

Cement

Cement is a fine powder which is the principal strength-giving and property-controlling component of concrete. It is a high quality, cost-effective building material that is a key component of construction projects throughout the world, including the 48 countries in which our Cement Division has production facilities in 2009. Based on both internal and external research, Lafarge believes that we are the world's leading producer of cement taking into account sales, production capacity, geographical positions, technological development and quality of service. At year-end 2009, the Group's consolidated businesses operated 120 cement, 32 clinker grinding and 8 slag grinding plants, with an annual production capacity of 203 million tonnes (total capacity of entities controlled by Lafarge). Consolidated sales for 2009 reached approximately 141 million tonnes.

Products

We produce and sell an extensive range of cements and hydraulic binders for the construction industry, including basic portland and masonry cements and a variety of other blended and specialty cements and binders. We offer our customers a broad line, which varies somewhat by market. Our cement products (all of which are referred to as "cement" in this report) include specialty cements suitable for use in a variety of environmental conditions (e.g. exposure to seawater, sulfates and other natural conditions hostile to concrete) and specific applications (e.g. white cement, oil-well cements, blended silica fume, blended fly-ash, blended pozzolana, blended slag cements and road surfacing hydraulic binders), natural lime hydraulic binders, masonry cements and ground blast furnace slag.

We design our cements to meet the varying needs of our customers, including high-performance applications for which enhanced durability and strength are required. We also offer our customers a number of extra services, such as technical support in connection with the use of our cements, ordering and logistical assistance to ensure timely delivery to the customers, plus

documentation, demonstrations and training relating to the properties and appropriate use of our cements.

Production and Facilities Information

COMPOSITION AND PRODUCTION OF CEMENT

Cement is made by crushing and grinding calcium carbonate (limestone), silica (sand), alumina and iron ore in appropriate proportions and heating the resulting mixture in a kiln to approximately 1,500°C. In the more modern "dry process" used by around 88% of Lafarge's plants, the ore mixture enters the kiln dry, as opposed to the older process in which it is mixed with water. Each process produces "clinker", which is then finely ground with gypsum to make cement powder. A breakdown of the production cost of cement (before distribution and administrative costs) is approximately: energy 31%, raw materials and consumables 29%, labor, maintenance and other production costs 28%, and depreciation 12%.

Raw materials for making cement (calcium carbonate, silica, alumina, and iron ore) are usually present in limestone, chalk, marl, shale and clay, and are available in most countries. Cement plants are normally built close to large deposits of these raw materials. For most of our cement plants, we obtain these materials from nearby land that we either own or over which we hold long-term quarrying rights. The quantity of proven and permitted reserves at our cement plants is believed to be adequate to operate the plants at their current levels for their planned service life.

Where technically available and economically viable, we may substitute ground blast furnace slag, pozzolan or fly ash for certain raw materials when making cement, or mix slag, pozzolan or fly ash with cement at the end of the process. Ground blast furnace slag is a by-product of steel manufacturing, and fly ash is a product of burning coal in electric utility plants. Whether and how they are used depends on the physical and chemical characteristics of the slag or ash and on the physical and chemical properties required of the cement being produced. These materials help lower our capital costs per tonne of cement produced. Their use is

environmentally friendly since it increases cement supplies by recycling post-industrial material that would otherwise be used as landfill. In 2009, the cement over clinker ratio reached 1.29 compared to 1.28 in 2008 and 1.27 in 2007.

ENERGY OPTIMIZATION

Energy is the largest expense item among the Group's production costs (31% of total, excluding distribution and administrative costs).

Wherever possible, we use advanced plant designs (such as preheaters to heat raw materials prior to entering the kiln) and waste materials (e.g. tires, used oils) to curb the use of fossil fuels. In 2009, fuel waste materials accounted for close to 12% of our worldwide cement manufacturing fuel consumption, with almost two-thirds of our cement plants using some form of fuel waste materials. The availability of fuel waste materials varies widely from region to region, and in particular between developed markets (where they are more abundant) and emerging markets (where they are at an early stage of development). In addition, many of our plants can switch between several fuels with minimum disruption to production, allowing us to enjoy the benefit of lower cost fuels.

MANUFACTURING EXPERTISE

We have developed significant expertise in cement manufacturing through our experience of operating numerous cement production facilities worldwide for over 170 years. This expertise has been formally documented and is passed on via our technical centers, which employ over 600 engineers and technicians worldwide. We strive to share our collective knowledge throughout the Group to improve our asset utilization, lower our production costs and increase the efficiency of our products. Through this culture of knowledge-sharing, we also endeavor to disseminate best production practices and employ benchmarking tools worldwide to drive superior performance and unlock continuous operating improvements.

3

INFORMATION ON LAFARGE

3.3 Business Description

Customers

In each of the major regions in which we operate, we sell cement to several thousand customers, primarily concrete producers, precast concrete product manufacturers, contractors, builders and masons, as well as building materials wholesalers. Our cement is used in three major segments of the construction industry: residential, non residential construction and infrastructure projects.

Cement performance characteristics and the service requirements of our customers vary widely depending on the projects for which our cement is used, as well as their experience and expertise. We strive to meet our customers' diverse demands and to deliver distinctive and targeted solutions enabling them to create more value in their businesses.

Our customers generally purchase cement from us through current orders in quantities sufficient to meet the needs of their building or renovation projects. Contracts are also signed with certain buyers (i.e. producers of pre-fabricated concrete products or wholesalers) to supply the requisite volume

of cement over a lengthy period of time of a year or more.

Markets

CEMENT INDUSTRY

Historically, the global cement industry has been fragmented, with most markets served by local producers. Beginning in Europe in the 1970s, then continuing in the United States during the 1980s and later in Asia (outside China), the cement industry underwent significant worldwide consolidation. Today, there are just a handful of multinational cement companies, including Lafarge and our major worldwide competitors, i.e. Buzzi (Italy), Cemex (Mexico), Cimentos de Portugal SGPS, S.A. (Cimpor, Portugal), HeidelbergCement (Germany), Holcim (Switzerland), Italcementi (Italy), Taiheiyo (Japan), and Votorantim (Brazil). These companies compete against local producers in various markets around the world. Cement production is capital intensive. Construction of a new dry process cement line producing 1 million tonnes annually represents a significant amount of investment, depending on the location.

The cement industry is highly competitive in our major markets. Some countries or regions are more exposed during certain periods than others owing to factors such as the strength of demand, market access and raw materials reserves.

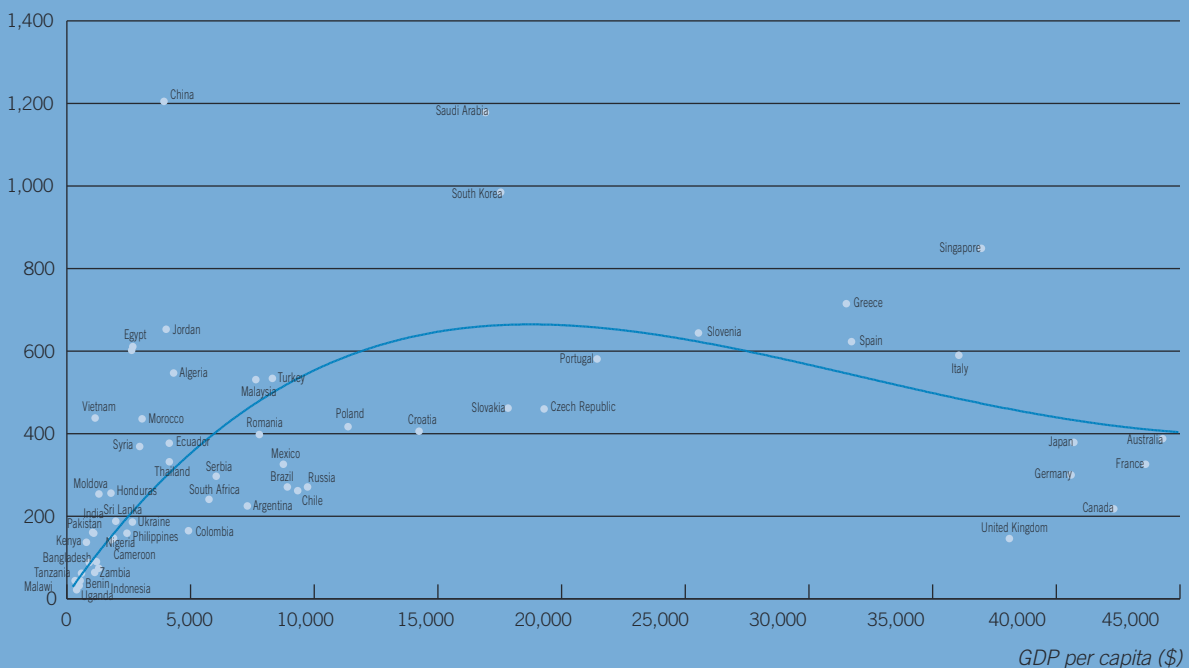
CEMENT MARKETS

Emerging markets (notably China, India, Latin America, Central and Eastern Europe, Middle East and Africa) represent 77% of the worldwide market, with North America and Western Europe accounting for most of the remainder. We have substantial operations in each of these markets, along with other multinational cement companies and local cement producers.

The cement demand in a country is generally driven by the growth in per capita income. Demographic growth, industrialization and urbanization progress tend to trigger a rapid growth in housing and infrastructure needs, leading to increased cement consumption.

CEMENT CONSUMPTION PER CAPITA IN 2009

Cement Consumption per capita (kg)



INFORMATION ON **LAFARGE**

3.3 Business Description

LOCATION OF CEMENT PLANTS AND OF CEMENT MARKETS

Cement is a product that is costly to transport over land. Consequently, the radius within which a typical cement plant is competitive extends for no more than 300 kilometers for the most common types of cement. However, cement can be shipped economically by sea and inland waterway over great distances, significantly extending the competitive radius of cement plants with access to waterborne shipping lanes. Thus, the location of a cement plant and the cost of transportation of the cement we produce through our distribution terminals significantly affect the plant's competitiveness, the prices we can charge and ultimately our profitability.

CEMENT QUALITY AND SERVICES

The reliability of a producer's deliveries and the quality of our cement and our support services are also factors influencing a cement producer's competitiveness. Accordingly, the Group strives to deliver consistent cement quality over time, to maintain a high standard and quality of support service and to offer special-purpose cements to set ourselves apart from our competitors.

BREAKDOWN BY REGION

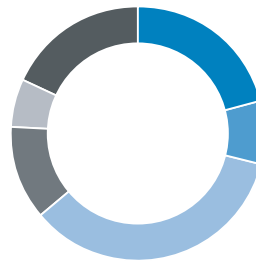
We produce and sell cement in the regions and countries listed in the tables below.

WESTERN EUROPE (21% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
	CEMENT PLANTS	GRINDING PLANTS		
			(million tonnes)	(%)
France	10	4	9.5	34
United Kingdom	6	-	5.9	40
Greece	3	-	9.8	50
Spain	3	3	7.3	10
Germany	3	-	3.4	10
Austria	2	-	2.0	32

In 2009, all the countries of the region registered double-digit volume declines, reflecting depressed markets caused by the economic crisis. The region as a whole

The following presentation shows each region's percentage contribution to our 2009 cement sales in euros, as well as the number of plants we operate, our cement production capacity and approximate market share in each country over the year ended December 31, 2009.

SALES BY DESTINATION 2009

Western Europe	21
Central Europe	8
Middle East & Africa	35
North America	12
Latin America	6
Asia	18

TOTAL BY DESTINATION 100

In the following section, stated production capacities are reported on the basis of 100% of operating plants controlled by Lafarge in the indicated country. However, volume sold are reported on a stand alone basis before elimination of intra-group sales..

Our approximate market share has been calculated per country based on information contained in the Construction & Building Materials Sector report published by JP Morgan in September 2009 (the "JP Morgan Report") and internal estimates.

Comparable information for the year 2008 is available in the Annual Report 2008.

consumed close to 163 million tonnes of cement in 2009, according to the JP Morgan Report. We sold 22.6 million tonnes of cement in Western Europe in 2009, 32.0 million

tonnes in 2008 and 34.3 million tonnes in 2007.

3

INFORMATION ON LAFARGE

3.3 Business Description

NORTH AMERICA (12% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY <i>(million tonnes)</i>	APPROXIMATE MARKET SHARE <i>(%)</i>
	CEMENT PLANTS	GRINDING PLANTS		
United States	12	3	14.8	13
Canada	7	2	6.4	33

The continuing softness in the North American markets led to declines in volumes, both in the United States and in Canada. The progressive improvement of the economic situation, related to the governments' stimulus packages and their eventual impacts on infrastructure

spendings, could have a positive impact on our markets from the second half of 2010.

Sales are seasonal in Canada and much of the east coast and mid west of the United States, because temperatures in the winter fall below minimum setting temperatures for

concrete. The region as a whole consumed close to 83 million tonnes of cement in 2009, according to the JP Morgan Report. We sold 12.7 million tonnes of cement in North America in 2009, 17.2 million tonnes in 2008 and 19.3 million tonnes in 2007.

CENTRAL AND EASTERN EUROPE (8% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY <i>(million tonnes)</i>	APPROXIMATE MARKET SHARE <i>(%)</i>
	CEMENT PLANTS	GRINDING PLANTS		
Poland	2	-	4.8	20
Romania	2	1	4.9	31
Russia	2	-	4.1	7
Moldavia	1	-	1.4	62
Ukraine	1	-	1.3	12
Serbia	1	-	2.0	45
Slovenia	1	-	0.6	38
Czech Republic	1	-	1.2	9

After two record growth years, Central and Eastern Europe has been severely impacted in 2009 by the residential market contraction due to the economic crisis. The region as a

whole consumed 96 million tonnes of cement in 2009, according to the JP Morgan Report. We sold 11.9 million tonnes of cement in Central and Eastern Europe in 2009,

16.2 million tonnes in 2008 and 15.5 million tonnes in 2007.

MIDDLE EAST AND AFRICA (35% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
	CEMENT PLANTS	GRINDING PLANTS		
			(million tonnes)	(%)
Morocco	3	1	6.8	43
Nigeria	3	-	3.5	32
Algeria	2	-	8.6	36
Iraq	2	-	4.8	21
Jordan	2	-	4.8	94
Zambia	2	-	1.3	75
Egypt	1	-	10.0	20
United Arab Emirates	1	-	3.0	6
South Africa	1	2	3.6	17
Tanzania	1	-	0.3	22
Kenya	1	1	2.0	48
Uganda	1	-	0.4	62
Cameroon	1	1	1.7	92
Benin	1	-	0.7	37
Malawi	-	1	0.2	76

In this region, which consumed close to 350 million tonnes of cement in 2009 (according to the JP Morgan Report), we have sold 44.1 million tonnes of cement in 2009 compared to 42.4 million tonnes in 2008 and 24.0 million tonnes in 2007. Sustained demographic growth and significant needs for

housing and infrastructures support the strong potential of this region.

In Morocco, the Group develops its cement business through a joint-venture with *Société Nationale d'Investissement*.

In addition, we hold a 76.4% interest in Circle Cement in Zimbabwe, which operates one plant with a capacity of 400,000 tonnes.

In 2009, we sold our cement operations in Turkey.

See Section 3.2.2 (Significant recent divestitures) for more information.

LATIN AMERICA (6% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
	CEMENT PLANTS	GRINDING PLANTS		
			(million tonnes)	(%)
Brazil	4	1	4.0	7
Mexico	2	-	0.8	NS
Ecuador	1	-	1.4	20
Honduras	1	1	1.3	55
French West Indies/Guyana	-	3	1.0	100

Latin America as a whole consumed 135 million tonnes of cement in 2009, according to the JP Morgan Report. We sold 7.6 million tonnes of cement in Latin America

in 2009, 8.6 million tonnes in 2008 and 8.5 million tonnes in 2007.

In 2009, we sold our cement operations in Chile and Venezuela.

See Section 2.1.1 (Risks related to our business - Risks related to our worldwide presence) and Section 3.2.2 (Significant recent divestitures) for more information.

3

INFORMATION ON LAFARGE

3.3 Business Description

ASIA (18% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY (million tonnes)	APPROXIMATE MARKET SHARE (%)
	CEMENT PLANTS	GRINDING PLANTS		
China	18	10	24.3	6 – 22 ⁽²⁾
Philippines	6	1	6.5	33
Malaysia	3	1	12.5	37
South Korea	2	1	9.6	13
India	2	2	6.5	24 ⁽³⁾
Pakistan	1	-	2.1	6
Indonesia	1	-	0.0 ⁽¹⁾	4
Bangladesh	-	1	0.5	1
Vietnam	1	-	1.6	15

(1) The Banda Aceh plant in Indonesia was severely damaged during the 2004 tsunami and is under reconstruction.

(2) Depending on regions.

(3) For the North East region.

We believe that the long-term growth prospects for Asia are very promising. The region as a whole consumed close to 2,000 million tonnes of cement in 2009, according to the JP Morgan Report. We sold 42.3 million tonnes of cement in the region in 2009, 38.3 million tonnes in 2008 and 34.8 million tonnes in 2007.

In China, the Group operates a joint venture with Hong Kong based company Shui On. This joint venture is currently the market leader in southwest China (Sichuan, Chongqing, Guizhou and Yunnan) and also operates in Beijing.

Our cement business in Bangladesh is held through a joint-venture with Cementos Molins. See Note 34 of our consolidated financial statements.

Furthermore, in Japan, we hold a 39% indirect interest in Lafarge Aso Cement (accounted for by the equity method and therefore not included in the table above), which operates two plants with a combined capacity of 3 million tonnes.

CEMENT TRADING ACTIVITIES

The Group also manages worldwide cement trading activities, which help us to meet fluctuations in demand in certain countries, without building plants that result in excess capacity. We conduct these activities primarily through our Cementia Trading subsidiary. In addition, our Marine Cement subsidiary acts mainly as an importer and distributor of cement in the Indian Ocean and the Red Sea countries.