

LAFARGE GROUP

Banda Aceh, Indonesia

Progress report: 1 year after the tsunami of 26 December 2004

PRESS BOOK

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A brief overview

The tsunami disaster

On 26 December 2004, a tsunami devastated the North Sumatra province, notably the city of Banda Aceh – located just 150 kilometers from the epicenter of the earthquake – and the PT Semen Andalas industrial site, where Lafarge operates a cement plant.

The consequences

286,000 people perished in this tragedy. Among them, 193 employees of the Lafarge Group in Indonesia either died or were reported missing, out of a total workforce of 635.

Among our employees, 326 families saw their houses destroyed and 160 children lost at least one parent.

Three quarters of the Lafarge PT Semen Andalas plant in Banda Aceh was destroyed, along with the port and a bridge leading to the factory.

Our approach

The Group responded immediately to provide emergency care as well as financial support and welfare assistance for survivors. It then turned to more long-term projects to assist local communities in their return to a normal life. Lafarge likewise confirmed its plans to rebuild the Banda Aceh plant. Throughout the crisis, the Group was able to assure the continuity of its business in Indonesia thanks to the mobilization of its subsidiaries in the region.

Our actions

After implementing its crisis plan and providing emergency medical services, the Group engaged itself in a long-term effort to assist Lafarge employees and their families, to resume its industrial activities, and to aid the local communities.

Employees from around the world joined in these efforts through material contributions to benefit the tsunami victims. Several projects are underway:

- Construction of 500 houses, starting with an initial phase of 300 units
- Installation of two mobile health clinics
- Restoration of four schools and the purchase of school supplies
- Renovation of 7 mosques
- Training programs in construction, food services and handicrafts

Today, 250 employees are working on the PT Semen Andalas industrial site, which has been entirely cleared of rubble. Between 35% and 40% of existing facilities will be reused, while the remainder will be rebuilt. The Lafarge Group felt it was essential to relaunch economic activity as rapidly as possible, to help our employees and their local communities rebuild their future.

1 The tsunami disaster

On 26 December 2004, an earthquake triggered an unprecedented tsunami that left 286,000 people dead along the coasts of the Indian Ocean.

Lafarge has employees and industrial facilities in several countries that were hit by the tsunami: Sri Lanka, the Maldives, India, Bangladesh, Thailand, Malaysia and Indonesia.

Group operations in India, Thailand and Bangladesh were not affected. Though operations in the Maldives were partially hit, our employees and sub-contractors were unharmed. The region where the Group operates in Sri Lanka was also severely hit, but there was no loss of life among our employees.

In Indonesia, the employees and sub-contractors of the Aceh cement plant, which is located 25 km west of Banda Aceh, were terribly hard hit by the disaster. A 35-unit residential complex situated on the coast about 500 meters from the plant, and which housed roughly 100 employees and their families, was completely destroyed. Search and rescue teams were sent to the area without delay.

As soon as the disaster was announced on Sunday, 26 December, the Lafarge team in Indonesia devised a rescue plan.

The crisis was managed from Medan and Djakarta in coordination with the on-site teams. At the Group's head office in Paris, a crisis center was immediately set up to coordinate relief efforts. Lafarge created an initial relief fund of US\$1 million for emergency medical services and assistance for the countries hit hardest by the tsunami. This emergency fund was later increased to US\$2.5 million. Lafarge also set up a global donation system to collect funds from employees who wanted to contribute to efforts for emergency relief and long-term assistance.

Pledges poured in from employees around the world. Several Business Units also launched their own local solidarity drives.

Events were organized on all of the Group's work sites in memory of the deceased, and in empathy with the suffering of the survivors.

1.1 Emergency measures

1.1.1 Rescue operations

- ❖ The very day the tsunami struck, the Djakarta team created a crisis center and elaborated a rescue plan.
 - The emergency plan was launched on Monday, 27 December: a rescue team and medical personnel were mobilized and sent immediately to Banda Aceh. By the end of the day, and despite the difficulties involved in reaching the area, the rescue team managed to arrive at the site by air and determine the measures that needed to be taken. As a result, the team was able to provide survivors with medical care, shelter, food and water at a very early stage.
- ❖ On Tuesday, 28 December, Tom Ehrhart, CEO of PT Semen Andalus, arrived by air in Banda Aceh, where the medical and rescue teams were stationed.

- Arriving on the scene, the rescues teams were confronted by the total destruction of the city of Banda Aceh (150,000 inhabitants), the desolated landscape and the damage to the cement plant.
- A field team set up its operations base on the factory site and divided into two groups. The first focused on searching for survivors in the surrounding mountains, while the second investigated the area around the plant and the employee residences.
- Teams of doctors and paramedics were brought to each of the sites where our search and rescue teams were operating. Shelters were set up to house survivors, and supplies of water, food, medicines and basic necessities were sent in by truck.
- ❖ Thanks to the determined efforts of local teams, the management of Lafarge Indonesia was chartering two flights daily into the region just 48 hours after the tsunami.
 - Lafarge leased a twin-engine plane to transfer casualties to hospitals in Medan, and to transport equipment, food, water and medical supplies on the return trip to Banda Aceh.
 - Local cement distributors voluntarily proposed to use their trucks to transport supplies from the logistics center in Medan.
 - Altogether, over 200 tonnes of supplies and equipment were delivered to the region.
- ❖ To provide surviving employees and their families with emergency shelter and permit them to regain their strength, the Group leased a residential center with a capacity of over 450 persons in Medan, the closest unscathed city to Banda Aceh.
 - The refugees arrived physically and psychologically exhausted. They were given psychological support, medical care and regular meals. The center was equipped with a mosque, and with sports and recreational facilities for children.
 - However, the residential center was a long way from the former homes of the employees, who were soon eager to return to their local communities. In the middle of February 2005, a new residential center with about 500 beds was set up in Aceh to gradually replace the Medan center.

“During the first fifteen days, we removed and buried the bodies of 137 employees that we found at or near the cement plant [...]. Most had been buried under the rubble and were terribly mutilated [...]. Aceh needed all of the available forces [...]. We tried to carry out this work with all our heart, while sharing our expertise.”

Hamzah Fansuri, head of the PT Semen Andalas search and rescue team

In their rescue efforts, our employees were assisted by the guidelines of SOS International, an NGO that the Group works with regularly as part of our global health and safety policy. SOS International provides health recommendations for the removal and identification of bodies, to prevent epidemics and permit positive identification of the victims.

1.1.2 Coordination of operations

- ❖ At the Group's head office in Paris, a crisis center was set up to coordinate the flow of aid and assistance.
 - One of Lafarge's first decisions was to continue paying salaries to its PT Semen Andalas employees, while at the same time encouraging them to participate in rescue activities on a volunteer basis.
 - Altogether, US\$2.5 million was made available to finance basic relief efforts for the countries hit by the disaster.

- The Group set up a global fund to facilitate the collection of donations by employees. To manage these funds and ensure transparency, the Group opened an account at the Fondation de France, where all donations were deposited. Some subsidiaries also launched local solidarity drives.
- ❖ By mid-January 2005, efforts to return life to normal focused on three areas:
 - Long-term management of the crisis, accompanied by the necessary humanitarian and social actions
 - A progressive resumption of economic activity
 - A complete diagnosis of the factory damage.
- ❖ During the month of January 2005, a relief coordination team was set up at the Group's head office to help the countries hit by the tsunami. Its mission can be outlined as follows:
 - Coordinate contacts with NGOs
 - Help subsidiaries with local projects
 - Coordinate relations with the Group's legal, fiscal, treasury and communications departments.

1.2 Solidarity drive

- ❖ In early January 2005, Bernard Kasriel traveled to Medan and visited the cement plant in Aceh to express the Group's solidarity.
- ❖ Memorial events were organized in honor of the victims on all of the Group's sites.

Key figures

- **193 employees** of the Banda Aceh cement plant were killed or reported missing, while **432** survived.
- In the Aceh region alone, **185,000 people** perished in the tsunami.
- Over **400,000 houses** were destroyed.
- In the village of Lhok Nga, near the cement plant, 7000 of the village's 8000 inhabitants lost their lives.
- Emergency funds released by Lafarge: **US\$2.5 million** (excluding employee wages)
- Donations by Group Business Units and employees: **EUR650,000**
- Group financing to rebuild 500 houses: **EUR5 million**

2 Lafarge's approach

- ❖ The tsunami that devastated Indonesia was the worst natural disaster to have occurred in the history of Lafarge's 172 years.
- ❖ The Group concentrated its first efforts on providing emergency care for the victims and their families.
- ❖ Today, Lafarge is expressing its determination to pursue business in Indonesia, and reaffirming its commitment to local communities.

"We have been active in Indonesia for a very long time. Looking beyond emergency assistance, we wanted to help support the affected populations and continue to contribute to the economic development of this country, which has immense reconstruction needs."

Bernard Kasriel, Banda Aceh, 7 July 2005

- ❖ The Group's strategy can be divided into two parts:
 - Resuming business, including:
 - Ensuring the continuity of cement distribution
 - Rebuilding the cement plant
 - Providing support programs for employees
 - Support for local communities:
 - Setting up support programs
 - Promoting longer-term reconstruction activities.

3 Long-term reconstruction

After giving priority to emergency aid and assistance, the Group rapidly set its sights on the long term.

Its strategy can be divided into two parts:

- ❖ Reconstruction of the cement plant
- ❖ Support for local communities

3.1 Reconstruction activities

3.1.1 Resuming business

“Even in times of crisis, we must continue to serve our customers.”

Guillaume Roux, chairman of the ASEAN region, January 2005

- ❖ The reopening of our office in February 2005 allowed a rapid resumption of our commercial activities.
 - The cement market in North Sumatra Province (where Medan is located) is estimated at 800,000 tonnes a year.
 - By revising Lafarge Malayan Cement’s export commitments and making changes in the logistic channels, we were able to rapidly resume supplying cement to the Aceh region from the Langkawi plant in Malaysia.
- ❖ Reconstruction of the port and roadways
 - The port was heavily damaged by the tsunami. A cargo ship that happened to be docked there had capsized, the jetty had to be rebuilt and the port dredged. Reconstruction work is scheduled to be complete in April 2006.
 - At the same time, projects were launched to rebuild the bridge and the access road to the factory, both of which had been destroyed.
- ❖ Installation of a barge for bagging cement
 - While waiting for the factory to be rebuilt, a floating terminal named “Glory” was put into service as a temporary solution for ensuring the continuity of cement supplies to the region. Initially moored in the Lhokseumawe port, it was later towed to the factory’s Lhoknga port.

Bernard Kasriel inaugurated the temporary facility on 7 July, during his visit to Banda Aceh.
 - The barge is used to process bulk cement imported by Lafarge from its Malayan subsidiary. Up to 1600 tonnes of cement can be delivered and bagged per day.

❖ Reconstruction of the cement plant

- Employees are actively involved in cleaning up the site and repairing equipment.

As of today,

- The site has been entirely cleared of rubble.
- 250 people are working at the site.
- Roughly sixty employees are working on a complete evaluation of the damage to the equipment.

“Our biggest challenge is to effectively combine old and new equipment. We will reuse 35% to 40% of existing equipment, which is harder to manage than starting from scratch. We will engineer the new plant ourselves and take direct charge of reconditioning the equipment.”

H.S. Ramesh, technical director of P.T Semen Andalas

- Lafarge will handle all the engineering work and the reconditioning of damaged equipment. It will consult with outside companies for the supply and installation of new equipment.
- On 7 July 2005, Bernard Kasriel visited Banda Aceh and announced plans to rebuild the PT Semen Andalas cement plant.
 - A preliminary budget of US\$90 million has been released to finance plant reconstruction. A final budget will not be determined until an evaluation of the reconstruction work has been completed.
 - The new cement plant is slated to be operational by mid 2007 and will have a production capacity of about 1.6 million tonnes a year.
 - Employee safety is an absolute priority. The new plant will comply with the most recent anti-seismic standards and be equipped with the latest technology, including an emergency warning system.
 - Newly installed equipment will comply with the Group’s environmental standards.

Key figures

- The North Sumatra cement market is estimated at **800,000 tonnes** per year
- The “Glory” barge has a cement-bagging capacity of **1,600 tonnes** per day
- Reconstruction budget for the damaged cement plant: **US\$90 million**
- Future production capacity: **1,600,000 tonnes** per year
- Start-up date: 2007

3.1.2 Employee support programs

❖ Employee assistance programs

- To help our employees, the Group has set up a Global Assistance Program with several missions:
 - Payment of salaries
 - Housing assistance
 - Legal assistance to prove land ownership
 - Medical assistance
 - Educational support
 - Advice

- Moreover, a specific program was developed to accompany the plant reconstruction project.
 - After the tsunami, many employees said they no longer wished to work at the cement plant and wanted to find other sources of revenues.

“Many were traumatized by the tsunami disaster and have expressed the need to change careers, or in the case of a few, to opt for early retirement.”

Martha Swissanto, Human Resources Director, PT Semens Andalas

- The program launched by the Human Resources department has several features:
 - A financial package for those who take early retirement
 - Assistance for those who choose to leave the group: help with finding a new job, professional training, etc.
 - Assistance for those who want to create a new business: training, financial support in the form of severance pay, etc.
 - An in-house training program for those who want to continue working for the Group, based on an analysis of the skills needed by the new plant compared to employees' existing skills. This program offers:
 - Opportunities to acquire technical skills
 - Activities designed to build team spirit
 - Workshops in change management, and courses to better understand the financial mechanisms of the company.

❖ Support for bereaved families

- Among employees' families, 160 children lost at least one parent
- The homes of 326 families were partially or totally destroyed
- The program is designed to provide these families with both moral and financial support.

- Lafarge has set up a psychological support unit to help survivors.
- PT Semens Andalas has also signed agreements with local banks to provide aid recipients with advice on how best to use their money.

“Widows are thus hoping to save money for the education of their children.”
Martha Swissanto, Human Resources Director, PT Semens Andalas

3.2 Community support programs

The funds collected from employees and Group subsidiaries will be allocated in priority to the reconstruction of homes and public facilities within a 5 to 10 km radius from the plant.

3.2.1 Housing reconstruction

❖ The need: Secure, permanent housing

- The Aceh region was very severely damaged. Finding safe, secure housing is an absolute priority for most survivors, many of whom are still living in temporary shelters.
- The shelters provided by the government are too small (20 m² for a family of 5) and tend to be located far from business areas.

Land registers and property deeds were damaged by the tsunami, and villagers are afraid they will lose their property rights. They fear their property will be used as landfills during clean-up operations in the cities. The government's land allocation plan only took effect in June 2005, three months behind schedule.

❖ The project: Construction of 500 homes, starting with an initial phase of 300 units

- The Group is participating in the reconstruction of four villages located near the cement plant: Mon Kkeun, Lamkruet, Weu Raya and Lampaya.
- The first phase of the project consists of building 300 houses in Lamkruet village. The project will run from June 2005 to May 2006.
- The remaining 200 homes will be built between December 2005 and December 2006.
- The houses comply with government recommendations on reconstruction work: regard for quality, adherence to anti-seismic standards, etc.
- Local communities were consulted about the project concepts and design. Community members have participated actively in these projects; they are paid for their work and at the same time acquire practical training in construction skills.

❖ Financing:

- The Lafarge Group has allocated a budget of EUR5 million to rebuild these homes and the necessary infrastructure.

❖ Our partners

Partnership agreements were signed with three NGOs to manage the project:

- (1) Dompét Dhuafa, a local NGO
 - Its mission: to improve the living conditions of villagers
 - Its role: to serve as an interface between the communities and local authorities, to help identify legitimate landowners and to monitor the situation once construction is complete.

“Before the tsunami, the villagers’ houses and land were of different sizes. Today, each has a word to say about reconstruction. We organize meetings so that villagers can express their expectations, and we strive to resolve conflicts before people are settled in their new homes [...]. The villagers are very impatient. They stop by our office every day to get a progress report on reconstruction efforts.”

Ahmad Juwaini, Program manager for the Dompét Dhafa NGO

- (2) Atlas Logistique, French NGO
 - Its mission: to steer humanitarian projects
 - Its role: to lead projects, coordinate logistics and provide supplies for the construction site.
- (3) Habitat for Humanity, International NGO
 - Its mission: to build homes for needy families
 - Its role: to supply building materials, recruit workers, clean up sites, and train and supervise construction teams

❖ Progress report

- The housing construction program began in June 2005
- By the end of November 2005, 30 homes were finished and 200 units were under construction (heavy rains in recent months have delayed construction work and deliveries of building supplies, which was already a problem due to shortages).

3.2.2 Renovation of seven mosques

❖ The need: social

- Mosques are a vital meeting place and are essential to the collective life and social cohesion of local communities. Rebuilding the mosques should contribute to the emotional stability of these communities.

❖ The project: Renovation of seven mosques

- Altogether, seven mosques will be renovated in several villages in the region, including the Banda Aceh mosque that dates from the 16th century, and the Lhokgna mosque, which also serves as a school.

❖ Financing

- The project is being financed by donations from Group employees: estimated at roughly EUR70,000.

❖ Progress report

- Four mosques have been completely restored, and reconstruction work continues on the other three mosques.

3.2.3 Renovation of four schools and the purchase of school supplies

- ❖ The need: education
 - Most schools were destroyed, and others need to be renovated.
 - There is a shortage of teachers and school supplies.
- ❖ The project: Getting school life started again
 - The goal is to refurbish schools and provide school supplies so as to rapidly reestablish their vital role in the life of the community.
 - The renovated schools will benefit 300 to 400 students.
- ❖ Financing
 - Donations from Group employees: about EUR30,000.
- ❖ Progress report
 - Four schools have been completely renovated and students have begun attending classes again.
 - 2500 school children in Aceh province have received school bags and supplies. Purchases were made in partnership with the Jakarta International School and the American Women's Association of Jakarta.

3.2.4 Creation of a mobile health clinic

- ❖ The need: healthcare
 - The local population, weakened by the physical injuries and psychological scars left by the tsunami, is now more than ever in need of medical attention.
- ❖ The project
 - Creation of a mobile health clinic: purchase of an ambulance and formation of a medical team to make regular visits (once every two weeks) to each village and refugee camp to provide healthcare and furnish medical equipment.
 - Beneficiaries: about 2000 people
- ❖ Financing
 - Donations from Group employees: about EUR40,000.
- ❖ Progress report
 - The first mobile health clinic started up in July 2005 and makes two rounds per week.
 - 2300 people have already received healthcare and benefited from the medical equipment brought to the villages and surrounding refugee camps.
 - A second medical team is currently being recruited to increase the number of visits.

3.2.5 Job training programs in construction, food services and handicrafts

❖ The need: skills acquisition

- Many professions can no longer be exercised, such as fishing, farming or retailing. Reconstruction efforts will create numerous opportunities, but the local labor force lacks the necessary skills.

“We do not need food or shelter, which would only turn us into welfare recipients. We need a way to make a living, and the tools to ply a trade. We need to be actively employed to stop thinking about our suffering, but also – and above all – to recreate our local economic life. This is an indispensable condition for rebuilding our community.”

Ampon Cip, head of the Lhok Nga community

❖ The project

- The project provides job training for adults in the building and construction industry (plumbing, electricity, masonry, etc.), as well as in food services and handicrafts. The Group provides organizational support, helps select candidates from local communities, and offers logistical and financial assistance. Training programs last three weeks on average.

❖ Financing

- Donations from Group employees: about EUR100,000.

❖ Progress report

- 300 inhabitants from the local communities have participated in the job training programs. Some have gone on to open their own businesses as carpenters, masons or electricians. Others are working on the house construction program.
- Since December new training programs have been offered, including car repair and food services.

Chronology of events

- 26 December 2004: Offshore earthquake triggers massive tsunami.
- 27 December 2004: Emergency plan launched.
- 28 December 2004: Arrival of emergency medical teams in Banda Aceh.
- January 2005: Temporary shelter is opened in Medan.
- January 2005: First inspection of the cement plant. First visit by Bernard Kasriel, CEO of Lafarge.
- February 2005: Gradual closing of the temporary shelter in Medan and transfer to a residential center in Banda Aceh.
- 21 March 2005: Partnership agreement is signed with local authorities and the Indonesian Ministry of Labor, to set up job training programs in construction, food services and handicrafts.
- April 2005: Start-up of job training programs in construction, food services and handicrafts, which are still operating today.
- June 2005: Government-sponsored land allocation program takes effect.
- 6 June 2005: Start-up of the project to rebuild 500 houses.
- July 2005: Start-up of the mobile health clinic.
- 7 July 2005: Inauguration of the floating terminal “Glory” at the plant site, enabling commercial activities to resume.
Second visit by Bernard Kasriel, CEO of Lafarge.
- August 2005: Inauguration of the first rebuilt home.
- November 2005: Recruitment for another medical team to staff a second mobile health clinic.
- 2007: Start-up date for the new cement plant.