

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.4 Compensation

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5.4.1 Compensation paid to Directors – Director's fees

The General Meeting held on May 28, 2001 set the maximum aggregate amount of Directors' fees to be paid in 2001 and in each subsequent year at 609,796 euros.

Each Director is currently entitled to receive a fixed fee of 15,245 euros per year (increased by 25% for our Committee Chairmen and Vice-Chairman). A Director who is appointed or whose office ends

during the course of the year is entitled to 50% of the fixed fee. For the year 2008, an additional fee of 1,175.93 euros is payable to each Director for every Board of Directors meeting or of one of its Committees attended. Some Directors who must travel from distant locations are eligible for a double additional fee.

The total amount of Directors' fees paid in 2009 (with respect to the 2008 fiscal year) was 609,794 euros. The 2009 increase on the total amount paid in 2008 (with respect

to the 2007 fiscal year) is due to an increase in the number of Directors. The total amount paid in 2008 (with respect to the 2007 fiscal year) had been increased by 10% compared with the fees paid in the previous three fiscal years according to the Board of Directors decision to grant a double additional fee to Directors from a remote location and a fixed additional fee for the Board of Directors Vice-Chairman. The total amount of Directors' fees had not been adjusted since 2002.

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Directors	Directors' fees for 2008 paid in 2009 (euros)	Directors' fees for 2007 paid in 2008 (euros)	Directors' fees for 2006 paid in 2007 (euros)
Bruno Lafont	24,652	28,056	26,955
Oscar Fanjul	46,672	35,711	30,859
Michaël Blakenham **	21,734	30,618	30,859
Jean-Pierre Boisivon	29,356	33,180	32,160
Michel Bon	31,708	34,461	33,461
Philippe Charrier	28,180	30,618	30,859
Bertrand Collomb	24,652	28,056	26,955
Philippe Dauman	36,412	17,871	N/A
Paul Desmarais Jr *	34,060	N/A	N/A
Gérald Frère ***	11,150	N/A	N/A
Juan Gallardo	52,875	53,677	24,353
Jérôme Guiraud ***	13,502	N/A	N/A
Alain Joly **	20,558	38,273	38,574
Bernard Kasriel	24,652	28,056	25,654
Pierre de Lafarge	27,004	15,309	N/A
Jacques Lefèvre **	14,678	30,618	29,557
Michel Pébereau	40,224	36,992	37,273
Hélène Ploix	33,168	34,430	34,671
Michel Rollier ***	14,678	N/A	N/A
Thierry de Rudder *	31,708	N/A	N/A
Nassef Sawiris *	48,171	N/A	N/A
TOTAL	609,794	502,701 ****	457,402 ****

* Directors appointed on January 18, 2008.

** Directors whose office ended on May 7, 2008.

*** Directors appointed on May 7, 2008.

**** Including fees paid to Directors whose term of office expired before 2008.

According to Group policy, no Directors' fees have been paid in 2008 either to Lafarge S.A. Senior Officers or to Group Executive members for offices they may hold in any Group subsidiary.

The compensation paid to Directors in 2008 comprised only fees (excluding Chairman's compensation).

5.4.2 Compensation and benefits paid to the Chairman and Chief Executive Officer

Compensation paid to the Chairman and Chief Executive Officer

Our Remuneration Committee is responsible for submitting to our Board of Directors a remuneration policy for our Chairman and Chief Executive Officer. The Remuneration Committee, in establishing the policy, seeks guidance from outside consultants on the market practices of comparable companies.

In 2008, compensation of Bruno Lafont comprised a fixed portion and a performance-related portion, which might be up to 160% of his fixed remuneration.

His fixed annual compensation remains unchanged at 900,000 euros since his appointment as Chairman and Chief Executive Officer on May 3, 2007.

75% of performance-related pay is based on the financial results of the Group in comparison to the objectives set at the beginning of the year, and 25% of his performance-related pay is based on his individual performance over the course of the year.

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For 2008, the financial criteria used to determine performance-related pay were the increase in earnings per share, the free cash flow, the increase in economic value-added, which reflects the return on capital employed, the relative return on investment of Lafarge by comparison with its competitors and the cost-

savings program called Excellence 2008. The portion based on individual performance is determined by reference to the personal targets set at the beginning of the year with respect to the major tasks to be undertaken.

The Board of Directors, with Bruno Lafont not attending this discussion, decided the percentage of performance-related pay due to our Chairman and Chief Executive Officer to 64 % of his performance-related portion which amounts to 919,440 euros.

THE COMPENSATION PAID TO OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR 2008, 2007 AND 2006 WAS AS FOLLOWS:

(thousand euros)	2008 AMOUNT		2007 AMOUNT		2006 AMOUNT	
	Due	Paid	Due	Paid	Due	Paid
Bruno Lafont , Chairman and Chief Executive Officer						
Fixed compensation	900	900	869	920 ⁽¹⁾⁽²⁾	800	776 ⁽¹⁾⁽²⁾
Variable compensation ⁽³⁾	919	1,940	1,940	1,194	1,194	327
Exceptional compensation	N/A	N/A	N/A	N/A	N/A	N/A
Lafarge S.A. Directors' fees	25	28	28	27	27	13
Benefits in kind (company car)	5	5	5	5	5	5
TOTAL	1,849	2,873	2,842	2,146	2,026	1,121

(1) Including Directors' fees for directorship in our subsidiaries until 2007 (excluding Lafarge S.A.)

(2) In 2007, it has been decided not to further delay the payment of the 13th instalment to January of the following year. As a result, 2006 and 2007 13th instalments were paid in 2007.

(3) The variable compensation paid with respect to each fiscal year corresponds to the variable compensation due with respect to the previous fiscal year.

(euros)	Valuation of options granted in 2008 *
B. Lafont	2,521,200

* Share options fair value are calculated at grant date using the Black & Scholes model. See Notes to the consolidated statements No. 2.24 and 21 (Share-based payments).

The information on stock options granted in 2008 to the Chairman and Chief Executive Officer (as well as their valuation) are detailed in Section 5.5.2 (Stock options plans). The Company considers that these items must not be aggregated because the amount of stock options' valuation at fair value at the grant date is not a compensation paid to the beneficiary.

No performance share has been granted to the Chairman and Chief Executive Officer.

Employment agreement and Severance arrangements for the Chairman and Chief Executive Officer

EMPLOYMENT AGREEMENT OF BRUNO LAFONT

In agreement with Bruno Lafont, his employment agreement will be terminated on June 30, 2011.

SEVERANCE COMPENSATION AND AMENDMENTS TO THE EMPLOYMENT AGREEMENT

If, until his employment agreement is terminated, Bruno Lafont were once again to receive the benefits of his employment agreement after his term of office as CEO, in the event of dismissal (for any reason other than serious misconduct or gross negligence), he would receive contractual severance compensation, the conditions of which have been reviewed by the Board in order to take into account the Afep-Medef's recommendations on the subject.

Such severance compensation would therefore be due only insofar as all terms have been fulfilled:

- the first condition is the event giving rise to the right to severance compensation. The dismissal must take place after a change of control (meaning (i) a change in the Company's capital distribution

characterized by the holding by the Groupe Bruxelles Lambert and NNS Holding Sàrl of respectively, not acting in concert, more than 30% and 20% of the Company's voting rights or (ii) the fact that another shareholder or several shareholders acting in concert hold more than 50% of the Company's voting rights) or after a change in the Company's strategy

- the second condition is performance based. This term will be satisfied and severance compensation would be paid if two of the following three criteria are satisfied. If only one criterion out of the three is satisfied, the condition will only be partially satisfied and only one half of the severance compensation would be paid. If none of the criteria are satisfied the condition would not be satisfied and no severance compensation would be paid. The three criteria to be satisfied

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over the last three fiscal years preceding the employment agreement's termination, are as follows:

on average, over the last three fiscal years: the after-tax return on invested capital is greater than the Average Weighted Cost of the Capital. Here, the term Average Weighted Cost of the Capital means the sum of the cost of debt multiplied by the total debt divided by the total of the capital and cost of equity multiplied by the equity and divided by the total of capital (Group figures);

on average, over the last three fiscal years: the EBITDA/Turnover is strictly greater than 18% (Group figures);

on average, over the last three fiscal years: the average percentage of given bonuses under the Employment Agreement or the Term of Office is greater than 60% of the maximum bonus.

The amount of such severance compensation is a maximum equal to two years of total gross remuneration received by Bruno Lafont for the most favorable of the three years preceding the date of his dismissal notice. In order to ensure that the total amount of the compensation due to Bruno Lafont in case of a departure is within such limit, such

severance compensation would be reduced:

- by the amount of the contractual dismissal compensation due pursuant and in compliance with the terms of the applicable collective bargaining agreement, and
- by all the amounts received by Bruno Lafont during and based on his dismissal notice period.

A job elimination or a decrease in the level of responsibilities would also constitute a case of dismissal creating a right to dismissal compensation.

In addition, at the Board's request and in order to ensure his presence to successfully carry out the strategy undertaken by the Group, Bruno Lafont has agreed not to leave the Company before June 30, 2011. As consideration for such commitment, the Company has agreed, in the case of dismissal other than for gross negligence or serious misconduct, that Bruno Lafont's dismissal notice may run until such date.

The amendments to Bruno Lafont's employment agreement resulting from the decisions made by the Board and mentioned above will be presented to the shareholders for a vote at the next general meeting. This is a "regulated agreement".

Pensions and other retirement benefits for the Chairman and Chief Executive Officer

Bruno Lafont is eligible for a supplementary plan in defined benefits. On principle, a person is eligible for this plan only if he is still in the Company upon retirement date. As far as Bruno Lafont is concerned, and due to his 26 years of service within the Group, this plan would provide him with a pension equal to 26% of his reference salary (average of the variable and fixed compensation over the last 3 years) in excess of 8 times the annual French social security cap to which an additional 13% would be added in excess of 16 times the annual French social security cap.

In February 2009, the Board of Directors reviewed the recommendations of the Company governance code from Afep-Medef, and checked that the estimated pension amount paid to the Chairman and Chief Executive Officer related to these two plans would remain below 40% of his last total cash compensation (variable and fixed). This cap will be applied as the rule adopted by the Board of Directors for any future Senior Officer.

There is no specific pension plan for Corporate Officers.

SUMMARY

Corporate Executive Officer	Employment contract		Supplementary pension plan		Severance arrangements paid or to be paid in case of termination or change of position		Non competition clause payments	
	Yes	No	Yes	No	Yes	No	Yes	No
Bruno Lafont * Chairman and Chief Executive Officer	X (see above)		X (see above)		X (see above)			X

* Bruno Lafont was appointed as Director on May 25, 2005, Chief Executive Officer on January 1, 2006 and Chairman and Chief Executive Officer on May 3, 2007. His Director offices will be proposed for renewal at the General Meeting on May 6, 2009.

5.4.3 Compensation and benefits paid to the Chief Operating Officer

Michel Rose was Chief Operating Officer until April 30, 2008, date of his retirement.

His compensation comprised a fixed portion and a performance-related portion, which may be up to 120% of his fixed remuneration.

As a consequence of his retirement, Michel Rose has been paid an amount of 609,765 euros. This amount includes the retirement indemnity provided by the applicable collective bargaining agreement and an unused leave payment.

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THE COMPENSATION PAID TO THE CHIEF OPERATING OFFICER FOR 2008, 2007 AND 2006 WAS AS FOLLOWS:

(thousand euros)	2008 AMOUNT		2007 AMOUNT		2006 AMOUNT	
	Due	Paid	Due	Paid	Due	Paid
Michel Rose , Chief Operating Officer						
Fixed compensation	424 ⁽²⁾	424 ⁽²⁾	510	510 ⁽¹⁾	510	510 ⁽¹⁾
Variable compensation ⁽³⁾	N/A	762	762	671	671	340
Exceptional compensation	N/A	N/A	N/A	N/A	N/A	N/A
Lafarge S.A. Directors' fees	N/A	N/A	N/A	N/A	N/A	N/A
Benefits in kind (company car)	2	2	5	5	5	5
TOTAL	426	1,188	1,277	1,186	1,186	855

(1) Including Directors' fees for directorship in our subsidiaries until 2007 (excluding Lafarge S.A.)

(2) Amounts calculated on his 2007 total compensation (variable and fixed), Michel Rose is no longer Chief Operating Officer as of May 1, 2008, on which date he retired.

(3) The variable compensation paid with respect to every fiscal year corresponds to the variable compensation due with respect to the previous fiscal year.

Furthermore, no stock options were granted to the Chief Operating Officer in 2008.

No performance share was granted to him.

5.4.4 Total compensation paid to the Executive Officers in 2008 and pension and other retirement benefits

The aggregate gross amount of compensation paid to Bruno Lafont in his capacity as Chairman and Chief Executive Officer and to other Executive Officers in 2008, including variable remuneration, was 11.1 million euros. This aggregate amount was 9.8 million euros in 2007 and 8.4 million euros in 2006.

This amount:

- includes the fixed portion of Executive Officers' salaries in 2008 as well as the bonuses paid in 2008 in respect to 2007;
- includes an individual performance component, a financial performance component and a collective performance component as the variable remuneration;
- concerns all those who were Executive Officers in 2008, for the period of the year during which they were Executive Officers;
- includes the Directors' fees paid by Lafarge S.A. to Bruno Lafont.

The changes in the aggregate amount of compensation paid to the Chairman and Chief Executive Officer and to the Executive Officers over the last three fiscal years result from the changes in the number of Executive Officers. In 2008, the Executive Officers were 11 owing to the appointment of 2 new individuals and to the retirement of the Chief Operating Officer (*versus* 10 individuals in 2007 and 9 individuals in 2006).

Furthermore, the aggregate amount set aside or accrued to provide pension, retirement or similar benefits for Executive Officers (11 persons) was 17.4 million euros at December 31, 2008.