

## INFORMATION ON **LAFARGE**

### 3.3 Business Description

#### **Gypsum**

Gypsum wallboard (also known as “plasterboard”) and other gypsum-based products (e.g. plaster, plaster blocks, joint compounds and related products such as metal studs and accessories) are used primarily to offer gypsum-based building

solutions for constructing, finishing or decorating interior walls and ceilings in residential, commercial and institutional construction projects throughout the world, as well as for sound and thermal insulating partitions. Other gypsum-based products include industrial plaster (used for special applications such as moldings or sculptures), medical plasters, and self-leveling floor-screeds.

We believe that we are among the four largest manufacturers of gypsum wallboard worldwide. At the end of 2009, we had production facilities in 30 countries. Our consolidated businesses operated 41 wallboard plants (with an annual production capacity of over 1 billion m<sup>2</sup>) and 36 other plants which produced primarily plaster, plaster blocks, joint compounds or metal studs as well as 3 wallboard paper plants.

# 3

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### 3.3 Business Description

#### Products

##### WALLBOARD

Our principal gypsum product is wallboard. We produce wallboard in a number of standard lengths, widths and thicknesses and with a variety of characteristics depending on the intended use of the board. We offer a full line of wallboard and finishing products: "standard" wallboard; wallboard designed for various decorative treatments; and wallboard for use in a variety of applications – e.g. high humidity, fire retardant, water-resistant, sag-resistant, design and decoration and high traffic areas.

We regularly seek to expand and improve the range of our wallboard products. Following the recent launch of Synia®, a new generation wallboard with all four edges tapered which considerably facilitates the work of installers in many areas leading to high quality applications in 2008, we launched an exclusive and very high performance wet area board (WAB) which had an outstanding success in 2009 with distributors and installers. Many countries will launch this exclusive product in 2010.

In 2009, almost 15% of our sales were from new products.

##### OTHER PRODUCTS

We also produce gypsum plaster, plaster blocks, joint compounds, metal studs, anhydrite binders for self-leveling floor-screeds and industrial plasters, which are intended for the construction and decorating industries. Sales of such products accounted for approximately one third of our Gypsum Division sales in 2009.

#### Production and Facilities Information

Gypsum wallboard exploits the crystalline structure of gypsum (calcium sulfate dihydrate – a naturally occurring mineral common in sedimentary environments), within which water molecules are physically locked. Wallboard is made by grinding and heating gypsum to release the trapped water molecules, mixing the residue with water to form a slurry, extruding the slurry between two continuous sheets of paper, and then drying and cutting the resulting board into proper sizes. When drying, the slurry rehydrates into gypsum crystals which interlock with each other and "grow" into the liner paper, giving the board its strength. We use both naturally occurring gypsum and synthetic

gypsum to produce wallboard. Synthetic gypsum is produced as a by-product of certain chemical manufacturing and electrical power production operations.

At the end of 2009, our consolidated businesses operate and own 21 gypsum quarries worldwide, including 15 in Europe. Some of our plants have entered into long-term supply contracts with third parties to supply natural gypsum. Generally, we obtain synthetic gypsum under long-term contracts, most of which contain one or more options to renew. Occasionally, depending on supply needs and local market conditions, we enter into contracts for shorter periods. We believe our current supply of gypsum, both natural and synthetic, is adequate for current and foreseeable operating levels.

Paper and gypsum account for approximately 20% and 15% respectively, of our wallboard production costs. We produce about half of our wallboard paper requirements at our own mills in France and Sweden and at one mill in the United States operated through a joint venture. All of our paper production is based on recycled waste paper.

#### Customers

We sell our gypsum wallboard products mostly to general building materials distributors, wallboard specialty dealers, lumber yards in the United States, decorating companies in growing markets and do-it-yourself home centers. In some markets, specifiers (such as architects) may influence which products are to be used to construct given projects. Our marketing efforts are focused not only on actual purchasers, but also on those who may indirectly determine which materials are used.

#### Markets

##### DESCRIPTION OF MARKETS AND OF OUR POSITION IN THESE MARKETS

We believe we share approximately 75% of today's worldwide wallboard market with six other producers in a sector which is increasingly concentrated (Georgia Pacific, Knauf, National Gypsum, Saint-Gobain, U.S. Gypsum and Yoshino). These companies operate gypsum wallboard plants and usually own the gypsum reserves they use to produce their wallboard.

The gypsum wallboard industry is highly competitive. Because wallboard is expensive to transport producers compete on a regional

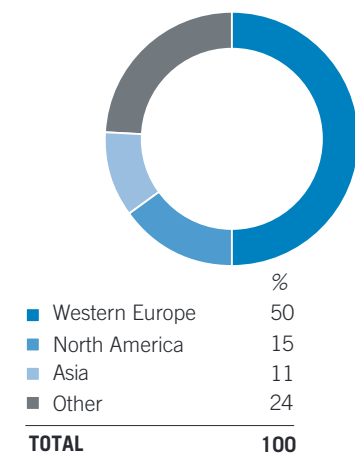
basis, primarily based on price, product range, product quality, solution design, efficiency, flexibility and customer service. Our largest competitors in Western Europe are Knauf and Saint-Gobain, and in the United States National Gypsum, Saint-Gobain and US Gypsum.

The sector is highly competitive in Western Europe and North America with production mostly concentrated among several national and international players.

##### BREAKDOWN BY REGION

The following presentation shows the percentage contribution made by each of these regions to our 2009 Gypsum Division sales in euros.

##### SALES BY DESTINATION 2009



##### Western Europe

Western Europe is the world's third largest regional wallboard market. The technical performance of products and systems plays a critical role in this market. The region as a whole consumed over one billion m<sup>2</sup> of wallboard in 2008, based on our estimates. We sold over 250 million m<sup>2</sup> of wallboard in Western Europe in 2009. Additionally, we have a minority interest in a wallboard plant and three plaster plants in Spain.

In 2007, we started operating a new wallboard plant in the United Kingdom. Since end-2008, our wallboard plant in Lübbenau, Germany has been mothballed. In 2009, we closed our Frampton (UK) facility and a new metal studs facility was opened in Cavaillon (France).

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## 3.3 Business Description

**North America**

North America is the world's largest regional wallboard market. The region as a whole consumed close to 2.6 billion m<sup>2</sup> of wallboard in 2008, based on our estimates. We sold over 150 million m<sup>2</sup> of wallboard in North America in 2009.

In 2007, we expanded the capacity of our wallboard plant in Silver Grove, Kentucky. In July 2007, we closed our wallboard plant in Cornerbrook, Canada. In July 2008, we mothballed our wallboard plant in Newark, New Jersey. At the beginning of 2009, we opened a new compounds facility at Silver Grove.

**Asia**

In Asia, the world's second largest regional wallboard market, we conduct gypsum wallboard and related operations through a 50/50 joint venture managed jointly with the Australian company Boral Limited. The joint venture operates three wallboard plants in South Korea, three in China, one in Malaysia, two in Thailand, two in Indonesia, one in Vietnam and one in India. It also has several plaster and metal stud plants in these countries. In 2007, the capacity of the joint-venture's Dangjin plant in South Korea was doubled. The joint venture completed the construction of a wallboard plant in Rajasthan (India) which began production early 2008. In 2008, the joint venture built a new wallboard

plant in Central Western China and closed one of its two plants in Chongqing. In 2009, the joint venture purchased a new metal studs facilities in Huaxi (China). Early in 2010, the joint venture will start a new wallboard plant in Shanghai, a new metal studs facility will be opened in Saraburi (Thailand) and a new wallboard line will double the capacity of Saraburi. The ceiling tiles capacity will be doubled in South Korea. Also, a new metal stud facility will start in the Philippines, and Vietnam's metal studs capacity will be doubled.

**Other countries**

We also conduct wallboard and related operations in other markets.

In Romania, Lafarge tripled its plant's production capacity in 2007 to support the expansion of the market. In Ukraine, a plasterboard plant was completed at the end of 2007.

In Turkey, we operate a wallboard plant and a construction plaster plant near Ankara through a joint venture with Dalsan Insaat. Together, we have built a new wallboard plant in Istanbul, which was completed at the end of 2008.

In South Africa, Lafarge completed the construction of a plasterboard plant in 2007, complementing its existing manufacturing line for gypsum components.

In Algeria, Lafarge built a plaster plant in 2007.

In Saudi Arabia, together with local players, Lafarge built a new plaster plant that became operational in 2007.

In Morocco, we operate a plaster plant.

In Australia, we operate two wallboard plants. In 2007, we built a plaster compound plant in Altona on the site of the existing wallboard plant.

In Latin America, through companies we control jointly with the Etex group, we operate three wallboard plants (Argentina, Brazil and Chile) and two plaster plants (Brazil and Chile). A new wallboard plant in Colombia started its operations in 2009. In Mexico, Lafarge operates through a joint venture with a majority partner, the Comex group. The joint venture built a new wallboard plant that began operations in January 2007.

Our wallboard and related products sales in emerging markets, including Asia and excluding Australia, are over 350 million euros in 2009. These sales accounted for approximately 30% of our total wallboard and related product sales.