carried out in close cooperation with Transparency International France.

TIGHT CONTROL OVER CONTRIBUTIONS TO POLITICAL CANDIDATES

In accordance with United States law, it is illegal for corporations to make political contributions to candidates for election to federal office (President, Vice President, member of the House of Representatives or the Senate). Contribution to candidates for federal office can only be made by affiliated political action committees (PAC) funded by voluntary contributions from a company's eligible employees (United States citizen or a permanent United States resident alien). In 2005, the Lafarge North America PAC made 33 contributions to candidates for elected offices totaling \$48,000.

1 | Within the meaning of the Securities and Exchange Commission in the United States.

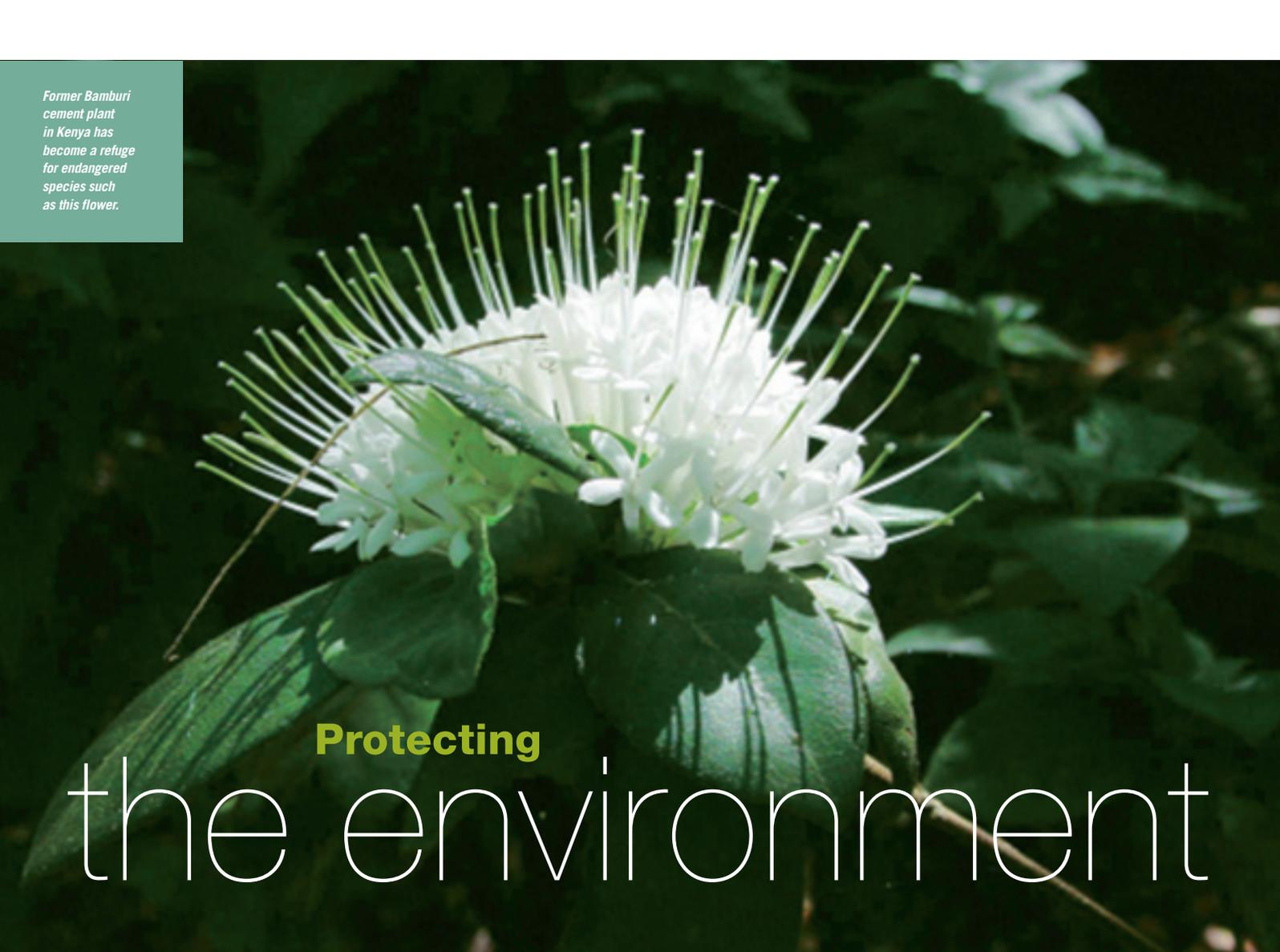
2 | Commission Nationale de l'Informatique et des Libertés (French freedom of information commission).



PHILIPPE LÉVÊQUE
Care France

Ethics, governance and corruption are clearly areas where I have witnessed consistent progress being made over the years. Three or four years ago, I remember discussing corruption with top executives who, at that time, were obviously reluctant to touch upon the issue, stating as a fact that Lafarge had never been, was not and never would be faced with corruption issues... At present, not only is the topic covered in this report, but managers are being provided with tools and systems to address the problem. Ethics, Governance, and Corruption issues are all the more important since Lafarge is rapidly and significantly developing in China: producing and selling massively in China will put the Group at particular risk in the domain of corruption and fair business practices.

Former Bamburi cement plant in Kenya has become a refuge for endangered species such as this flower.



Protecting the environment

Taking into account environmental concerns when establishing new units

In order to continue to operate our business activities in the long term, we need to control their impact on the environment, and secure acceptance for our facilities from local communities. We therefore apply Lafarge environmental standards around the world.

SITE SELECTION AND IMPACT STUDY PROCESS

Site location and plant design systematically undergo an environmental impact study. While this step is a regulatory obligation in most developed countries, we have made it mandatory elsewhere and apply the same standards all over the world. As part of the WBCSD's Cement Sustainability Initiative, we have actively contributed to drafting a guide to environmental and social

impact studies. We have undertaken to apply these guidelines from 2006 onwards. An impact study takes into account economic, social and environmental considerations. It facilitates the assessment of risks and the identification of mitigating measures.

 See our website.

EXAMPLE OF A SITE IN UKRAINE

In 2004, Lafarge decided to build a new plasterboard plant in Ukraine. Following

the audits, the choice of a location close to a residential area was not recommended because the environmental risk was too high. Instead, we opted for an industrial zone away from housing. This solution required an additional investment of around €2 million and entailed a six-month delay, but the lower environmental risk ensures a long term durability.

Optimizing our consumption of non-renewable raw materials

Most of Lafarge's products originate from minerals extracted from quarries, such as limestone, gypsum rock and clay. To reduce our consumption of limited natural resources and to extend the life of the quarries, we have made the use of alternative materials a strategic priority. Our longstanding efforts to use these alternatives were continued and the priority further emphasized during 2005. All our business activities were involved to varying extents.

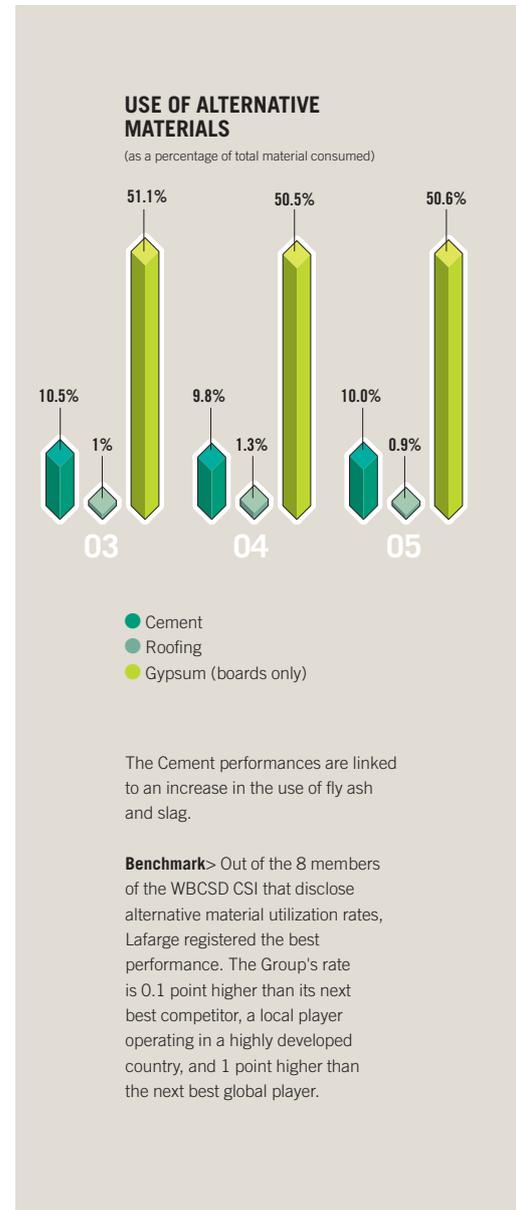
INCREASED USE OF ALTERNATIVES TO QUARRIED MATERIALS

During 2005, Lafarge used about 451 million tonnes of raw materials, 92% of which were mined from quarries. Gypsum can be produced from natural gypsum mined from quarries or from synthetic gypsum. Synthetic gypsum is a by-product of the process used to treat flue gas from fuel or coal-fired power plants. The sulfur dioxide contained in the flue gas reacts with the limestone or the lime to produce gypsum. At present, almost half the gypsum used by the Group's Gypsum business is synthetic gypsum. With more than 50% of the raw materials derived from alternative products, the activity (plasterboards only) comfortably reached its objective of 45% in 2005.

To increase the level of recycling of plasterboard and construction and demolition waste, efforts must now be focused on improving waste sorting and transportation.

PROMOTING WASTE RECOVERY

The Cement business promotes the use of waste as an alternative to raw materials and fossil fuels. In response to this challenge, the Cement business has set up the Resource recovery unit to develop innovative solutions and ensure that the environment and regulations are respected. A team of professionals at Group and Business Unit level is acquiring new expertise and developing innovative ways of turning this priority into a reality.



PANEL



JEAN-PAUL JEANRENAUD
WWF

WWF welcomes Lafarge's efforts to provide both vision and results regarding its sustainability approach in this year's report. We welcome the presentation of positive examples of stakeholder engagements and environmental initiatives, as well as the clarified positions on a range of lobbying issues. Nevertheless, there remains scope for Lafarge to improve by setting more environmental performance targets to give a clearer indication of how they aim to achieve their vision. We would like to see a more detailed position on carbon trading and a more precise reporting on actions that have been initiated in relation to "industrial ecology". In particular, Lafarge should openly acknowledge the importance of the persistent pollutants issue which is increasingly significant to both stakeholders and regulators. It should also explain the issues surrounding the use of alternative fuels and alternative raw materials and what is being done to prevent any environmental or health impacts.

Fighting climate change

In the long run, we believe that all necessary action should be taken to cap the global average temperature increase to a maximum of 2°C¹. Since 2001, Lafarge has made a voluntary commitment to reduce the CO₂ emissions generated by the worldwide scope of its operations. With this ambitious policy, the Group intends to preserve its lead while continuing to drive the entire sector forward in this direction.

CUTTING BACK ON CO₂ EMISSIONS

The building materials industry is a major source of CO₂ emissions. Cement production alone accounts for close to 5% of worldwide emissions of human origin. The emissions of the Lafarge Group are mainly due to cement production.

Upon the renewal of its partnership with WWF, the Group reiterated its commitment for the coming years to reduce its direct emissions from the Cement business:

- reduce its absolute gross CO₂ emissions by 10% in industrialized countries² over the 1990-2010 period;
- cut its worldwide net emissions³ by 20% per tonne of cement.

From 2006 onwards, this partnership will look at ways of helping developing countries cut back on CO₂ emissions from the construction industry.

Half of the cement industry's emissions derive from the limestone decarbonation process, 40% from fuel combustion and the remaining 10% from the use of electricity and transportation. Driven by its partnership with WWF, Lafarge is already achieving very encouraging results. To reduce its emissions, the Group is harnessing four main levers:

- replacing carbonated raw materials with already decarbonated materials;

- replacing fuels (use of alternative fuels, notably biomass);
- improving energy efficiency by modernizing plants and processes;
- using clinker additives (slag, fly ash, limestone, pozzolans, etc.).

BUILDING FOR THE FUTURE THROUGH LARGE-SCALE RESEARCH PROGRAMS

We are currently exploring new ways of achieving reductions:

- modifying the chemical composition of clinker, to generate less CO₂ during its production;
- identifying more energy-efficient processes;
- optimizing the overall formulation of concrete and recycling concrete.

Investments in these programs amounted to €3.4 million or 14% of research expenditure in 2005.

> See indicators p 40 and 41

In addition, we are participating in research programs such as capture and storage of CO₂ to understand and anticipate the ways in which these technologies will impact processes in our plants.

1 | This represents a public position taken by Lafarge.
2 | Climate Change Convention Annex I countries + Serbia + Moldavia.
3 | Net emissions = Gross emissions - Emissions from waste combustion.

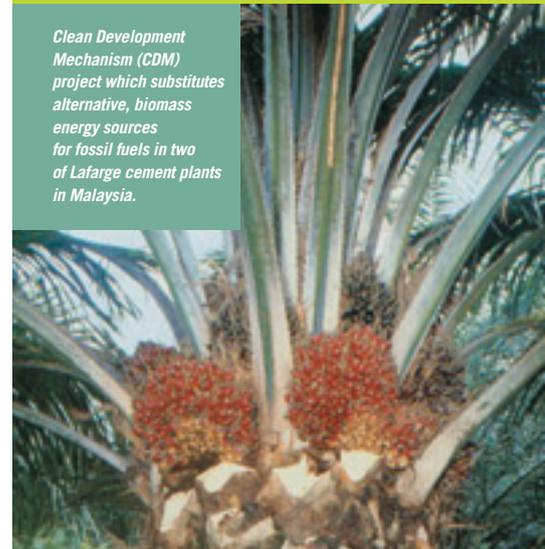
LAFARGE'S PARTICIPATION IN THE EUROPEAN EMISSIONS TRADING MARKET

Following the launch in 2005 of the European CO₂ emissions credit market, Lafarge was awarded emissions permits in ten European countries. These permits accounted for around 25 million tonnes of CO₂. The quotas were distributed on an adjusted basis and broadly cover our needs from 2005 to 2007.

Net result from purchases and sales of quotas accounts for less than 1% of the operating income of the Cement business in 2005. We support the introduction of this system as an incentive to reduce CO₂ emissions, in line with the commitment we made in 2001.

> See our detailed public position on page 14

Clean Development Mechanism (CDM) project which substitutes alternative, biomass energy sources for fossil fuels in two of Lafarge cement plants in Malaysia.



Lafarge invests in Clean Development Mechanisms

Clean Development Mechanisms (CDM) were created as a result of the emissions quota market set up under the Kyoto Protocol. They enable industrialized countries to support projects reducing emissions in less developed countries. In return, they receive additional credits enabling them to reach their Kyoto objective.

THE TETOUAN WIND FARM

The wind farm, which provides 50% of the power required by Lafarge's Tetouan cement plant, in Northern Morocco, was officially registered in September 2005 with the United Nations. It represents the first CDM project recorded for Morocco and France.

Located next to the cement plant and particularly exposed to wind, the 12 wind turbines were put into service in May 2005. Their implementation, which was agreed in concertation with the local communities, takes into account the corridors used by migratory birds. This wind farm helps to reduce greenhouse gas emissions by 30,000 tonnes per year.

OTHER PROJECTS UNDERWAY

Lafarge has decided to pursue its efforts and to unveil four other CDM projects in 2006, to reach its CO₂ reduction objectives for the 2008-2012 period. Projects are underway in Malaysia, Brazil, Uganda, India and the Philippines. A project in Malaysia has been registered on March 10, 2006.



GROUP NET CO₂ EMISSIONS PER TONNE OF CEMENT

(tonnes of CO₂/tonnes of cement)



Implementation of a new calculation protocol for CO₂ emissions between 2004 and 2005 conceals the 1.7% decrease that has actually been achieved.

PART OF ENERGY FROM ALTERNATIVE FUELS

(%)



Although our production capacity rose by almost 10% in 2005, the global proportion of energy used coming from alternative fuels remained stable, revealing a real increase in the quantities of waste used as alternative fuels.

Benchmark > As a comparison, the utilization rates of alternative raw materials of the 6 other cement companies reporting on this topic in 2004 ranged from 0.5% to 13.9%, and the average of these rates weighted with each company's cement production volume in 2004 is 10.6%.

Protecting surroundings and reducing local nuisances

At the local level, cement production gives rise to various emissions such as dust, nitrogen oxides (NO_x), sulfur dioxide (SO₂)... Our emissions are continuously reduced through enhancements to production processes. Even though these reductions often incur heavy costs, we systematically take action to control and reduce our emissions. We conform to the local regulatory requirements in all cases, and attempt to go even further.

CONTROLLING LOCAL AIR EMISSIONS

Controlling and monitoring emissions

Our objective is to cap dust emissions at a maximum of 50 mg/Nm³ by 2010. Installing special equipment and developing specific techniques enabled us to achieve this target during 2005 at 66% of our cement plants.

> See indicators on page 41

Specific programs implemented with WWF

Persistent pollutants (such as dioxins, furans and heavy metals) may be found in inputs and emissions in cement plants. Lafarge has undertaken to improve its performance and has been working together with WWF since 2002 on specific programs to reduce these emissions. In 2005, Lafarge committed itself to registering priority facilities, elaborating best management practices, setting monitoring indicators and improvement objectives. In 2006, Lafarge will assess the inputs of the best

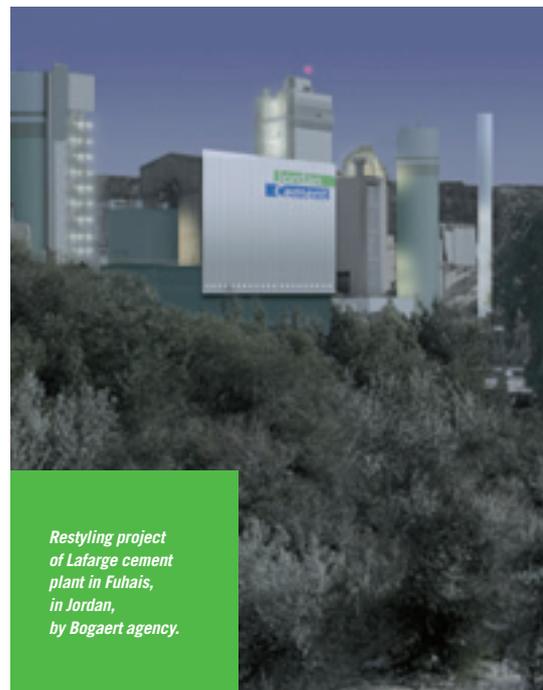
practices and apply them first at priority facilities and then at all its cement plants.



More information about the specific program for mercury emissions is available on our website.

REDUCING THE VISUAL IMPACT OF OUR PLANTS

Mindful of the importance of the visual impact of its sites for the local communities, the Cement business worked with an architect in 2005 on the design of an internal survey. Its goal is to assess the importance placed on this issue by plant managers and to establish a benchmark for improving the visual integration of facilities. To date, 70% of plants have carried out their self-assessment based on the benchmark. In addition, as planned in 2004, Cement's Advance performance program now includes a "visual impact" component. Subsequently, Lafarge will identify and establish formal best practices to be implemented for all new plants.



Restyling project of Lafarge cement plant in Fuhais, in Jordan, by Bogaert agency.

LAFARGE / WWF PROGRAM ON PERSISTENT POLLUTANTS

As part of our work programs with WWF, we collaborate to find ways to reduce the emission of persistent pollutants from our cement factories.

This collaboration led to a common view that we present here:

"Lafarge is committed to setting an example concerning management of persistent pollutants. Lafarge commits itself to improving its performance and in particular to reducing its emissions of persistent pollutants through an efficient management of the whole production process."

Many of our stakeholders worldwide have shown an interest on this topic. Moreover, this concern is tackled by the WBCSD CSI.

Rehabilitating our quarries and promoting biodiversity

Under the WWF and Lafarge partnership, we have defined a strategy to promote the restoration of biodiversity in our quarries. Today, the issue of biodiversity is embedded in our Environmental Policy. To take the process a step further, a management system providing for a systematic approach to biodiversity in quarries is gradually being implemented.

RESPONSIBLE QUARRY REHABILITATION

Under our Environmental Policy, all our quarries must have a rehabilitation plan integrated and coordinated with the operating and/or mining plan as soon as they enter service. This plan, which is the fruit of the implementation of internal policies and dialogue with the local communities, describes the site rehabilitation plan during and after its period in service, as well as its ultimate use.

At year-end 2005, 71% of our quarries had a rehabilitation plan in line with Group standards.

PROMOTING BIODIVERSITY A biodiversity index created in partnership with WWF

We are working with WWF to develop a biodiversity index that will be used as a guideline for quarry rehabilitation planning and management purposes to maximize the site's biodiversity.

By way of a formula that takes into account the scarcity of species found in the quarry, a score between 1 (low ecological value) and 7 (exceptional ecological value) is established. The first tests show that a carefully redeveloped quarry scores 3 or 4.

This index will be tested on other sites in 2006 to assure its consistency in various ecological conditions. The index is used on an experimental basis and

its use will remain limited in its current form, because of the complicated protocol. At the same time, we are launching, with WWF, a project for a simplified index.

Cooperation with the Wildlife Habitat Council

In North America, we have set up a partnership to promote biodiversity with the Wildlife Habitat Council. Under this partnership, 24 sites in the Cement, Aggregates & Concrete and Gypsum businesses have already received accreditation for the quality of the wildlife habitat and biodiversity created. Going forward, our aim is for 50 sites to secure certification in North America by 2010.

PANEL

The panel affirms Lafarge's robust stance on quarry rehabilitation and restoring biodiversity. However, there are aspects of biodiversity and landscape that carry both human and intrinsic meaning, and which can never be fully restored. As such, we see large-scale quarrying as a fundamental problem, albeit one for which we are all responsible as consumers. We therefore welcome Lafarge's growing integration of its quarrying policies with recognition above in this report that, "The key challenge is to minimize the use of raw materials." And we pose the strategic question: "What corporate policies would be necessary if nearly all new quarrying was to be ceased, and building materials were to be created almost entirely from recycled sources of material?" Just as Toyota have set the goal of developing "the non-polluting, accident-proof saloon" by 2050, with 5% of resources invested in necessary R & D, so the panel looks to Lafarge leading the equivalent for the construction industry.



ALASTAIR MCINTOSH
Fellow of the Centre for Human Ecology,
Scotland

Working towards sustainable construction

Sustainable construction aims at designing buildings that provide an appropriate response to environmental, economic and social stakes.

The key drivers in developed countries are energy savings, personal health and comfort and water management.

The main additional issues in developing countries are economic and social imperatives, such as employment and access to decent, low-cost housing.

As the world leader in building materials, Lafarge believes that part of its commitment to society is to look beyond its sole industrial performance. The impact of its products needs to be considered during their entire life cycle and Lafarge is committed to working closely with the entire construction

industry to design and promote a more sustainable construction.

GROUP'S STRATEGIC FOCUS ON SUSTAINABLE CONSTRUCTION

In developed countries, the building sector accounts for around 40% of energy and natural resources consumption and 40% of waste produced¹.

80% of the environmental impact generated by this sector comes from the use and maintenance of buildings: heating, air conditioning and hot water. The remaining 20% is attributable to materials manufacturing, the building process, renovation and demolition.

To reduce the environmental impact of the building sector, the construction

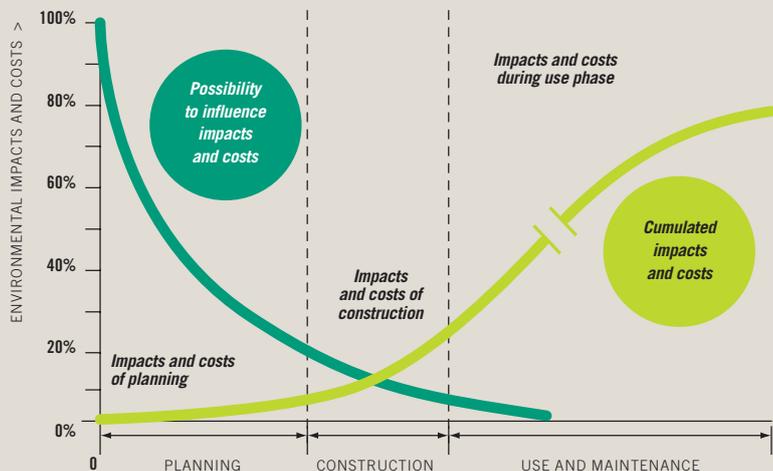
industry needs to improve performance mainly during the use and maintenance phase, but also during all other stages of the life cycle.

Lafarge has therefore defined six strategic areas:

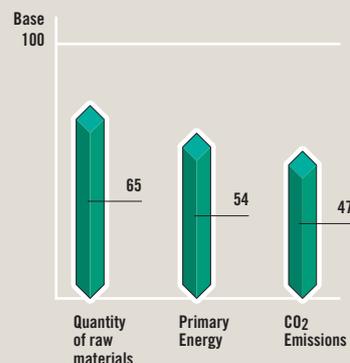
- 1 | Production and distribution of our materials
- 2 | Facilitate the construction process
- 3 | Increase materials' performance
- 3 | Develop more efficient building systems
- 5 | Recycling
- 6 | Contribute to raising living standards.

¹ | Source: European Commission Directorate General for Energy and Transport.

BUILDING ENVIRONMENTAL IMPACTS THROUGHOUT ITS LIFE-CYCLE



COMPARISON OF CONSUMPTION AND EMISSIONS BETWEEN A BRIDGE BUILT OUT OF DUCTAL® AND A COMPOSITE STEEL/CONCRETE SOLUTION



Base 100: composite steel/concrete solution

● Ductal® solution

Lafarge has invested thoroughly in sustainability and achieved excellent results, improving the overall performance of the group's sustainability indicators and improving the potential performance capacity of the materials provided. So as to attain the equivalently excellent results in the end products – buildings – on the long term, it is important that Lafarge gains control over the way its materials are prescribed / put together on the building site. Providing solutions adapted to the local communities is the way to guarantee long term excellent performance of the construction industry's product.



INITIATIVES WITH PROMISING RESULTS

In addition to its commitment to reducing the CO₂ emissions attributed to the production of its materials, Lafarge has launched initiatives in five other strategic areas.

Facilitate the construction process (2)

The benefits of using Agilia®, a concrete developed by Lafarge, include greater ease-of-use, less noise and shorter construction times, leading to a reduction of all associated constraints. This new range of highly fluid concrete ensures that formwork is filled evenly, delivering a finish and a quality at least equal to that of conventional concrete, but without the need for vibrating.

Increase materials' performance (3)

Lafarge's Ductal® technology helps to preserve natural resources, increase life time and reduce waste.

This ultra high-performance fibre reinforced concrete, which combines a pleasant visual appearance with mechanical strength six to eight times greater than that of traditional concrete, helps to significantly reduce the volumes of raw materials used and thus delivers a marked decrease in the energy embedded in a construction.

Comparing a bridge built out of Ductal® with a steel/concrete composite structure reveals²:

- 35% saving on raw materials;
- 50% saving on primary energy consumption and on CO₂ emissions since fewer materials are used.

Develop more efficient building systems (4)

An innovative roofing system for hot, sunny climates can reduce demand for air conditioning, electricity consumption and improve comfort.

A reduction of 3 to 5°C in ambient temperature can be achieved by rejecting the outside heat by natural reflection and ventilation. The CoolRoof® system, distributed in Malaysia comprises roof tiles, components and radiant barriers.

Recycling (5)

Considering recycling in a life cycle approach starts for Lafarge with minimizing the initial use of raw materials during the manufacturing stage:

- 50% of the raw materials used in plasterboard come from waste or by-products of other industries;
- 100% of the paper used to cover plasterboard comes from recycled fibres;
- All plasterboard that fails to meet its quality assurance standard is completely recycled.

Furthermore, Lafarge has developed a technology to recycle plasterboard waste from construction sites that is then re-integrated in the manufacturing process. Lafarge's plant at Bristol (UK) already handles large quantities of waste sorted on construction sites.

Contribute to raising living standards (6)

Building decent low-cost housing and transferring knowledge represents a critical step in the process of enabling underprivileged communities to regain the necessary autonomy and confidence for developing new economic activities. This is best illustrated by the "Marulelo

Roofing System"³, an initiative launched by Lafarge in South Africa: prefabricated roofing elements are designed for transportation by truck, and can be assembled by the local workforce. To minimize costs, the steel quantities used in the supporting structure and the number of tiles per m² of roofing have been optimized.

Around 10,000 houses were built in South Africa between 2003 and 2005.

PERMANENT RESEARCH AND DEVELOPMENT EFFORTS DEVOTED TO SUSTAINABLE CONSTRUCTION

With over 500 research staff, research and development is an ongoing priority for Lafarge. In addition to improving processes and performance, Lafarge is devoting more and more of its resources to translating sustainable construction issues into new avenues of research, leading to new products. The tremendous success of Agilia® and Ductal® illustrates the benefits of this new approach.

Lafarge is a founding member of the French "Fondation Bâtiment Energie" that finances research and development projects. These projects should aim at reducing production of greenhouse gases by lowering energy consumption and making greater use of renewable energies in the building sector. The first tendering process in 2005 resulted in the selection of the projects that will receive substantial financial support in 2006.

² | Source: Ecobilan, France.

³ | Initiative taken as part of Black Economic Empowerment in South Africa.

Employee
at a Melón cement
plant, Lafarge
Chilean Cement
Business Unit.



Supporting the development of our employees

Pursuing a responsible recruitment and career management policy

Our business activities, which are operated from a long-term perspective, require Business Units to be firmly anchored in local communities, and our overall performance derives primarily from our employees' ability to optimize our production facilities. Our human resource management policy reflects the Group's challenge of enabling its entire staff to develop their talents throughout their career with Lafarge.

ANTICIPATING CHANGES IN OUR BUSINESS ACTIVITIES AND SUPPORTING THE DEVELOPMENT OF OUR EMPLOYEES

To facilitate this long-term management of human resources, we incorporated

the "Organization and Human Resources Review" process into the Group's management cycle in 2003. It defines the orientations in terms of organizational changes and need of new expertise, personnel development, recruitment, internal evolution and training.

Our employees' expertise plays a critical role in optimizing our operations. Training is thus a major priority. Aggregates & Concrete integrated the *Batcher Competencies* program into its TOP performance program. The need for customer focus and high quality standards plus the specific characteristics

**AVERAGE TRAINING TIME
PER YEAR
AND PER EMPLOYEE**
(in hours)

2005

Managers	42
Non-managers	26

JOB EVOLUTION*

2005

Hirings	7,359
Resignations	3,416
Retirements	776
Redundancies	5,535
Deaths	144
Balance	-2,512

* **Note:** The new acquisitions in China in 2005 are not included.

of specialty concretes prompted Business Unit staff and human resource managers to define the technical and relational aptitudes expected of a plant technician in this new environment. In 2005, various units used the profile made available to them to assess the competencies of their plant technicians and to guide training initiatives to remedy deficiencies between the required and actual level observed. In addition, *Lafarge University* continues to deliver executive training programs, which were attended by 1,772 people, i.e. 14.5% of all managers, during 2005. Furthermore, specific training sessions by business, function and country are also offered to the Group's managers. Many training programs are available within the Group, particularly on safety and in connection with performance programs. In addition, self-training softwares are being developed. In 2005, the Group's managers attended an average of 1.2 training sessions each.

Non-managers attended an average of 0.7 session.

**JOB CREATION
AND RESPONSIBLE
MANAGEMENT
WITHIN THE GROUP**

In the event of restructuring, Lafarge's Business Units systematically implement preventive measures to reduce as far as possible the impacts on employees and local communities. A handbook provides guidance concerning the responsible management of restructuring, implementing the principles of our Employment Policy: performance, anticipation and solidarity.

In any case, experience is shared through exchanges with teams that have already handled this type of process within the Group. The Banda Aceh plant in Indonesia provides a perfect illustration of Lafarge's Principles of Action.

> See pages 38 and 39

**ROCK "ORGANIZATION
AND COMPETENCIES"
MODULE**

The organization and competencies of production and maintenance teams represent one of the pillars of the ROCK performance program in Aggregates & Concrete. Through this module, Business Units organize their operational planning based on the priorities for their production performance. Changes in terms of competencies required are identified to launch the necessary adaptation plans without delay. The increase in a quarry's production volumes and the automation or introduction of preventative maintenance provide an opportunity to overhaul the organization and the competencies required.

*Employee
at Lafarge cement
plant in Lichtenburg,
South Africa.*



FOSTERING DIVERSITY AND FIGHTING DISCRIMINATION

Because our operations are anchored in local communities, our workforce shows a high level of diversity. Our aim is to maintain this diversity at every tier of the Group and to ensure that each individual is a candidate for internal promotion. This aim coincides with the management of employees' competencies. The Group is careful not to overlook the professional development of workers with a low level of qualification.

AN AMBITIOUS PROGRAM TO GIVE WOMEN A STRONGER POSITION

The proportion of women within the Group is increasing slowly. To reach our objective of doubling the number of women in senior management

positions between 2003 and 2008, the Group has implemented an ambitious program that is implemented in every Business Unit and incorporated in the annual "Organization and Human Resources" reviews. In addition, a dedicated compensation system for all the Group's managers (Hay system) helps to reduce the risks of discrepancy between the men's and women's salaries. A recent study carried out at units in France showed almost no difference between salaries paid to men and women performing jobs of the same level.

PROMOTING EMPLOYMENT OF DISABLED PEOPLE

In France and progressively throughout the world, Lafarge is pursuing an active policy to promote the integration of disabled people within the workforce through various means:

- from 1999 to 2005: three biannual meetings with the AGEFIPH¹ helped to develop integration programs, to keep the disabled in employment and to improve outsourcing agreements with the sheltered sector. Over the past two years, 109 people have benefited from an integration contract and 15 from an internship.
- 2005: a specific program was developed and opened up to all the Group's Business Units to protect jobs and 11 training sessions were conducted on this subject.

The percentage of disabled workers at December 31, 2005 stood at 1%. 27 disabled workers were hired in 2005.

¹ | AGEFIPH: French association managing a fund for the integration of disabled people.



More information about integration initiatives for young people from disadvantaged areas is available on the website.

DIVERSITY WITHIN THE GROUP IN SOUTH AFRICA

Frédéric de Rougemont,
Chief Executive Officer of our Cement Business in South Africa.

"Since 1994, the legal framework in South Africa has aimed to achieve an economic balance between the white population and Previously Disadvantaged Individuals (PDI): blacks, mixed-race individuals and Indians. This law requires each company to set itself targets for the number of employees by sex and by ethnic category.

We are working to meet these targets in different ways: accelerating the professional development of potential managers among the PDIs, positive discrimination at the recruitment stage, etc. In addition, intercultural training has helped to alter behavior, especially a recruitment manager's natural tendency to hire a candidate from the same ethnic and social background.

Having reached our overall objectives very rapidly, we noted that hierarchical inequalities persist. Consequently, we focused our efforts on raising the proportion of blacks at management level from 2% in 2002 to 13% by year-end 2005. We will continue our efforts in this area over the coming years. Our goal is to increase the percentage of PDIs in our workforce from 25% in 2005 to 40% by 2009."

* Previously Disadvantaged Individuals.

WOMEN WITHIN THE GROUP (%)	03	04	05	TARGET 08
Board of directors	6.7	6.7	6.7	
Senior executives	2.9	2.9	2.1	
Senior managers	7.6	8.1	9.7	15.2
Managers (all categories)	14.2	15.1	15.5	
Employees	14.4	14.6	14.5	

The increase in the percentage of female senior managers accelerated. This increase reflects the implementation of recruitment programs of young women with high potential.

Benchmark > In 2004, the only competitor to publish the proportion of women among management performs better than Lafarge at both senior and top management levels.

Assuring our employees' safety and protecting their health

In terms of safety, the objective of a group such as Lafarge cannot be any other than to achieve zero accidents. Reflecting our ethics and corporate values, safety is a major pillar of our overall performance. Prevention efforts made under the Group's Health and Safety Policy entail the implementation of action plans with the involvement of our entire workforce in order to make this not just one of many priorities, but one of the key values underpinning the Group.

TO RANK AMONG THE TOP PERFORMERS IN TERMS OF SAFETY

Even if there is a general improvement, the Group's occupational safety results are not yet good enough. Although the occupational accident frequency rate and the number of accidents have declined steadily, two factors temper the significance of this performance.

> See indicators on page 30

The safety of our subcontractors needs to be substantially improved, particularly in transportation activities. Moreover, the operations that have attained the highest levels in this area seem to have reached a plateau. Finally, the level of risk remains a cause for concern because the number of fatal accidents increased during 2005 even if this increase is partly due to a greater reporting accuracy from our subcontractors.

> See table on page 42

We need to inject fresh impetus into our efforts to improve these results and give ourselves the means to achieve a zero fatal accident rate. To this end, several projects were launched or continued during 2005.

Lafarge continued to roll out its safety management system. At year-end 2005, 93% of Lafarge's employees were covered compared with 88% in 2004.

In China, for example, the implementation of Lafarge's health and safety standards played a genuine role in the performance improvement; enabling performance levels that can be compared with those of our best plants. The NanShan plant, acquired by Lafarge in 2002, achieved the Group's best occupational safety levels, in only 3 years, through the

implementation of safety management standards and a modernization of equipment (frequency rate: 0.95, severity rate: 0.34).

The Group's medium-term objectives were redefined with a new deadline of 2008. They include achieving a zero fatal industrial accident rate at its facilities, and halving the accident frequency rate compared with 2005 (frequency rate: 3.87). In the long term, Lafarge wants to reach a zero fatal accident rate and an accident frequency rate of less than 1 for its employees and subcontractors. The Cement business has included in its Health and Safety Management System procedures regarding the performance of its suppliers and contractors. This 'Contractor H&S Management System', which was extended in 2005 to the purchasing managers of Business Units, covers safety when the services of subcontractors are used. It is being rolled out to all the Group's operations.

Finally, the Group embarked on an exhaustive survey of safety in September 2005. A total of 90 site audits, 20 Business Unit audits and close to 300 individual interviews will be carried out across the Group by mid-2006. The survey will help to assess safety awareness within the Group and to prepare a three-year action program. This major campaign will be designed to increase the coherence of the Group's actions and inject fresh impetus to achieve our objectives.

At the request of the European Works Council, a survey was carried out in 2005 on the implementation of occupational health and safety policies.

> See page 33

ZERO ACCIDENT OBJECTIVE AT LAFARGE NORTH AMERICA

Dominique Calabrese, President of Lafarge North America's Safety Council, emphasizes the major role played by managers and the need for habits to change to achieve the zero accident objective.

Efforts in North America to mobilize employees on this issue were concentrated on three levels: requiring the personal involvement of senior management in safety matters, mobilizing supervisory staff and strengthening interpersonal relationships so that each employee is aware of high-risk behavior for his/herself and his/her colleagues. Safety will be fully integrated into human resource management procedures during 2006.



Employee in a plasterboard plant of Lafarge Gypsum in Germany.

SAFETY MANAGEMENT AT LAFARGE

Peter Hoddinott,
Executive Vice President of the Latin America region, Cement

Managers must not compromise on standards in three key areas: equipment, management tools and behavior. In Brazil, for instance, it is common practice to overload trucks. To bring our actions into line with our beliefs, we put an end to this practice in spite of the direct impact on our competitiveness. Good practices notably include the application of policies, protocols and implementation of management systems. In Mexico, for instance, we now have 22 agents responsible for coordinating safety initiatives by rallying over 800 people, in spite of the major difficulties we encountered with the construction of a new cement plant. Behavior is the final point on our list: securing the backing of individuals for safety initiatives and encouraging them to alter their behavior are the hardest, but also the most effective stages in the process. They are among the permanent challenges facing managers!

OCCUPATIONAL FREQUENCY RATE¹

	03	04	05
Occupational frequency rate <i>Group</i>	6.56	4.70	3.87
Occupational frequency rate <i>Cement</i>	3.32	2.61	2.48
Occupational frequency rate <i>Aggregates & Concrete</i>	6.89	4.75	3.55
Occupational frequency rate <i>Gypsum</i>	4.99	5.43	5.10
Occupational frequency rate <i>Roofing</i>	17.96	10.89	7.88

OCCUPATIONAL SEVERITY RATE²

	03	04	05
Occupational severity rate <i>Group</i>	0.24	0.22	0.18
Occupational severity rate <i>Cement</i>	0.16	0.14	0.14
Occupational severity rate <i>Aggregates & Concrete</i>	0.28	0.25	0.20
Occupational severity rate <i>Gypsum</i>	0.27	0.28	0.27
Occupational severity rate <i>Roofing</i>	0.46	0.37	0.20

Roofing was integrated into the Group in 1998 and the programs were therefore implemented later than in the other businesses and the health and safety performances began to be recorded in 2002. Since 2004, Roofing has accelerated its efforts to erase this delay. In Aggregates & Concrete, the progress is the result of the implementation of safety management systems and of fundamental actions carried out over the last few years. Gypsum and Cement face a plateau phenomenon through a slowdown of their progression. In 2006, we will renew the approach to make it more dynamic.

Note: This data covers 100% of the workforce.

Benchmark> Lafarge's Cement business registered by far the lowest accident frequency rate of the 5 global competitors who disclose this indicator, its rate being 5 points lower than that of its next best competitor. Furthermore, Lafarge registered the second best fatality rate of the 3 cement companies who publish this indicator.

¹ | Number of accidents leading to loss of time by million of hours worked.

² | Number of calendar days lost as a result of accidents by thousand of hours worked.

PANEL



PATRICE PONCEAU
European Works Council

Lafarge continues to progress in making health and safety a reality within the Group. A series of action plans has been implemented and is beginning to produce tangible effects at operational level. Regarding health concerns, one-off initiatives have been carried out locally, against the avian flu and chikungunya outbreaks, and, in a more long-term perspective, against HIV/AIDS. Furthermore, studies are being conducted to assess the effects of production on employee health so as to prevent occupational illnesses. Bruno Lafont, Lafarge's CEO even made an official announcement to shareholders on February 23, 2006 to publicize the Group's health and safety ambitions. The main challenge will be to involve sub-contractors and suppliers in this dynamic.

Preventing health risks

ZOOM

CONTINUED PURSUIT OF LAFARGE'S HIV/AIDS PROGRAMS AND EXTENSION TO MALARIA

Lafarge's commitment to combating public health problems reflects both its ethical commitment and an economic imperative. For instance, Lafarge employs around 7,300 people in ten of the African countries worst affected by the AIDS epidemic. As a founding member of the Global Business Coalition on HIV/AIDS, Lafarge has set up an African Health Committee since 2000 and given its Business Units roadmaps and specific budgets.

In 2005, following the widespread introduction of prevention and testing programs, tritherapies became available in nine countries for employees and their families. Furthermore, a reporting system was implemented to monitor treatment and screening-related indicators on a quarterly basis. In 2005, 90% of employees participated in the prevention and information programs, with 40% undergoing voluntary screening. Efforts during 2006 will be devoted to the implementation of prevention, screening and treatment programs in local communities and to adapting and replicating the program in other countries. These programs are being launched in certain units in India and China.

Drawing on the experience gained during its efforts to combat AIDS, Lafarge has extended its program to malaria, another debilitating disease found throughout Africa. 90% of Lafarge's units operate in malaria-endemic regions. The disease accounts for an average of 35% (and up to 70%) of consultations at the Group's health centers. Along the lines of the managerial model adopted to combat AIDS, prevention and treatment programs have been set up in seven countries in 2005. Units in all the relevant countries have undertaken to implement these programs by year-end 2006.



Lafarge's health center for AIDS prevention and treatment in South Africa.

IMPLEMENTATION OF AN AVIAN FLU ALERT CELL

In September 2005, the Group set up an avian flu alert cell. Its role is to mobilize the Group's human resources network around the world to coordinate information, communicate with employees and prevent risks. The final few months of 2005 were spent planning ahead to determine which resources would need to be implemented and raising general awareness about responsible preventative behavior. The cell's role will also include making emergency decisions should the animal virus mutate into a form transmissible from human to human. A hotline available round the clock was set up with SOS International to back up Lafarge's human resources network.

PROTECTING OUR EMPLOYEES' HEALTH

Keen to protect our employees' health, we are continuing our efforts to prevent occupational illnesses. Our Health and Safety Policy summarizes the fundamental principles in this area, as well as the key roles and available tools. This factor is also taken into account

by the Business Units where numerous local initiatives are set in motion. In France, for instance, a program was launched by Lafarge Ciments in conjunction with an occupational physician to define a policy and organize health management at the various sites.

The risks remain modest in our industry, with 227 cases of occupational illnesses recorded during 2005, i.e. 0.3% of our workforce.

> See indicators on page 42

In 2006, the European Works Council plans to carry out a health survey, similar to the safety survey organized in 2005.



Group game during a Leader for Tomorrow day organized in India.

Rallying our employees to meet collective performance targets

INVOLVING ALL OUR EMPLOYEES THROUGH THE LEADER FOR TOMORROW PROGRAM

Following a period of strong expansion, we launched the *Leader For Tomorrow* project in 2003. Involving all of our employees at various stages of the rollout, this program reaffirms our Principles of Action, our shared vision, commitments and management philosophy.

During various meetings between employees and their managers, we engaged in a genuine dialogue between the different tiers of the Group. During these meetings, the Group's global and local priorities were discussed, as well as the specific concerns of each team.

A survey carried out at the beginning of 2006 will enable all Group employees, including the workforce in China, to give their opinion on the changes made and their expectations for the future. It will also provide an opportunity to enhance the quality of this dialogue.

LAFARGE IN ACTION 2005, A NEW EMPLOYEE SHARE OWNERSHIP PLAN

Through its various employee share ownership plans, Lafarge wants all its employees to share in the benefits of the Group's economic performance. LEA¹ 2005, the Group's fourth international share ownership plan, aimed to attract as many employees as possible. It covered 49 countries. Almost 50% of eligible employees² purchased shares, representing a highly satisfactory result given the inauspicious stock market climate.

An average of 26-27 shares were subscribed by employees, with significant fluctuations from one region to another. With a take-up rate of close to 57%, the ten African units posted a very substantial increase. Conversely, employees at European units were less enthusiastic, recording a take-up rate of 38%.

As in the past, Lafarge plans to repeat this type of issue every two or three years to increase even further the number of employee shareholders.

At year-end 2005, 1.8%³ of Lafarge's share capital was owned by its employees.

Through these employee share ownership plans, the Group is not seeking to achieve employee ownership, but a sense of belonging.

¹ | LEA : Lafarge En Action (Lafarge in action).

² | Percentage based on the employees in the Group workforce on December 31, 2004 who were eligible for the plan.

³ | Share capital was identified as owned by employees through specific stock purchase programs.

A TAKE-UP RATE REFLECTING CONFIDENCE IN THE GROUP AND A DESIRE TO BELONG

Béatrice Gaillard,
Vice President, Employee share ownership

Lafarge has opted to pursue direct employee share ownership, rather than ownership through an investment vehicle, to emphasize the relation between the Group and each employee shareholder. Our philosophy is to maximize the number of employee shareholders, rather than subscription volumes. Over a three-week subscription period, 49.7% of eligible employees subscribed to the offering, compared with our ambitious initial target of 50%. We also owe this success to the hard work by the 50 human resources managers in the countries concerned and 350 correspondents at the Business Units, who got the message across and coordinated the program locally.

DIALOGUE WITH EMPLOYEE REPRESENTATIVES

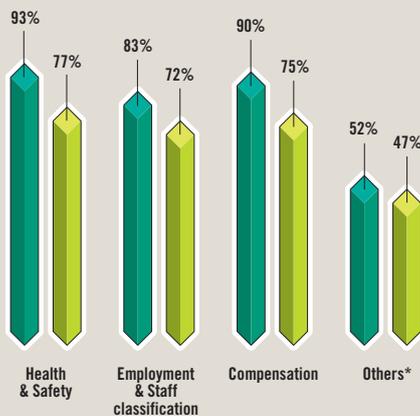
Lafarge European Works Council celebrated its tenth anniversary in 2005. Following the signature in 2003, between employee representatives and the management, of a joint statement on Health and Safety, a survey of employee representatives in a dozen European countries was carried out in 2005 to evaluate the actual substance of the Group's commitments.

This survey received 344 responses and the following results: for instance, 84% of responses to the question "Are the Group's safety commitments generally applied at your plant?" were positive. This survey also brought to light two levers for action: improvement in safety-related introduction procedures at sites and the extension of resources made available to subcontractors to provide safety training to their employees.

REINFORCEMENT OF THE GROUP'S WORLDWIDE COMMITMENT TO A RESPONSIBLE SOCIAL POLICY

Lafarge and three international union federations, the ICEM¹, the IFBWW² and the WFBWU³ signed a four-way international agreement on September 12, 2005 concerning Lafarge's approach to social responsibility and international labor relations, which will apply to the 80,000 employees and 76 countries in which the Group is present. A pioneer in this type of program, Lafarge wants to uphold the fundamental social rights defined by the ILO⁴, and contributes to raising international social standards. A reference group made up of Lafarge's management and the unions concerned will follow the agreement and make sure it progresses. The group will also promote social dialogue without neglecting the Group's global performance.

PERCENTAGE OF EMPLOYEES INFORMED / CONSULTED ON LOCAL POLICIES OR PROCEDURES IN 2005



- Information
- Consultation

All our safety actions are assorted with information and awareness-raising campaigns. The 93% information rate reflects the systematic generalization of the awareness raising actions towards our employees concerning safety issues. In many countries where the Group is present, employee representation is not compulsory. The Group has therefore been promoting voluntary employee information / consultation procedures for many years.

* LFT, quality, equality in the workplace.

1 | ICEM: International Federation of Chemical, Energy, Mine and General Workers' Unions.

2 | IFBWW: International Federation of Building and Woodworkers.

3 | WFBWU: World Federation of Building and Woodworkers Unions. On December 9, 2005, IFBWW and WFBWU created a new global union federation, the Building and Wood Workers International - BWI, that groups together around 350 trade unions representing around 12 million members in 135 countries.

4 | ILO: International Labour Organization.

PANEL

I appreciate the improvement of reporting regarding the promotion of diversity and disabled people. I also welcome the information on training, although I would be interested to learn more about the content of training programs for non-managers, and how they fit in career development. Regarding restructuring, I would like to know which countries and businesses are affected, how Lafarge anticipates and mitigates the social impacts of these changes, and how employees and their trade unions are consulted. As for social dialogue broadly speaking, initiatives at Group and European level are well reported. For future reports, I look forward to more details on local practices, especially in risky countries, and a description of how the unions are involved in monitoring the four-way agreement.



MARION HELLMANN
BWI



Contributing to
local economic
development

Making sustainable development part of our economic decision-making process

IMPLEMENTATION OF A RESPONSIBLE PURCHASING POLICY

Lafarge is seeking to raise the standard of its purchasing operations, especially by embedding sustainability criteria into its supplier relations. Following on pilot projects in 2004, Lafarge has focused in 2005 on rolling out and firmly establishing the program at Business Units.

Embedding sustainable development in the Group's purchasing practices

In 2005, Lafarge drew up ethical and sustainability-related guidelines concerning the management of supplier relations. They were circulated to all purchasing managers, purchasing sponsors and Business Unit managers. A program to entrench sustainable development initiatives in Business Units' purchasing performance plans

got under way in 2005. It will be rolled out worldwide in 2006, and Business Units will be assessed on the effective integration of these initiatives in their purchasing performance plans.

The work carried out by Lafarge to establish environmental and social criteria for selecting and evaluating suppliers, which were specific to each product category, was extended during 2005 to new categories, such as coal and paper bags.

Two social audits were conducted during 2005 in China and India by an external organization based on the Global Compact framework reference. Market coordinators in the Business Units are set to monitor progress made on action plans defined following these audits. In the future, Lafarge employees will monitor lower-risk product categories so as to roll out the program and entrench the expertise internally.

 Results of the social audits are available on our website.

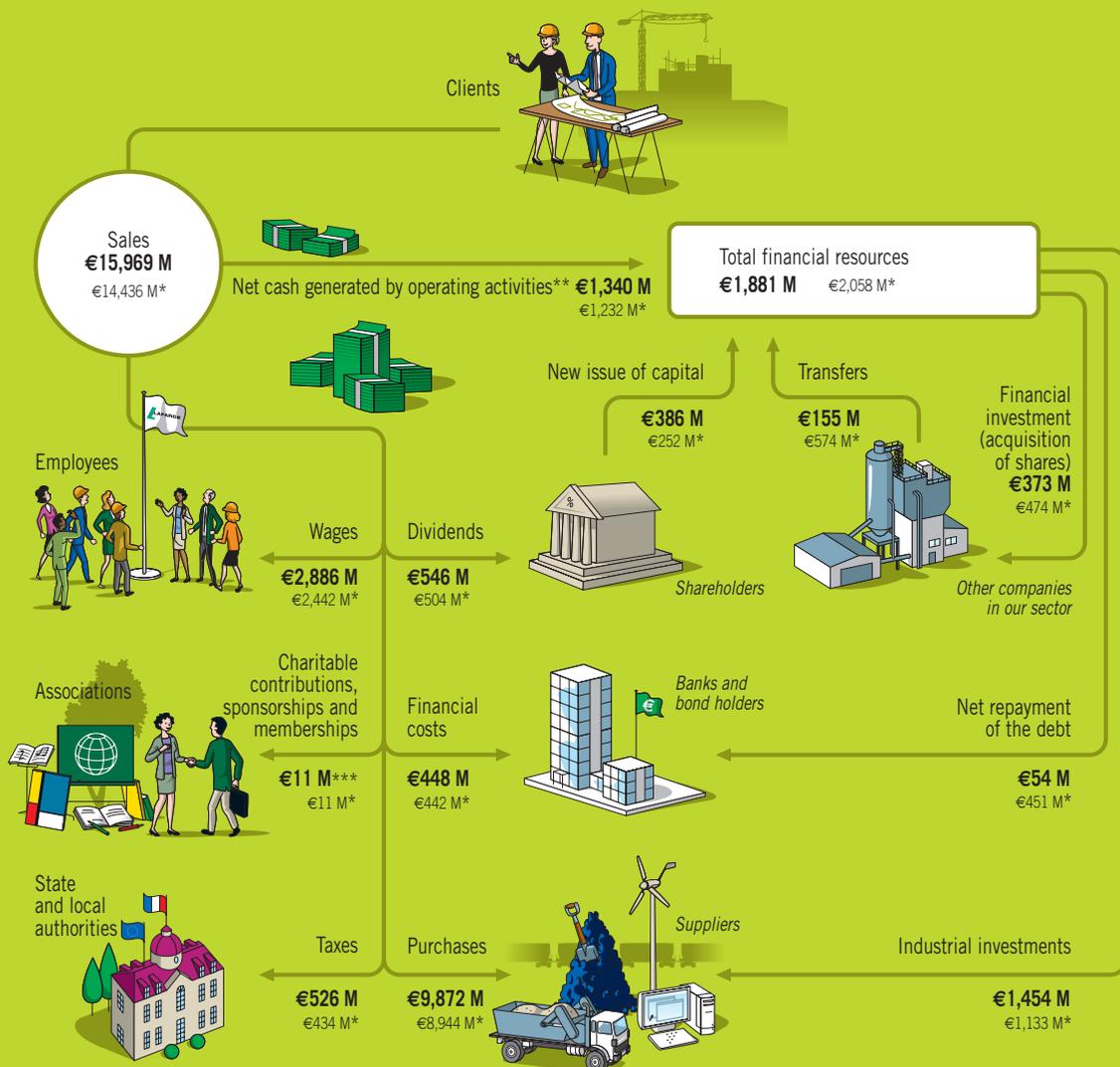
To take this approach further, Lafarge plans to:

- commission a third party to conduct several social audits on its suppliers in countries at risk from a Human Rights perspective;
- introduce a grid to assess the maturity of Business Units in the way they handle supplier relations from a sustainable development perspective.

Number of Business Units that have included at least one sustainable development initiative in their PPP <i>(Purchasing Performance Plan)</i>	55
Number of sustainable development initiatives proposed in PPPs	75

REDISTRIBUTION OF VALUE CREATED TOWARDS OUR STAKEHOLDERS

Sales increased by more than 10% in 2005 on the back of expansion in our markets in volume and pricing terms. The increase in capital expenditure is attributable to a higher capital expenditure devoted to maintaining our production facilities and the launch of work on additional production capacity to support expansion in our markets.



* 2004 figures.

** This amount includes a WCR (Working Capital Requirement) variation of €-340M (-427 in 2004).

*** Indicative amount on contributions and sponsorships made by the Group in 2005.

Note: Data displayed in this table is directly extracted from the Group consolidated data and related notes.

Managing our multi-local development

MANAGING POLITICAL, ECONOMIC AND FINANCIAL ISSUES LINKED TO OUR LOCATIONS

Guiding our investment decisions

Investments above €25 million are under the responsibility of the Group Executive Committee. A global investment budget is approved for each country and takes into account political, economic and financial risks. Each year, we circulate the updated country risk analysis methodology to all the Group's units. In 2004, we updated the weighting of the "country risk" rating and took into account Transparency International's recommendation to increase the weighting of corruption-related criteria (political risk), which was thus increased from 8% to 15%. This country risk rating prompted us to draw up a list of ten or so countries, exceeding the threshold tolerated by

Lafarge based on the criterion of political risk, which does not cover China.

Ensuring that Human Rights are respected in the countries where we are present: the example of China

Lafarge is developing in China in the total respect of its Principles of action. In order to enable its new units to benefit from its experience, Lafarge is implementing a management system that favors respect and individual development, occupational safety and training. For 11 years, Lafarge has been developing progressively in China. Until 2004, Lafarge operated 13 sites. After a joint venture with the Hong Kong group Shui On, the Group acquired 7 new sites which considerably increased the scope. With this sharp increase in the scope new issues have arisen which have to be considered by Lafarge. The Group needs to provide human

resources that are capable of ensuring the integration. The integration plan will start in 2006 with audits in different areas: social integration, safety, technical evaluation... and with the setting up of local teams, supported by international teams.

The driving effect across the entire industrial sector is becoming stronger over time. The priority placed on training and developing employees, with the opportunity to pursue an international career, makes them receptive to new organizational and working methods.

PANEL



MARION HELLMANN
BWI

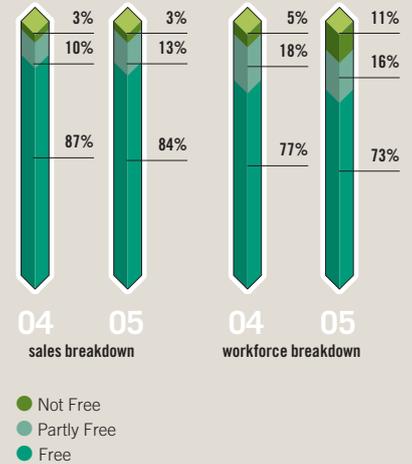
Lafarge has been present in China for over 11 years and should therefore be more transparent on the impact of their operations on workers and local communities with regard to employment, social and environmental conditions. The report does not explain why China is not included in the Group's list of high political risk countries and why Lafarge has increased its business in countries with a critical Human Rights record between 2003 and 2004. Finally, I would like to see third party verification of Lafarge's performance in matters of Human Rights in the workplace, both through external audits and involvement of concerned stakeholders.



Lafarge volunteers participating in the Korea Blitz Build project for the construction of a Habitat for Humanity village in South Korea.

BREAKDOWN OF ACTIVITIES IN COUNTRIES OF CONCERN REGARDING HUMAN RIGHTS*

*Based on Freedom House's "Freedom in the World 2005" Index, which rates countries on their levels of civil and political rights.



PROVIDING SOLUTIONS GEARED TO LOCAL COMMUNITIES' NEEDS

Given the nature of its activity, Lafarge's future is strongly dependent on its ability to become integrated in the local community. Lafarge endeavors to meet the specific needs and expectations of local communities by providing a wide variety of appropriate solutions.

Our multi-local involvement

The quality of the relations that we maintain with local communities is taken into account in Business Units' performance programs. For instance, the quality of the dialogue represents one of the levers of the Cement business' Advance performance program.

To face the different local situations occurring in our 2,000 sites, we encourage Business Units to forge local partnerships with organizations that provide their vision, expertise and resources to address local issues.

Through a framework agreement with Habitat for Humanity International (HFHI) in 2005, Lafarge extended and

developed at Group level a series of partnerships forged over several years in South Korea, the United States, South Africa and the United Kingdom to increase their respective efforts. Lafarge commits to working with HFHI on housing access in 25 countries by 2010. For instance, in Romania, housing has been built for the most disadvantaged under a five-year partnership with Habitat for Humanity since 2002. Lafarge provides building materials for homes, in 12 countries to date, which are built by volunteer employees.

Supporting the relocation of populations in Bangladesh

Lafarge Surma Cement (an association of several partners) is building a cement plant close to the village of Chhatak. Hundreds of people had to be moved before the plant could be built. In addition to awarding high financial compensation, Lafarge supported their relocation while rolling out substantial educational and healthcare programs and providing professional training programs for 442 women (needlework, candle making, etc.). These programs

have delivered benefits in terms of an increase in the literacy rate, a lower infant mortality rate (currently 8% vs. 15% in 2001) and an improved level of professional qualification among women. Prior to relocation, only 3.3% of the population concerned lived in permanent housing. The current level is 71% as a result of the compensation and technical assistance provided by Lafarge.

Donations to local communities

Although there is no formal policy concerning donations to local communities, we have made a commitment to our stakeholder panel to establish a policy and to incorporate it in the next edition of our Code of Business Conduct.

Our Principles of Action put to work after the tsunami in Indonesia

On December 26, 2004, a vast tidal wave caused by a severe earthquake devastated the coastlines of the Indian Ocean. Lafarge, which operates the PT Semen Andalas cement plant in Lhoknga, Indonesia, was directly confronted by the disaster, which left 193 of its 625 plant employees and permanent subcontractors either dead or missing.

A major economic force in the region, the Group put the necessary resources into action and took advantage of its knowledge of the local charitable, religious, political and entrepreneurial organizations to handle the emergency situation and then to reorganize and rebuild life in the long term.

As with each of our projects, our involvement in Indonesia is managed in line with our commitments, as set out in the *Lafarge Way*, and our Principles of Action.

Here are some examples:

OUR COMMITMENTS / OUR PRINCIPLES OF ACTION	ACCOMPLISHMENTS IN INDONESIA
<p>Giving our people every opportunity to contribute and develop their talents</p>	<p>We involved our employees in our programs as much as possible. For instance, a hundred of them were allocated to the housing rebuilding project. Others opted to receive training and financial assistance to start up their own business. The gradual upturn in the plant's business will be backed up by social support and appropriate training.</p>
<p>Helping build a better world in our communities</p>	<p>We implemented a reconstruction program for earthquake-resistant permanent housing using natural resources with energy-efficient technologies, backed up by economic support programs for the entire duration of the work.</p>
<p>Acting as responsible members of our communities by contributing to the development of people, their health, rights and well being by generating economic growth and supporting social, educational and cultural advancement</p>	<p>We decided to reconstruct the plant, set up a mobile clinic, renovated schools, supplied school equipment, refurbished mosques and delivered training in masonry activities. Wages were paid to all employees in spite of the interruption in economic activity, and financial assistance was paid to the families of those who died. Subsidies were also given to address housing problems during the first few months after the disaster.</p>
<p>Being firmly committed to the protection of the environment</p>	<p>We selected the materials used to rebuild housing to eliminate the use of wood thus contributing to the fight against deforestation.</p>
<p>Generating value for our customers</p>	<p>Lafarge continued to deliver to its customers in the region by importing cement from Malaysia, setting up a mobile maritime bagging unit and building a mobile terminal to supply the region. These measures helped to ensure that cement supplies continued to get through to the Aceh province, where demand soared as a result of the construction of emergency camps. It is strategically important for Lafarge to maintain its market share to ensure the sustainability of its economic activities.</p>
<p>Delivering the value creation that our shareholders expect</p>	<p>Lafarge aims to pursue its objective of reestablishing a strong and self-confident community equipped with production facilities when the plant re-enters service in late 2007. It is essential for the social and economic functions of the local community surrounding the plant to have been restored before its activities can resume.</p>

Banda Aceh city ravaged by the tsunami in December 2004.



PHASES OF LAFARGE'S ACTION

1 | EMERGENCY MEASURE

On December 27, 2004, the Group immediately released \$1 million and then set up the Lafarge Employees Solidarity fund to collect donations from its employees. It organized the first emergency assignments and supplied essentials (water, food, drugs, etc.) and rehoused its employees and their families.

2 | POST-EMERGENCY PROGRAMS

300 workers from surrounding villages were trained in construction techniques to enable the rebuilding of villages and a return to work. A rehabilitation and renovation program was launched covering seven mosques in order to restore the social and psychological role of these places of worship. A back-to-school program was implemented under which schools were refurbished and materials provided. Medical assistance was provided in the form of a mobile clinic and the distribution of drugs.

3 | At the same time, **RECONSTRUCTION NEEDS** in the Lhoknga sub-district were defined in conjunction with national NGO Dompét Dhuafa, and efforts were pooled with Atlas Logistique (French NGO) and Habitat for Humanity (an international NGO) to form a partnership for a permanent housing reconstruction program.

4 | RECONSTRUCTION PROGRAM

The totally devastated village of Lam Kruet was selected for the reconstruction of 274 houses out of a total of 500. By year-end 2005, around 60 houses had taken shape. Lafarge's objective by year-end 2006 is to complete the construction of these homes. A second phase (of around 200 houses) in a nearby village is being studied. This overall program covers the entire community, and not just our employees.

5 | RE-OPENING OF THE PLANT

It was decided to rebuild the Banda Aceh plant. The rebuilding project is starting during the first half of 2006, and the plant is due to enter service again in 2007.

KEY FIGURES CONCERNING LAFARGE'S INTERVENTION

Around **€2 million** were spent on the emergency operations, including immediate dispatch of the emergency teams, financial assistance to employees, temporary rehousing, assistance with funerals and continued payment of salaries.

Over **€500,000** were devoted to the post-emergency and rehabilitation operations, including the mosques, centers of local life and schools.

A sum of **€5 million** was spent on rebuilding permanent, earthquake-proof houses. An initial phase of 274 houses with a budget of €3.3 million was launched in mid-2005 with operational assistance from the three NGOs and funding assistance from Fondation de France and the French Red Cross.

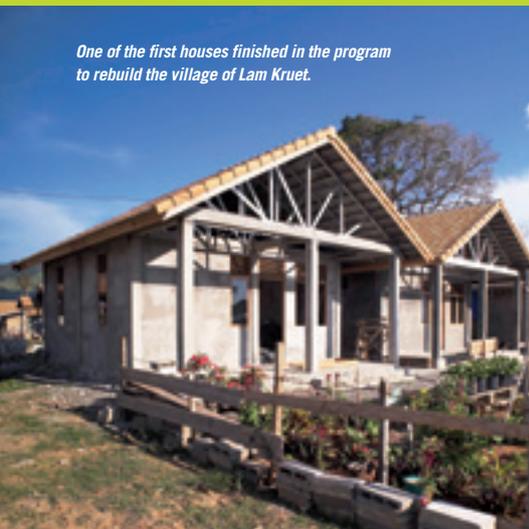
A total of **€900,000** was collected from employees of Lafarge, its subsidiaries and partners.

€75 million was budgeted for the refurbishment of the plant with the latest technologies in line with the Group's environmental standards. Upon its re-entry into service, it will have a capacity of 1.6 million tonnes.

INDEPENDENT OPINION

A study made by the United Nations (UN-Habitat) and Syiak Kuala Architecture University in Banda Aceh rates from 0 to 10 the organizations that help locally the reconstruction of Indonesia, according to the realizations and honesty of their actions. With a score of 8.1, Lafarge is rated among the more respectful and honest organizations.

One of the first houses finished in the program to rebuild the village of Lam Kruet.



Ahmad Juwaini, Head of Dompét Dhuafa's programs, and Jérôme de Beaucorps, Atlas Logistique's advisor and quality controller.

"Dompét Dhuafa is the Indonesian partner of the consortium formed with Habitat for Humanity, Atlas Logistique and Lafarge to rebuild the village of Lam Kruet. This project will enable families to resume a normal life by putting a roof back over their heads. We are ensuring that the project does not fall too far behind schedule in spite of the problems: the rainy season runs from October to December, Ramadan slows progress, ownership documents have all disappeared, building materials are in short supply, and there are tensions between members of the communities. Thirty or so houses were already finished by the end of 2005, and the population is anxiously awaiting completion of the work".

Monitoring our

performance

Our environmental, social and community performance

To ensure that our sustainable development indicators are transparent, independent and reliable, Lafarge initiated an external verification process in 2005. International auditors PricewaterhouseCoopers handled the verification of four additional indicators, bringing the number of verified indicators to seven and marking the first stage of our campaign to produce reliable indicators.

ENERGY CONSUMPTION AND CO₂ EMISSIONS

GROUP'S CEMENT PLANTS GROSS CO₂ EMISSIONS

(millions of tonnes)



● Emerging markets ● Industrialized countries

* Only 1990 figures have been recalculated to account for change of perimeter.

Despite a 10% increase in cement production between 2004 and 2005, gross CO₂ emissions rose by only 5%. This was achieved by increasing the amount of alternative raw materials used. For the countries included in Annex 1 to the Kyoto Protocol, while cement production capacity rose 4%, gross CO₂ emissions increased by only 1%.

Benchmark > Lafarge's current reduction rates are well above the sector average, but slightly behind those achieved by two of our global competitors.

FUEL MIX EVOLUTION IN THE CEMENT BUSINESS

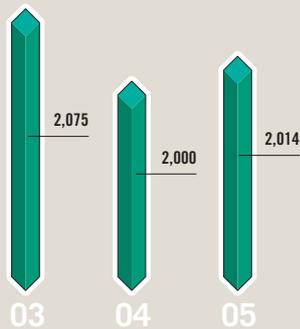
	2003	2004	2005
Coal	46.4%	45.3%	43.8%
Coke	26.9%	28.2%	29.5%
Oil	5.0%	6.2%	6.4%
HVF**	2.5%	0.3%	0.3%
Gas	10.5%	11.5%	11.4%
Biomass	2.6%	2.1%	1.8%
Waste	6.0%	6.5%	6.7%
Others	0.1%	0.0%	0.1%

** HVF: High Viscosity Fluids.

LOCAL EMISSIONS AND POLLUTANTS

NO_x EMISSIONS

(grammes/tonne of clinker)



The 3% reduction in NO_x emissions compared with 2003 is mainly due to the installation of gas treatment equipment in Europe, which keeps levels down. We will continue these efforts in future years.

SO₂ EMISSIONS

(grammes/tonne of clinker)



The increase in SO₂ emissions can be explained by higher emissions in North America, but also by more comprehensive and reliable reporting in this field.

STACK DUST EMISSIONS

(grammes/tonne of clinker)



The increase in stack dust emissions can be explained by more comprehensive and reliable reporting in this field, particularly in Central Europe.

Benchmark> Seven major competitors currently publish information on this subject. Comparability is limited as reporting often covers only a sample of kilns. According to the information published in 2004, Lafarge's NO_x and stack dust emissions are on average higher than those of its competitors. However, in terms of SO₂, Lafarge is in second place.

Methodology: These emissions are estimated from continuous measurements in 80% of kilns (recommended by Cement's reporting standards), or otherwise by one-off, extrapolated measurements.

RESEARCH & DEVELOPMENT

BREAKDOWN OF LCR* R&D BUDGET (millions of euros)

	2003	2004	2005
LCR budget	18	21.4	24.2
Exploration of new levers to reduce CO ₂ emissions	0.3	1.1	1.9
Programs with high impact on our CO ₂ emissions (developing levers currently used)	2.4	2.5	1.5
Programs with indirect impact on our CO ₂ emissions (high-performance products)	3.4	3.8	4
Other programs with no major impact on our sustainability performance	11.9	14	16.8

* Central Research Laboratory (LCR) budget

REHABILITATION

QUARRIES WITH A REHABILITATION PLAN

	2003	2004	2005
Cement	65%	42%	32%
Aggregates & Concrete	85%	93%	88%
Roofing	90%	91%	n/a
Gypsum	44%	69%	75%
Group	80%	79%	71%

In 2005, an independent third party verified this indicator (see third cover page). Since this verification revealed differences in the interpretation and the implementation of the Group policies, the figures have been modified accordingly. Roofing has not formalized its reporting methodology, so we decided not to consider its figure.

Benchmark> In 2004, Lafarge ranked third among the three cement producers publishing information on this subject. The rate achieved for Cement is 8% below that of the second-ranked producer and 44% below that of the number one. However, rehabilitation standards are not necessarily comparable between the different cement producers.

Monitoring our performance

DIVERSITY

PERCENTAGE OF BUSINESS UNITS THAT PURSUED AFFIRMATIVE HIRING OR CAREER DEVELOPMENT ACTION IN 2005 FOR...

% OF TOTAL WORKFORCE	2004	2005
... women	13.5%	13.3%
... ethnic minorities	4.1%	6.5%
... the disabled	12.1%	13.3%
... job seekers	6.8%	8%

Each year, the Group's Business Units set up specific hiring programs adapted to their local context.

HEALTH & SAFETY

GROUP'S SAFETY PERFORMANCE

	2003	2004	2005
Total number of employees	75,338	77,075	80,146
Number of lost-time injuries among Lafarge employees	1,113	789	653
Number of lost-time injuries among contractors' employees	230	280	276
Lafarge employee fatalities on site	3	4	7
Lafarge employee fatalities – transport	4	2	3
Contractor employee fatalities on site	10	8	9
Contractor employee fatalities – transport	10	12	12
Third-party fatalities on site	1	2	3
Third-party fatalities – transport	11	2	10
Lafarge employee fatality rate* <i>Group</i>	0.77	0.66	1.11
Lafarge employee fatality rate* <i>Cement</i>	0.89	0.46	0.94
Lafarge employee fatality rate* <i>Aggregates & Concrete</i>	0.78	0.42	2.01
Lafarge employee fatality rate* <i>Gypsum</i>	0.00	1.28	0.00
Lafarge employee fatality rate* <i>Roofing</i>	0.78	1.45	0.7

The deterioration in the fatality results can be explained by two factors:

- a clear improvement in reporting, which is now more comprehensive, particularly with regard to contractors and third parties;
- the number of high-risk situations remains very large. There was a spate of transport accidents in Aggregates & Concrete and Cement in 2005.

One of the Group's priorities is therefore to improve our contractors' road transport conditions.

Two working groups were set up in Africa and Latin America to deal with this matter.

One of our objectives is to have contractors adopt the same health and safety procedures we apply to our own business.

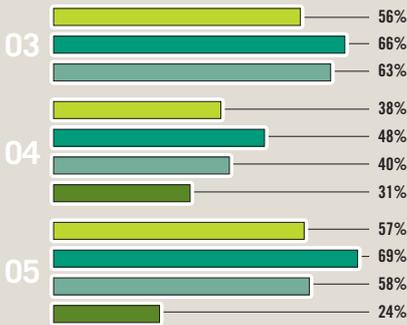
* Fatality rate: number of fatal accidents per 10,000 employees.

BREAKDOWN OF ILLNESSES PROMPTING APPLICATIONS FOR LEGAL RECOGNITION AS OCCUPATIONAL ILLNESS IN 2005

	RECOGNIZED ILLNESSES	NEW CASES	CASES PENDING
Back ache, hernia, lumbago	7	11	54
Vibration syndrome	9	0	0
Impaired hearing	9	3	40
Impaired vision	1	2	22
Burns	0	0	2
Dermatosis	3	0	17
Chronic bronchitis	0	0	3
Silicosis	0	1	9
Asbestos-related disorders	0	0	10
Respiratory disorders	0	10	33
Other	0	3	3

INDUSTRIAL RELATIONS

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS ON SPECIFIC QUESTIONS

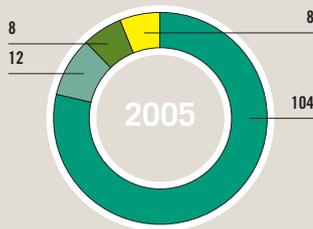


- Employment and staff classification
- Salaries and benefits
- Health and safety
- Others (retirement, working hours, professional relations, training, medical cover)

A total of 87% of Lafarge's workforce was covered by collective agreements in 2005.

ENVIRONMENTAL AND SAFETY INVESTMENTS

(millions of euros)



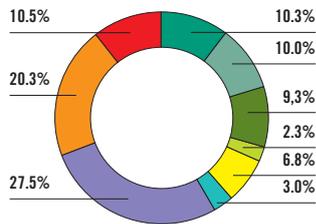
- Cement
- Aggregates & Concrete
- Roofing
- Gypsum

Group = €132 million

The Gypsum figures are well below reality. Lafarge standards are applied whenever a new plant is built or a major investment is made in an existing plant. These standards consider many aspects linked to safety and the environment, but the costs are not isolated from global investments.

PROCUREMENT AND SUBCONTRACTING

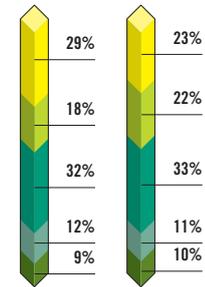
BREAKDOWN OF OUR SUPPLIERS BY TYPE OF ACTIVITY



- General products and services
- Industrial products and consumables
- Industrial services
- Outside scope
- Capex and industrial plant
- Merchants' products
- Raw materials
- Transport services
- Utilities

Reporting covers 72 Business Units, or 90% of the Group's procurement.

BREAKDOWN OF OUTSOURCED EMPLOYEES



- Production
- Maintenance/Cleaning
- Transport
- Safety/Guarding
- Others (catering, IT, medical services, gardening, etc)

Subcontracting as a proportion of production is stable, or even slightly down. Persons employed via subcontractors represent 20% of the Group's workforce.

REMUNERATION

COMPARISON OF MINIMUM SALARIES/STATUTORY SALARIES

(base 100: minimum statutory salary)

	LAFARGE MINIMUM SALARY	SECTOR MINIMUM SALARY
China - Gypsum	161	161
Turkey - Aggregates & Concrete	132	100
Romania - Aggregates & Concrete	123	106
United States - LNA	208	146
India - Cement	360	350
South Korea - Gypsum	269	100
South Africa - Roofing	146	122
Tanzania - Cement	208	100
Chile - Cement	272	100
Brazil - Roofing	144	100

Examples taken from different continents.

FINANCIAL POLICY

BREAKDOWN OF GROUP CAPITAL EMPLOYED BY REGION

(millions of euros)

	2003	2004	2005
TOTAL	18,991	18,908	21,652
Western Europe	45%	45%	41%
North America	22%	22%	24%
Mediterranean Basin	4%	4%	4%
Central & Eastern Europe	6%	6%	5%
Latin America	5%	4%	6%
Africa	5%	5%	5%
Asia / Pacific	13%	14%	15%

Indicators and correspondence tables

	UNIT	2004		2005				GRI
		GROUP	CEMENT	AGGREGATES & CONCRETE	ROOFING	GYPSUM		
Activity								
Sales	billions of euros	14	16	7.6	5.4	1.5	1.5	EC1
Breakdown of sales by business	%			48%	34%	9%	9%	EC1
Total headcount	number	77,075	80,146	40,067	21,339	11,512	6,068	LA1
Breakdown of 2005 headcount by business	%			50%	27%	14%	8%	LA1
Annual production	millions of tonnes			131	300	n/a	n/a	
Annual production					37 millions m ³ of concrete	175 millions m ²	694 millions m ² (A)	
Management								
Lafarge internal environmental management systems	% of sales	66%	68%	64%	74%	38%	100%	
Of which ISO 14001 certified systems	% of sales	23%	31%	52%	4%	9%	22%	
Lafarge health and safety management system	% of total headcount	88%	93%					
Environment								
Total energy consumption	millions of toe ^(B)	10.6	11.2	10.1	0.4	0.1	0.6	EN3
Water consumption (plasterboard only for the Gypsum business)	L/unit of product			379 L/tonne of cement	273 L/m ³ of concrete	4.90 L/m ² of tiles	6.09 L/m ² of gypsum	EN5
% of sites equipped with water recycling system	%	67%	56%	86%	54%	64%	40%	
Use of alternative raw materials (plasterboard only for the Gypsum business)	% of total raw materials consumed			10%		1%	50.6%	EN2
Waste disposed of	% of total production			0.8%		2.5%	0.8%	EN11
NOx emissions	g/t clinker			2,014				EN10
SO ₂ emissions	g/t clinker			1,057				EN10
Stack dust emissions	g/t clinker			171				EN10
Quarries with a rehabilitation plan ⁽¹⁾	%	79%	71%	32%	88%	NA	75%	EN27
Specific net CO ₂ emissions	t CO ₂ /tonne of product			0.67	NA	NA	NA	EN8
Net CO ₂ emissions	millions of tonnes	83.9	88.7	87.2	NA	0.3	1.2	EN8
LCR R&D budget	millions of euros	21.4	24.2					
Environmental and safety investments (amounts committed)	millions of euros	94	132	104	12	8	8	EN35
Social / health & safety								
Occupational frequency rate	points	4.70	3.87	2.48	3.55	7.88	5.10	LA7
Occupational severity rate	points	0.22	0.18	0.14	0.20	0.20	0.27	LA7

(A) and 733 tonnes of powder. (B) TOE: Tonnes of Oil Equivalent.

Notes on methodology

The environmental indicators cover 100% of the Group's perimeter. Extrapolations were made when the data for an activity did not cover its entire perimeter.

(1) **Quarries with a rehabilitation plan:** Reviews to check that quarry rehabilitation plans conform to Group standards are generally carried out at Business Unit level. However, interpretation of these standards may vary according to the specific regional characteristics and the type of quarry.

Steps will be taken in 2006 to harmonize the interpretation of these standards and to achieve a uniform approach to the rehabilitation plan review process.

Only active quarries controlled by Lafarge are included in this indicator. In 2005, the Cement business also included closed quarries.

n/a: non applicable

NA: Not Available

		2004	2005	
	UNIT	GROUP		GRI
Social				
Percentage of women in senior management ⁽¹⁾	%	8.1%	9.7%	
Breakdown of staff between permanent and fixed term contracts				
Permanent employees	%	88%	92%	LA1
Fixed-term contracts	%	8%	4.5%	LA1
Temporary employees	%	4%	3.5%	LA1
Percentage of Lafarge employees who attended safety training	%		73%	LA9
Percentage of new recruits who attended safety training	%		93%	LA9
Percentage of Lafarge employees represented by elected and / or trade union organizations	%	57%	56%	LA3
Economy - Community				
Restructuring / job cuts				
Percentage of Business Units having implemented a significant headcount reduction impacting more than 5% of the workforce ⁽²⁾	%		13%	
Breakdown of employees affected by reorganizations by personal situation				
Number of Lafarge employees re-employed outside the Group (in another group, or their own business)	number		104	
Procurement				
Number of Business Units that have included at least one sustainable development initiative in their PPP (<i>Purchasing Performance Plan</i>)	number		55	
Number of sustainable development initiatives proposed in PPPs	number		75	

Notes on methodology

The social indicators cover 85% of the consolidated Group workforce.

(1) Percentage of women in senior management: In order to achieve a uniform classification of the various types of management positions, Lafarge decided to use a single approach for all the countries in which it is present (Hay method). Job evaluation committees meet regularly, with input from local Hay representatives to enhance consistency, in order to minimize the interpretation of job content (degree of delegation, complexity, etc). Given the methodological limits described on page 48, the accuracy of the figures in the above table cannot be totally guaranteed (computed to the nearest 10%). Internal controls on this data will be strengthened in 2006.

(2) In 2005, eleven Business Units made headcount reductions of more than 5%, half in Roofing, half in Cement.

MAIN GRI INDICATORS NOT INCLUDED IN THIS REPORT

No practices to be described on this subject	PR1, PR2
No consolidation of results	EC4, EC5, EC8, EC9, EC10, EN4, EN6, EN12, EN15, EN16
Confidential	EC2
Not relevant to our sector	EN9, EN13, HR4, PR3
Data available in our reference document or on our website	EC6, EC7

" This report was prepared in accordance with the 2002 Global Reporting Initiative guidelines. We believe it gives a reasonable and objective view of the Group's sustainability performance and have submitted it to the stakeholder panel for their critical review."

BRUNO LAFONT
Chief Executive Officer of Lafarge

Correspondence with French NRE law

ART 148-2	SOCIAL TOPICS	PAGES	COMMENTS
1.a	Total headcount, hirings (fixed-term/permanent), recruitments, redundancies and reasons, overtime, external manpower	Inside front cover and 42-43	
1.b	Headcount reduction and job protection, job-seeking assistance, rehires and supporting measures	38-39 and 42-43	
2	Organization of working time, length of working hours for full-time and part-time employees, absenteeism and reasons	42-43 and below	Absenteeism monitored at Group level relates to workplace accidents.
3	Remuneration and trends, payroll taxes, application of Section IV of Book IV of the French labor regulations, professional equality between men and women	28 and 42-43	See note 32 to our consolidated financial statements for details of payroll charges paid at Group level in 2005.
4	Professional relations and appraisal of collective agreements	32-33 and 42-43	Collective agreements not consolidated at Group level.
5	Health and safety conditions	30 and 42-43	
6	Training	26	
7	Employment and integration of disabled workers	27	
8	Social initiatives	37	63% of companies within the scope defined have set up at least one community program.
9	Importance of subcontracting	34-35	

ART 148-3	ENVIRONMENTAL TOPICS	PAGES	COMMENTS
1	Consumption of water, raw materials and energy. Measures taken to improve energy efficiency, use of renewable energy, usage of soil, emissions into air, water and soil, noise pollution, offensive odors, waste	18 to 25 and 42-43	Noise pollution relates mainly to cement plant crushers, explosions at quarries and circulation of trucks and extraction machinery. At Group level we monitor only waste sent to landfill.
2	Measures taken to limit harm to biological equilibrium, natural environments and protected fauna and flora	23 and 42-43	
3	Evaluation or certification measures taken on environmental matters	5	
4	Measures taken to ensure the company's activities comply with the laws and regulations applicable to this matter	See below	
5	Expenditure incurred to avert any impact on the environment from the company's activities	5	
6	Internal environmental management services, environmental training and information for employees, resources used to reduce environmental risks, system put in place to deal with pollution accidents having an impact beyond the confines of the company's premises	5 and 18 to 23	
7	Amount of provisions and guarantees for environment-related risks, unless such information is liable to cause serious harm to the company in an ongoing dispute	See below	
8	Amount of compensation paid during the year in execution of a court ruling on environmental matters and measures taken to make good any damage caused to the environment	See below	
9	All elements of the objectives set by the company for its foreign subsidiaries with regard to points 1 to 6 above	10-11	

1.2. Organization of working time: This varies according to the rules in force in the countries where the Group is present or according to the functions performed. As a result, the details (variable hours, length of working day, etc) are relatively diversified and cannot be consolidated. In 2005, 10% of Business Units were found to be in breach of working time standards.

2.4. Measures taken to ensure the company's activities comply with the laws and regulations applicable to this matter: Environmental audits, which are conducted at least every four years, include verification of compliance with regulations.

2.7 Amount of provisions and guarantees for environment-related risks: The main environment-related provisions relate to quarry rehabilitation (which is not strictly speaking a risk). At Group level, provisions for site redevelopment and environmental risks amounted to €253 million in 2005.

2.8. Amount of compensation paid during the year in execution of a court ruling on environmental matters and measures taken to make good any damage caused to the environment: The Group made no major payment of this kind in 2005. No major payment at local level was notified to the Group.

Enhancing the comparability of our performance

To satisfy stakeholders' and analysts' need for easily comparable sustainable development data, we have benchmarked our performance against that of our competitors who are members of the WBCSD Cement Initiative. Benchmarking is flagged by the **Benchmark** mention throughout the report. The data was established and provided by Utopies. We complete this analysis with a summary of the assessments made by social and environmental rating agencies, Vigeo and SAM.

BENCHMARKING METHODOLOGY

Companies evaluated include founder members and participating members of the WBCSD Cement Initiative. Benchmarking is based solely on the information made publicly available by these companies by January 1, 2006. All comparisons must be considered while taking into account differences in each company's geographical scope and reporting perimeters. The table below gives an overview of such factors, which sometimes limit the relevance of comparisons.



The complete benchmarking of our performance is available on our website.

EVALUATING LAFARGE'S SUSTAINABLE DEVELOPMENT PERFORMANCE

Since 2001, the main non-financial rating agencies have assessed the company positively. Lafarge is included in the major socially responsible stockmarket indices. The results of evaluations by SAM (DJSI Index) and Vigeo that were available at the date this report was published are summarized below. Evaluations by EIRIS (FTSE4Good Index) and Ethibel are available on our website.

Evaluation by SAM (DJSI Index)

Lafarge obtained a 68% rating in 2005, up 4 percentage points on 2004. Among our strengths, SAM emphasized the quality of Lafarge's environmental and social reporting and management of investor relations. In the environmental domain, Lafarge is recognized for its environmental management systems and its strategy to combat climate change. Areas for improvement highlighted by SAM are biodiversity management, the description of the waste recycling strategy and commitment to local communities.

Evaluation by Vigeo

Lafarge leads the sector in corporate social responsibility, except in the area of corporate governance. According to Vigeo, the criteria for the independence of the directors, the lack of rules governing their election and the absence of redundancy compensation policies hinder any assessment of Lafarge's control of legal and reputational risks. Vigeo highlights Lafarge's strengthened global commitment to social responsibility as embodied by its signing of a four-party agreement with labor federations, covering social and human rights issues. Vigeo also points to Lafarge's significant investment in the WBCSD Cement Initiative and its renewed efforts to achieve ongoing improvements in its environmental performance.

OVERVIEW OF DIFFERENCES IN SCOPE

	COMPANY PROFILE			SCOPE OF REPORTING		
	TURNOVER (M€)	GEOGRAPHICAL SCOPE	SAFETY	NO _x SO _x	CO ₂	
CSI CORE MEMBERS	Cemex	6,855	30 ●*	100 %	NA	100%
	Cimpor	1,400	8 ●	49% of sales (Cement only)	56.5% of clinker	100%
	Heidelberg	6,900	50 ●*	51% of sales (Cement only)	NA	100%
	Holcim	8,302	70 ●*	Group	91% and 94% of kilns	All plants except 2 (1 Iran, 1 Bulgaria)
	Italcementi	4,528	19 ●*	Group	74% and 78% of clinker	All plants except Egypt, Cyprus and Quebec
	Lafarge	14,436	75 ●	91% of sales	87.5% and 80% of clinker	100%
	Uniland	423	6 ●*	56% of sales (Cement only)	78.74 % of clinker	100%
	Taiheiyu	6,310	6 NA	NA	100%	100%
	Titan	1,104	9 ●*	Cement only	100% and 90% of plants	100%
CSI PART. MEMBERS	Ash Grove	600	2 ●	NA	NA	NA
	CRH	13,000	24 ●*	Group	NA	NA
	Secil	400	4 NA	NA	NA	NA
	Shree	114	1 ●	NA	NA	100%
	Siam	785	1 ●	100%	100%	100%
Votorantim	1,400	7 NA	NA	NA	NA	

Table provided by Utopies

NA : Not Available | **GEOGRAPHICAL SCOPE:** Number of countries in which the company is present, and wherever possible, breakdown of company's turnover in regions with:
 ● High development ● Medium development ● Low development
 * approximation based on publicly available information.

SAM/DJSI RATING

Global score



- Sector average on global basis
- Lafarge
- Best company on global basis in the industrial Group

BENCHMARKING OUR PERFORMANCE

PRESENCE IN MAIN SUSTAINABILITY STOCK INDICES

	INDEX / RATING AGENCY	FTSE4GOOD MONDE / EIRIS	FTSE4GOOD EUROPE / EIRIS	DJSI MONDE / SAM	DJSI STOXX / SAM	ESI / ETHIBEL	ASPI / VIGEO
Lafarge	●	●	●	●	●	●	●
Cemex							
CRH			●				●
Heidelberg	●	●		●			●
Holcim	●	●	●	●	●		
Hanson-BPB						●	
Saint-Gobain							●

Reporting methodology

The data published in this report is generated by systems that have been used within the Group for several years and are subject to ongoing improvements.

REPORTING STANDARDS

To aid understanding of the indicators, common environmental reporting standards were drawn up in 2004 and updated in 2005 (*Group Environment Reporting*). A document specific to the Cement business (*Business System Reference*) completes the Group's reference standards for indicators relating just to that business (CO₂ emissions, dust, etc).

The social reporting standards, developed over the last three years, are based on guidelines in the *Global Reporting Initiative* (GRI) and the *Global Compact principles*.

In terms of safety, the Health and Safety Management System implemented in the Group was inspired by the ILO's guidelines on health and safety management systems in the workplace.

REPORTING PERIMETER

Environmental reporting, like social reporting, covers all the Business Units and industrial production sites under the Group's business control throughout the world.

However, social reporting is based on voluntary declarations by the human resources departments of the Group's Business Units. For the 2005 report, 83 Business Units participated in such reporting, covering 85% of the Group's consolidated workforce.

As far as possible, recently acquired sites are added and those that have been sold are removed. Note that in the

Cement business, it was not possible to include the sites acquired in late 2005 because of temporary problems with accessing data, particularly in China. Rules for integrating new sites into each business line will be drawn up in 2006. Given the large number of the Group's sites and the diversity of its industrial activities, some definitions will need to be tightened further in order to provide a more homogeneous picture of the whole.

CONSOLIDATION AND CONTROLS

Social data is consolidated and controlled by the Group's Social Policies Department.

Environmental data is consolidated and controlled within each business line and is then consolidated at Group level, where an additional control is carried out.

Data on our CO₂ emissions relates solely to the direct emissions of the Cement business. For this indicator alone, the 1990 perimeter is reconstructed each year to provide comparability with the past year.

The Cement business' CO₂ indicators have been independently verified since 2001.

In CO₂ emissions reporting, biomass amounts for zero everywhere, in agreement with WWF.

For some indicators not monitored by all business lines, data is calculated by applying an average factor enabling these factors to be consolidated at Group level.

In addition, in 2005 we submitted five new indicators (designated with a ✓ in the report) for external verification by PricewaterhouseCoopers.

METHODOLOGICAL LIMITS

Environmental and social indicators can have methodological limits because of:

- the limited availability of data needed for calculations;
- the qualitative nature of some data, which can be open to interpretation;
- the practical methods for collecting and recording such data; the voluntary nature of the questionnaire sent to human resources departments for some of the social reporting means it is not possible to cover 100% of the Group's workforce; moreover, the reliability of the data collected via Peoplesoft human resources software depends on the frequency of updating information in the system – as it is a voluntary process, updating is not systematically controlled by the Group.

This is why, for some indicators, we have specified the definitions and methodologies used and, where applicable, the associated limits and margins of uncertainty. This applies in particular to the indicators: Percentage of women in senior management > page 28, Our Emissions > page 41, and Quarries with rehabilitation plan conforming to Group standards > page 40.

PRICEWATERHOUSECOOPERS' INDEPENDENT REPORT ON CERTAIN ENVIRONMENTAL AND SOCIAL INDICATORS

Further to the request made by Lafarge, we have performed a limited review of environmental and social indicators selected by Lafarge identified by the ✓ sign in the performance indicator table on page 10-11, relating to fiscal year 2005 (thereafter "the Data").

Lafarge Group' Sustainable Development and Public Affairs Department was responsible for preparing the Data in accordance with the Group's reporting procedures applicable in 2005, which are available at the Group's headquarters. A summary of those procedures is presented under the title "Reporting methodology" on page 48. Our responsibility is to express a conclusion on the Data based on our limited review.

Nature and scope of our work

We planned and performed the following review to obtain a moderate assurance as

to whether the Data is free of material misstatement. This type of review does not include the necessary work to attain a higher level of assurance.

- We performed an assessment of the Group's reporting procedures with regard to their consistency, relevance, reliability, neutrality and understandability,
- We met with the individuals responsible for the elaboration of the procedures and the organisation of the reporting at the corporate level (Environmental Affairs and Social Policy Departments) and with the individuals responsible for the reporting of Cement, Aggregates & Concrete, Roofing and Gypsum in order to verify the good understanding and the proper implementation of the procedures,
- At the corporate level and at the business level, we met with the individuals responsible for the production of the

Data and verification, on a test basis, of the accuracy of the Data calculation and consolidation,

- We selected a sample of Cement sites regarding CO₂ and dust emissions, and a sample of reporting entities (Business / Business Units – BU) regarding the rest of the Data, depending on their share of the Group's consolidated data and on their geographical representativeness:
 - We visited or called on the phone the sites/entities in order to verify the good understanding and application of the procedures,
 - On a test basis, we reconciled the reported Data with supporting documentation and verified calculation methods. For CO₂ emissions, similar work was performed to the previous years' work within the framework of Lafarge's engagement with the WWF.

THE SITES AND ENTITIES WE SELECTED AS WELL AS THEIR CONTRIBUTION TO THE CONSOLIDATED DATA ARE PRESENTED HERE-AFTER:

DATA	CEMENT	AGGREGATES & CONCRETE	ROOFING	GYPSUM	COVERAGE RATIO
CO ₂ emissions	27 sites		Outside reporting scope		25% of emissions
Stack dust emissions	8 kilns		Outside reporting scope		5% of kilns
Environmental audits	Asia, Europe, Africa	Canada, France	France, Italy, Germany, UK	All entities	24% of sites
Quarries with a rehabilitation plan	All entities (Except Latin America)	West Canada, East USA, France	Outside reporting scope	All entities	47% of quarries
Women in senior management	France, UK, Malaysia, Lafarge North America	France, Lafarge North America		All entities	45% of senior managers
Employee share ownership		France, Germany, Greece, Malaysia, UK,			46% of eligible employees

Regarding the Data other than "CO₂ emissions" and "Employee share ownership", considering:

- the low coverage ratio of the "Stack dust emissions" Data,
- the limited geographical representativeness of the selected sites and entities concerning the "Environmental audits",
- the inconsistent interpretation of the reporting procedures concerning the "Quarries with a rehabilitation plan" Data,
- the irregular update frequency of the "Women in senior management" Data,

the following conclusion solely applies to the selected sites and entities above-mentioned and cannot be extended to the Group's Data presented in the *Sustainability Report*.

Information concerning procedures' improvement

The Sustainability Report contains detailed information on the methodology used to establish the Data, on the internal audits performed and on the planned improvements, in particular:

- Certain indicators' definition and of scope determination rules will be clarified in order to ensure Data give a more homogeneous picture of the whole. > [Page 48](#)
- Methodological limits concerning the Data elaboration and the associated margins of uncertainty have been specified. Internal audits performed at the corporate's level will be strengthened and systematically extended in 2006, in particular concerning the Data on "Percentage of women in senior management" > [Page 45](#) and on "Quarries with rehabilitation plan conforming to Group standards". > [Page 44](#)

Conclusion

- Concerning "CO₂ emissions" and "Employee share ownership", nothing has come to our attention that causes us to believe that the Data has not, in all materials respects, been prepared in accordance with the Group's reporting procedures applicable in 2005.
- Concerning "Stack dust emissions", "Environmental audits", "Quarries with a rehabilitation plan" and "Women in senior management", considering the above mentioned observations, our conclusion is limited to the sites and entities we selected, for which we did not detect any material misstatement.

This is a free translation into English of PricewaterhouseCoopers' statement issued in the French language and is provided solely for the convenience of English speaking readers. This statement should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Neuilly-sur-Seine, May 9, 2006

Sylvain LAMBERT


Opinion of our stakeholders on the 2005 sustainability report

The panel's mission is to serve as "critical friends" who challenge Lafarge's approach to corporate responsibility, suggest improvements and form each year an opinion on Lafarge's accountability. However they do not verify the data or deliver any kind of assurance on performance.

Overall, we consider that Lafarge's sustainability report has improved over the years. We especially appreciated the comprehensive information provided on lobbying, Clean Development Mechanisms, sustainable construction, HIV, corruption and the tsunami. Most of us find the report reader-friendly and well structured, although positioning most indicators exclusively in a dedicated part rather than in the main text may complicate the understanding. However, one member encouraged more tangible examples and a less abstract language, while another called for more concise text and data in the management section. More generally, we noticed instances of vague wording and unsupported claims. To improve on this despite space constraints, we suggest referencing online annexes, as well as more precision wherever possible.

We welcome the inclusion of new indicators, e.g. on purchasing, top managers' appraisals, etc.; however for social and economic data, such as on restructuring, we would appreciate a breakdown by business or by country. We also appreciate Lafarge's candor regarding a drop in performance in certain areas, e.g. safety and air emissions, or a gap versus peers, e.g. ISO 14001 certification; that said, we were disappointed to find few explanations of the causes and little discussion of potential remedial action.

We would also welcome further discussion of how acquisitions have affected risk exposure and variations in performance in these areas. For example, Lafarge mentions its acquisitions in China but the related social and environmental challenges are

not discussed. We would like to know more about the measures taken to fulfill group commitments to international norms and standards. Finally, we feel concerned with the continued lack of reporting on emissions of Persistent Organic Pollutants. Regarding performance, we appreciate the progress on labor issues and operational environmental impacts, but we consider that the group still has to step up in two areas: water strategy and impact on local communities. Here, we would like to see data covering major impacts on employees and their dependents, suppliers, etc., from settlement to site closure and rehabilitation, especially in Southern countries. Beyond indicators, the report would benefit from short case studies with references to more detailed local reports available online.

Finally, some short-term corporate targets need to be completed by more long-term goals, especially on global carbon emissions, given the expansion in booming economies such as China.

In the future, it will be important to strengthen the link between product performance, which is impressive, and improvement of building performance - thanks to lifecycle approaches, collaboration with other industries, raising customer awareness and accountability on product end-of-life.

Regarding assurance, we welcome the audit of selected KPIs and look forward to receiving the results of the social audits mentioned (page 35). For coming years, we support this kind of third-party audit, as well as the involvement of concerned stakeholders. Benchmarking against peers

is another very positive element and needs to be further developed through the comparison with best practices from other industries. We would also be happy to see Lafarge actively lead the development of a cement-sector specific supplement to the GRI guidelines, in collaboration with stakeholders. Finally, we suggest that future reports address the emerging materiality of issues such as carbon and sustainable construction through clearer discussion of how they are integrated into decision making and how financial and sustainability performance are linked.

Members of the panel

Patrice Ponceau (European Works Council)
• Marion Hellmann (Building and Wood Workers International) • Jean Paul Jeanrenaud (WWF) • Philippe Lévêque (CARE) • Karina Litvack (F&C Asset Management) • Cornis van der Lugt (UNEP) • Livia Tirone (Architect) • Alastair McIntosh (Centre for Human Ecology) • Simon Zadek (AccountAbility) • Chaired by Elisabeth Laville (Utopies)

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