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DIRECTORS SENIOR MANAGEMENT AND EMPLOYEES

5.4 Compensation and benefits

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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 2009, an additional fee of 1,154.47 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 2010 (with respect to the 2009 fiscal year) was 609,787 euros. The total amount of Directors' fees remained the same as the total amount paid in 2009 (with respect to the 2008 fiscal year). 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.

DIRECTORS	DIRECTORS' FEES FOR 2009 PAID IN 2010 (euros)	DIRECTORS' FEES FOR 2008 PAID IN 2009 (euros)	DIRECTORS' FEES FOR 2007 PAID IN 2008 (euros)
Bruno Lafont	23,326	24,652	28,056
Oscar Fanjul	45,152	46,672	35,711
Jean-Pierre Boisivon	29,098	29,356	33,180
Michel Bon	31,407	31,708	34,461
Philippe Charrier	32,562	28,180	30,618
Bertrand Collomb	23,326	24,652	28,056
Philippe Dauman	40,643	36,412	17,871
Paul Desmarais Jr ⁽¹⁾	29,098	34,060	N/A
Gérald Frère ⁽²⁾	26,789	11,150	N/A
Juan Gallardo	63,732	52,875	53,677
Jérôme Guiraud ⁽²⁾	29,098	13,502	N/A
Bernard Kasriel	23,326	24,652	28,056
Pierre de Lafarge	25,635	27,004	15,309
Michel Pébereau	37,528	40,224	36,992
Hélène Ploix	32,910	33,168	34,430
Michel Rollier ⁽²⁾	30,253	14,678	N/A
Thierry de Rudder ⁽¹⁾	36,025	31,708	N/A
Nassef Sawiris ⁽¹⁾	49,879	48,171	N/A
TOTAL	609,787	609,794 ⁽³⁾	502,701 ⁽³⁾

(1) Directors appointed on January 18, 2008.

(2) Directors appointed on May 7, 2008.

(3) Including fees paid to Directors whose term of office expired before 2009.

According to Group policy, no Directors' fees have been paid with respect to the 2009 fiscal year 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 with respect to the 2009 fiscal year comprised only fees (excluding Chairman's compensation).

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

Fixed and variable 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. These Board of Directors decisions are taken with Bruno Lafont not attending the discussion.

The compensation paid to the Chairman and Chief Executive Officer comprises a fixed portion and a performance-related portion.

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In 2009, his fixed annual compensation remained unchanged at 900,000 euros. There has been no change since his appointment as Chairman and Chief Executive Officer on May 3, 2007.

The performance-related portion might be up to 160% of his fixed remuneration. 75% of the performance-related pay is based on the financial results of the Group in comparison to objectives set at the beginning of the year, and 25% is based on his individual performance also determined by reference to personal objectives set at the beginning of the year.

For 2009, financial objectives used to determine performance-related pay were the change in earnings per share, the generation of free cash flow, the change in economic value-added, which reflects the return on capital employed, and the change in Lafarge's performance compared to its competitors. For their part, personal objectives related to the Group's strategy, the financial structure, the development of the health and safety program, human resources and people development and relations with investors and shareholders.

The Board of Directors decided to set the percentage of the 2009 performance-related pay due to our Chairman and Chief Executive Officer at 70.5% of his maximum performance-related portion, which amounts to 1,016,100 euros, paid in 2010. This performance corresponds to an achievement at 62.4% of financial objectives (the objective of generation of free cash flow being the only one fully achieved) and at 95% of personal objectives.

Long-term incentive based on the Company's performance

On November 5, 2009, the Board of Directors decided to grant a long-term incentive to the Chairman and Chief Executive Officer Mr Bruno Lafont, based on the Company's performance over a period of three to seven years.

Such compensation will be due and payable between 2012 and 2016 insofar as the Company's performance as benchmarked against a group of peer companies in the sector

remains in the top half (external performance condition).

Provided this external performance condition is met, the amount of the long-term incentive will depend on the achievement of free cash flow and return on capital employed (ROCE) pre-defined objectives over a given period, such objectives corresponding to the Company's strategic objectives as set by the Board and already used in relation to the Group's senior management (internal performance conditions). The amount of the long-term incentive will be reduced by a quarter for each internal performance condition which remains unsatisfied. Each performance condition (external and internal) will be tested every two years over the period until it is declared as being fulfilled.

If all performance conditions are satisfied, the long-term incentive will amount to 1,500,000 euros as positively or negatively adjusted based on the evolution of the total shareholder return since the beginning of 2010 (percentage calculated by taking into account dividend and share price evolution).

THE COMPENSATION PAID TO OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR 2009, 2008 AND 2007 WAS AS FOLLOWS:

	2009 AMOUNT		2008 AMOUNT		2007 AMOUNT	
	Due	Paid	Due	Paid	Due	Paid
<i>(thousand euros)</i>						
Bruno Lafont , Chairman and Chief Executive Officer						
Fixed compensation	900	900	900	900	869	920 ^{(1) (2)}
Variable compensation ⁽³⁾	1,016	919	919	1,940	1,940	1,194
Exceptional compensation	N/A	N/A	N/A	N/A	N/A	N/A
Lafarge S.A. Directors' fees	23	25	25	28	28	27
Benefits in kind (Company car)	5	5	5	5	5	5
TOTAL	1,944	1,849	1,849	2,873	2,842	2,146

(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.

In 2009, no stock-options have been granted to the Chairman and Chief Executive Officer.

(euros)	VALUATION OF OPTIONS GRANTED IN 2009 *
B. Lafont	0

* 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).

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

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

EMPLOYMENT CONTRACT OF BRUNO LAFONT

To achieve compliance with the Afep-Medef Code, the principle to terminate Mr Bruno Lafont's employment contract on June 30, 2011 had been agreed between him and the Board of Directors in February 2009.

The employment contract of Mr Bruno Lafont, originally signed on January 1, 1983, had been suspended as from January 1, 2006, the date of his appointment as Chief Executive Officer.

SEVERANCE COMPENSATION AND AMENDMENTS TO THE EMPLOYMENT CONTRACT

If, until his employment contract is terminated, Bruno Lafont were once again to receive the benefits of his employment contract after his term of office as Chairman and Chief Executive Officer, 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 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, over the last three fiscal years preceding the employment contract'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 ratio 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 Contract 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 favourable 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 contract resulting from the decisions made by the Board and mentioned above have been presented and approved by the shareholders' general meeting held on May 6, 2009.

PENSIONS AND OTHER RETIREMENT BENEFITS FOR THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Bruno Lafont is eligible for a supplementary defined benefits plan (through two collective plans applicable to Senior Management). In principle, a person is eligible for this plan only if he is still working in the Company upon his retirement date or if he ends his career in the company after 55 years old on the initiative of the latter. 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 Afep-Medef Code, 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.

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5.5 Stock options and performance share plans

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 was renewed by the General Meeting on May 6, 2009.

5.4.3 Total compensation of the Executive Officers in 2009 and pension and other retirement benefits

The aggregate gross amount of compensation of Bruno Lafont in his capacity as Chairman and Chief Executive Officer and of the other Executive Officers in 2009, including variable remuneration, was 8.9 million euros. This aggregate amount was 11.1 million euros in 2008 and 9.8 million euros in 2007.

This amount:

- includes the fixed portion of Executive Officers' salaries in 2009 as well as the bonuses paid in 2009 in respect to 2008;
- 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 2009, for the period of the year during which they were Executive Officers;
- includes the Directors' fees paid by Lafarge S.A. to Bruno Lafont.

At the end of 2009 like at the end of 2008, the number of Executive Officers remained unchanged at 11 persons.

The decrease in the aggregate amount of compensation paid to the Executive Officers in 2009 in comparison to 2008 mainly results from the decrease of the variable compensation paid in 2009 due with respect to the previous fiscal year.

Furthermore, the aggregate amount set aside or accrued to provide pension, retirement or similar benefits for Executive Officers (11 persons) was 21.4 million euros at December 31, 2009.