



Winning with Lafarge

Building relationships between Lafarge and its suppliers

➡ Message from Bernard Kasriel



< BERNARD KASRIEL, Chief Executive Officer

Dear future preferred supplier,

Lafarge is the world leader in building materials; we want to further secure this leadership position for our shareholders, our customers and our employees.

To do so, we intend to outperform our competitors continuously in delivering value to our customers. This is achieved through the implementation of performance programs in the business units and in the functions of our Group: Purchasing is one of these.

In 1998, we launched a project geared towards better management of our external resources. It has yielded excellent results, and we now believe that our Group is ready to take another step on the road to excellence in "supplier relationship management".

Because our business is both global and local, we value service to our sites and believe that size is not necessarily the key to performance.

As a leader, we are convinced that working better with the "best" creates value and fosters excellence for both parties.

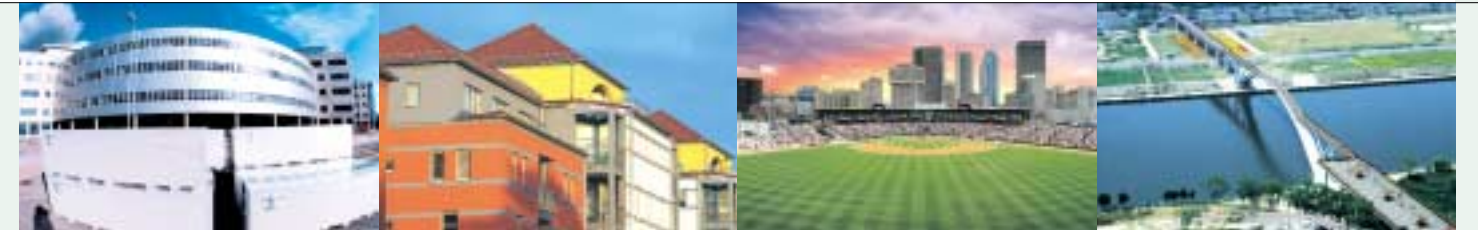
This document is designed to give you a better understanding of our organization, our ambitions and core values, as well as share with you our guiding principles for performance in supplier relationship management.

It is a key driver for a sustainable and profitable development of both our companies.

We invite you to meet this challenge and "win with us".

A handwritten signature in black ink, appearing to read "Bernard Kasriel".

➡ Lafarge: a key player in building materials



➡ An organization based on 4 divisions in each of which Lafarge is a world leader:



➡ 2002 Key figures

14.6 Billion Euros in annual sales

+7% Growth in turnover between 2002 and 2001

77,000 Employees

75 Countries

➡ The mission of the Lafarge Group

is to produce and offer construction materials to build a world that will bring greater safety, comfort and beauty to our daily lives.

Its overarching goal is customer satisfaction through global innovative solutions, from flooring to roofing.

➡ The strategy of our Group

is to combine competitiveness and growth by:

- Developing a global presence
- Fostering our leadership in each of our activities
- Respecting both the communities and the environment

It is based on 3 principles:

- A decentralized organization that fosters greater initiative
- The implementation of performance programs in all divisions
- The development of best practices in all our Business Units (BU)

➡ Core values

The entire Group is committed to:

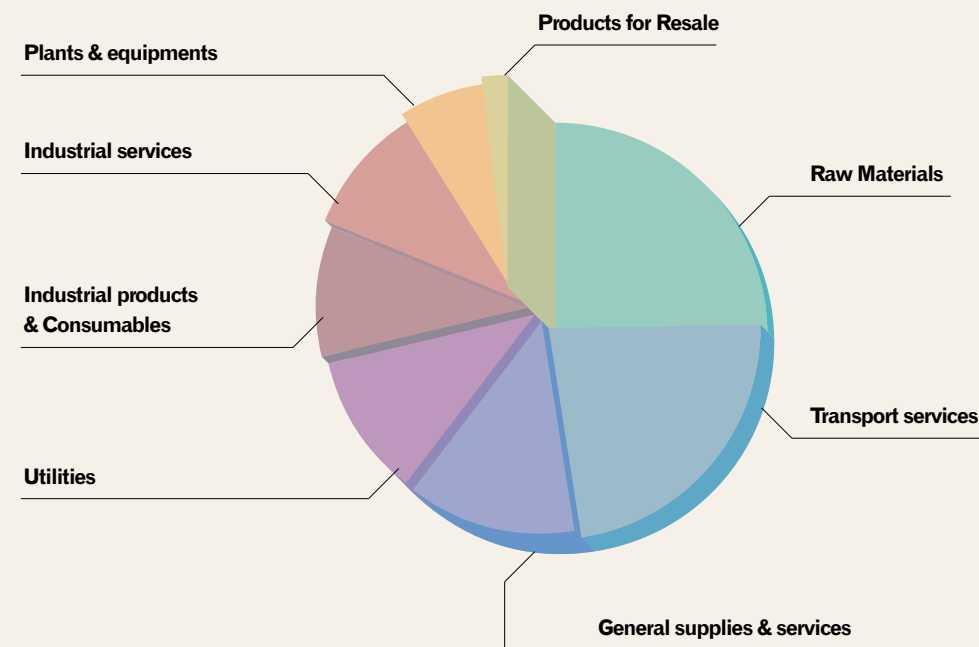
- The safety of all persons working on our sites and living in the surrounding communities
- The protection of Environment:
 - > Natural resources and energy conservation
 - > Reduction in gas emission, liquids and solids

This commitment is highlighted by the world partnership with WWF
- The quality of our products and services
- The respect of our code of ethics

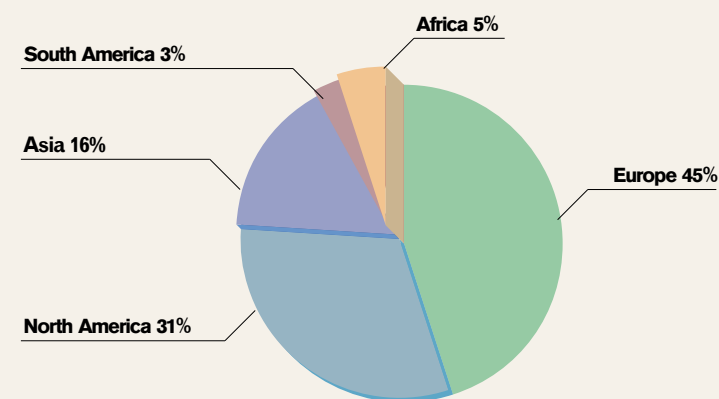
➤ What does Lafarge purchase ?

➤ Group purchasing portfolio segmentation

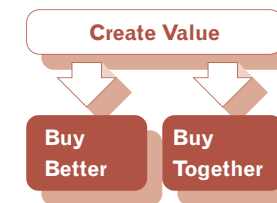
Lafarge standard segmentation classifies the many products and services it purchases from over 50 000 suppliers worldwide into 8 segments.



➤ Amounts spent on external purchasing by geographical region



➤ Goals and organization of Lafarge Purchasing



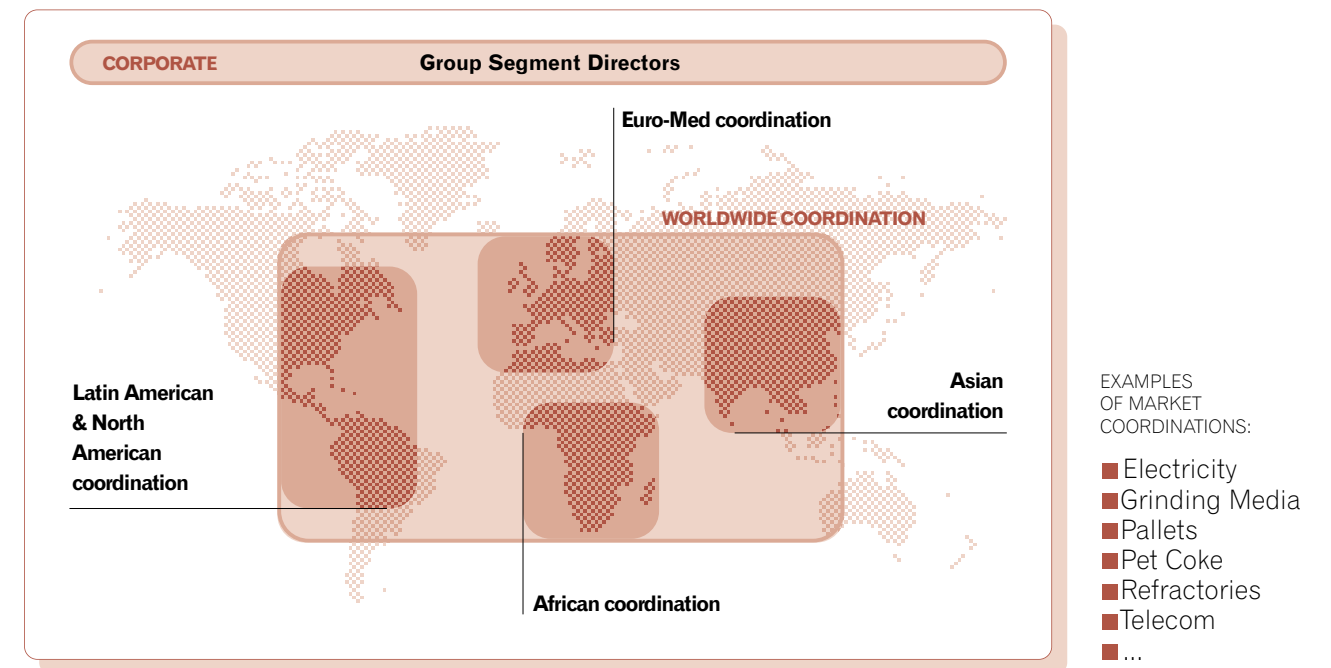
LAFARGE WANTS TO INCREASE SHAREHOLDER VALUE BY:

- Leveraging purchasing best practices across the whole organization
- Taking advantage of synergies through coordinated purchasing

➤ Lafarge Purchasing Organization

A decentralized organization has been implemented throughout the Group to be closer to the suppliers market and to the Business Units' internal customers. Market Coordinators are based in BUs; they are managed by Segment Directors based at Corporate who are reporting to the Group Purchasing Director.

EXAMPLE :



➤ Roles and Responsibilities

CORPORATE

- Defines the Group Purchasing strategy in line with the overall Lafarge business strategy
- Organizes and manages Market Coordinators groupwide
- Facilitates continuous improvement of Purchasing in BUs
- Develops and maintains tools to support purchasing activities in BUs

BUSINESS UNITS

- Manage local purchases according to best practices
- Prepare and implement Purchasing Performance Plans
- Participate in /lead Market Coordinations
- Ensure the appropriate level of skilled resources

➔ New relationships between Lafarge and its suppliers

➔ A new program

As a performance driven company, Lafarge is implementing a supplier relationship management program because:

- The increasingly global business environment accelerates the need for improvement
- By taking a win-win approach to the optimization of its relationships with suppliers, Lafarge can generate significant value
- Significant value can also be created by optimizing the relationship with leading suppliers

➔ Suppliers' management role

To continue moving towards excellence, Lafarge wants to focus on "Best in Class" suppliers. Suppliers' performance will be objectively evaluated and continuously monitored. Suppliers meeting performance and relationship requirements will be involved in continuous improvement programs. New suppliers will have the opportunity to demonstrate their added value.

➔ Benefits for the Partners

LAFARGE

- Status of "preferred customer"
- Cost reduction
- Transparency on supplier costs and quality
- Development of long-term strategy
- Increased reliability (fewer shutdowns)
- Satisfaction of specific needs for products and services
- Implementation of continuous improvement plans
- Application of Lafarge's policy and principles

THE ELIGIBLE SUPPLIER

- Status of preferred supplier
- Revenue growth and increased market share
- Benefit from Lafarge's international business development
- Priority participation in Lafarge's continuous improvement programs
- Assistance / input from Lafarge in the development of new products
- Benefit from Lafarge image as a customer
- Shared part of the cost reduction

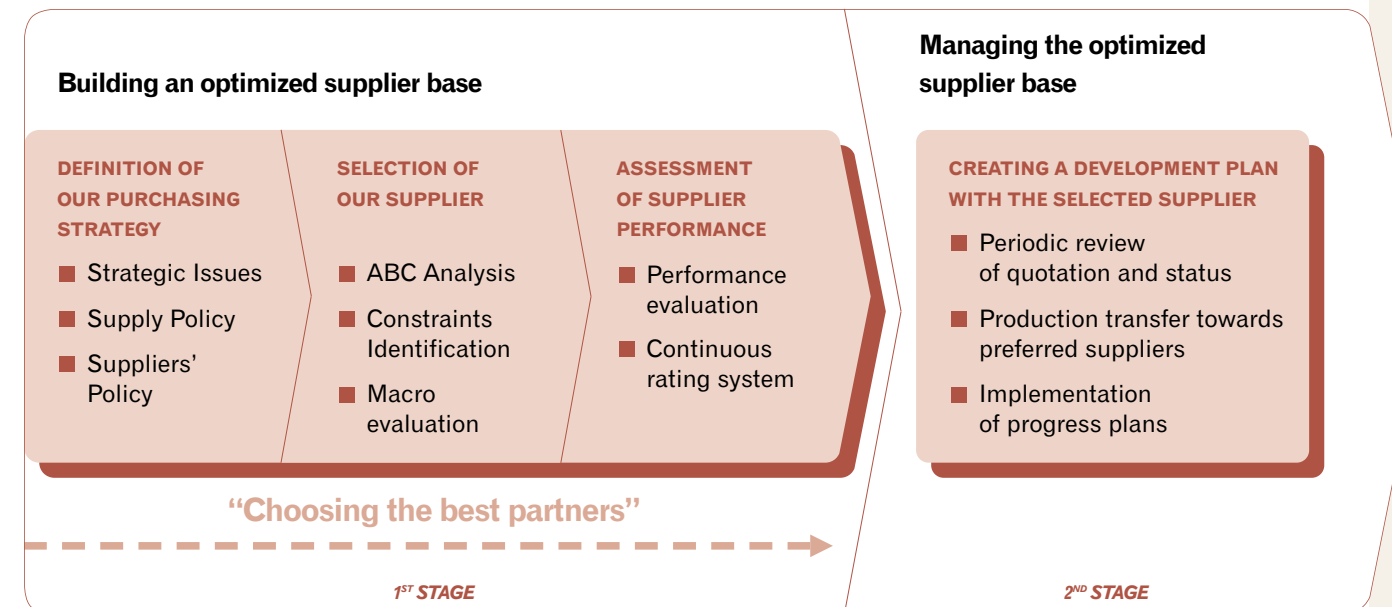
➔ The program

➔ Principles of the program

The suppliers' management program is based on:

- Building up an optimized supplier base
- Managing this optimized supplier base

SUPPLIERS' MANAGEMENT PROGRAM



This process has been initiated with our Business Units and is in progress.

➔ Suppliers relationship

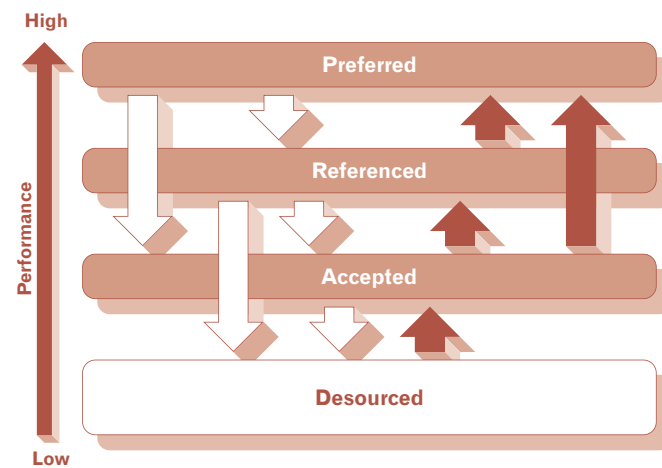
Different kinds of relationships can be implemented with you as our supplier, depending on your level of performance.

Lafarge will establish a partnership with the best suppliers (those offering the highest performance) by implementing joint progress plans to create value for both sides.

On the other hand, Lafarge may decide to separate itself from suppliers whose performance is insufficient.

➔ The Rules

➔ Suppliers' classification



- You may be classified in one of our categories, based on your targeted and actual level of performance.
- Your rating will be reviewed on a regular basis.

➔ Supplier eligibility

Lafarge is committed to treating its suppliers fairly and judging proposals on an objective basis:

- Each supplier is evaluated according to the following criteria

Financial aspect*	Logistic skill	Competitiveness	Quality	Service/Commercial	Family specifics
■ Net results	■ Distribution chain capacity	■ Business know-how	■ Quality performance	■ Key Account Manager	■ Product range ■ ...
■ Turnover with Lafarge	■ Geographic coverage	■ Innovation/Transparency	■ Quality system	■ Reactivity	
■ Debt/ Equity	■ Respect for delivery times	■ Cost level	■ Values	■ Service coverage	

* ratios compared to the activity sector

A prerequisite for all suppliers is to be in compliance with the following Lafarge values:

- Protection of human health and safety
- Protection of the environment
- Respect for social issues (no exploitation of children, for instance)

**This Supplier Management Program
is supported by the entire Lafarge Group organization**





The office of François Dugrenot, Group Purchasing Director
Lafarge Corporate Purchasing
61, rue des Belles Feuilles - 75016 Paris - France
Phone: +33 1 44 34 94 47