ANNUAL REPORT

REGISTRATION DOCUMENT

LAFARGE 2013

LAFARGE
Building better cities™

GRI REPORT GRI CHECKED

LAFARGE PROFILE

1

GROUP PRESENTATION

1.1 Lafarge presentation 10
1.2 Strategy 12
1.3 Overview of operations 28

2

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

2.1 Overview 44
2.2 Accounting policies and definitions 45
2.3 Results of operations for the years ended December 31, 2013 and 2012 49
2.4 Liquidity and capital resources 57

3

CORPORATE GOVERNANCE AND COMPENSATION

3.1 Board of Directors - Corporate Officers 62
3.2 Board and Committees rules and practices 88
3.3 Executive Officers 96
3.4 Compensation and benefits 98
3.5 Long-term incentives (stock options and performance share plans) 109
3.6 Share Ownership 115
3.7 Implementation of the principle "Comply or Explain" of the Afep-Medef Code 116

4

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

4.1 Introduction 120
4.2 Building communities 121
4.3 Building sustainably 128
4.4 Building the circular economy 130
4.5 Key Performance Indicators 136

5

RISKS AND CONTROL

5.1 Risks factor 146
5.2 Internal control procedures 158
5.3 Auditing matters 162

6

SHAREHOLDERS, SHARE CAPITAL AND ADDITIONAL INFORMATION

6.1 Shareholders 166
6.2 Share capital and additional information 172

CERTIFICATION 181

F

FINANCIAL STATEMENTS F3

CROSS-REFERENCE TABLES 281
GLOSSARY 285

AUTORITÉ DES MARCHÉS FINANCIERS AMF

This Registration Document was filed in the French language with the *Autorité des marchés financiers* on April 2, 2014 in accordance with article 212-13 of its General Regulations. It may be used to support a financial transaction if accompanied by an information memorandum (note d'opération) approved by the AMF. It has been prepared by the issuer and is the responsibility of the person whose signature appears herein.

This document is a translation of the original French document and is provided for information purposes only. In all matters of interpretation of information, views or opinions expressed therein, the original French version takes precedence over this translation.

EDITORIAL BY BRUNO LAFONT

• Chairman and Chief Executive Officer •

2013 ended on a more positive note than it began.

Our annual operating results improved significantly at the end of the year.

We met our targets on innovation and cost reduction, delivering 670 million euros of additional Ebitda.

We also reduced our net debt by 1 billion euros.

Following a rise of approximately 80% in 2012, our share price achieved a solid performance in 2013.

Looking beyond these results, we have pressed ahead with our dynamic of change as we move closer to our markets and to our customers, with an increasingly innovative offer of products and solutions designed for building better cities. It is our ambition to support the phenomenon of urbanization across the planet.

15,198
revenue
in million euros

64,000
employees

62
countries

1,636
production sites

We have made three key undertakings for 2014:

- We will reduce our net debt to below 9 billion euros by the end of 2014 and return to an investment grade profile.
- We will deliver our 2012-2015 plan by the end of 2014, with at least 600 million euros of Ebitda achieved through cost reductions and innovation.
- We will continue to grow with project in North America and on emerging markets, especially in Sub-Saharan Africa, where we plan to invest in 10 million tonnes of additional cement capacity over the next four years.

In terms of the macroeconomic environment, 2014 appears to be more favorable than previous years. Growth in our markets is based on major construction needs in emerging countries, but also on the gradual recovery of developed economies, particularly North America.

We are very strongly placed to take full advantage of this positive outlook and to move into 2014 with confidence.

GOVERNANCE

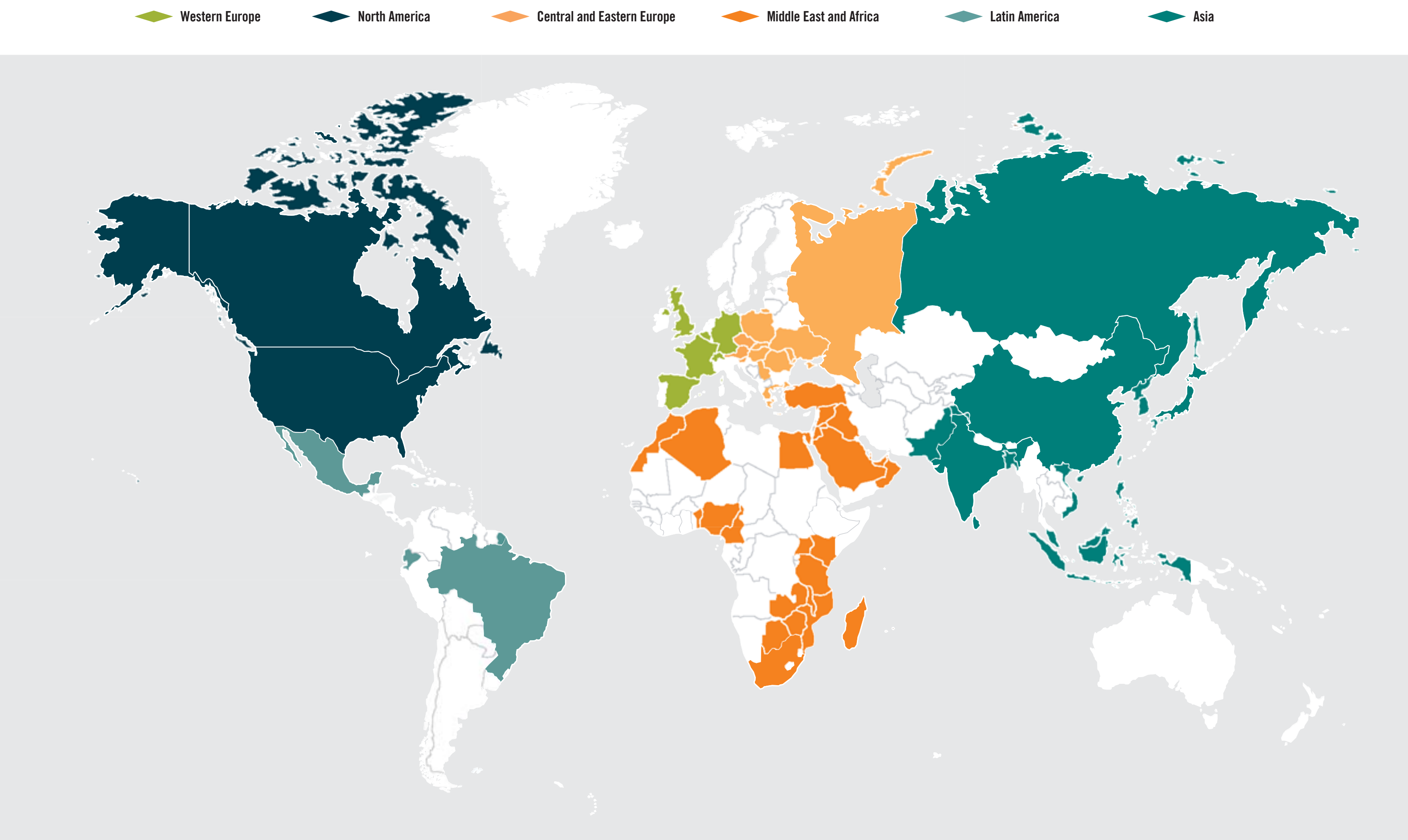
BOARD OF DIRECTORS

Back, from left to right: Juan Gallardo, Paul Desmarais, Jr., Philippe Charrier, Baudouin Prot, Oscar Fanjul (Vice-chairman of the Board of Directors), Michel Rollier, Jérôme Guiraud.
Front, from left to right: Gérard Lamarche, Hélène Ploix, Philippe Dauman, Colette Lewiner, Bruno Lafont (Chairman and Chief Executive Officer), Ian Gallienne,Véronique Weill, Nassef Sawiris.

EXECUTIVE COMMITEE

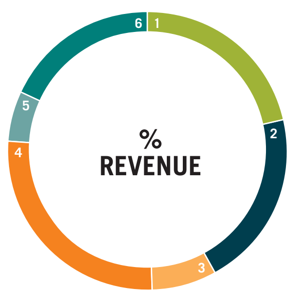
Back, from left to right: Christian Herrault, Jean-Jacques Gauthier, Peter Hoddinott, Thomas Farrell, Eric Olsen.
Front, from left to right: Gérard Kuperfarb, Sonia Artinian, Bruno Lafont, Alexandra Rocca, Jean Desazars de Montgailhard, Guillaume Roux.

LAFARGE WORLDWIDE (December 31, 2013)



World map of Lafarge's presence as of December 31, 2013 (plants and sales offices).

KEY FIGURES BY GEOGRAPHIC AREA (December 31, 2013)



1. Western Europe	21.4%
2. North America	20.6%
3. Central and Eastern Europe	7.5%
4. Middle East and Africa	26.9%
5. Latin America	5.7%
6. Asia	17.9%

1. Western Europe	22.7%
2. North America	12.2%
3. Central and Eastern Europe	9.6%
4. Middle East and Africa	29.8%
5. Latin America	3.6%
6. Asia	22.1%

A WORLD LEADER IN CEMENT

(December 31, 2013)

9,657
revenue
million euros

38,000
employees

56
countries

155
production sites

AGGREGATES AND CONCRETE No.2 AND No.4 WORLDWIDE

(December 31, 2013)

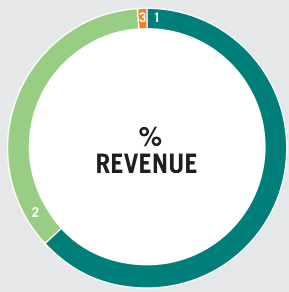
5,451
revenue
million euros

25,000
employees

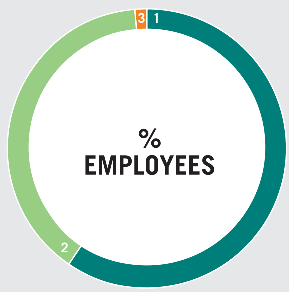
37
countries

1,481
production sites

KEY FIGURES BY ACTIVITIES



1. Cement	63.5%
2. Aggregates and concrete	35.9%
3. Other	0.6%



1. Cement	59.6%
2. Aggregates and concrete	39.3%
3. Other	1.1%

LAFARGE KEY FIGURES

REVENUE (in M€)

2013	**15,198**
2012	15,816
2011	15,284

Revenue was impacted by a negative effect of the foreign exchange variations. At constant scope and exchange rates, sales grew 2%, supported by growth in all regions but Europe.

EBITDA [2] (in M€)

2013	**3,102**
2012	3,423[3]
2011	3,217[4]

Resilient Group Ebitda margin, at 20.4%, supported by 670 million euros of additional Ebitda from cost savings and innovation measures for the year. Significant negative impact of variations in scope and exchange rates.

OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENTS, RESTRUCTURING AND OTHERS (in M€)

2013	**2,075**
2012	2,413[3]
2011	2,179[4]

Current Operating Income was up 3% like-for-like[1] for the year. Improving trends in the second half of the year, with a visible operating leverage in North America and a robust performance in Middle East and Africa.

FREE CASH-FLOW [2] (in M€)

2013	**864**
2012	884
2011	1,208

The Group pursued its actions to maximize the free cash flow, with notable improvements in the level of the working capital requirements.

GROUP NET DEBT [2] (in M€)

2013	**10,330**
2012	11,317
2011	11,974

Significant reduction of Group net debt by 1 billion euros. Lafarge has the objective to reduce its net debt below 9 billion euros in 2014.

NET INCOME GROUP SHARE (in M€)

2013	**601**
2012	365[3]
2011	593[4]

Strong improvement of the net income, notably helped by significant gains on disposals.

NET EARNING PER SHARE (in €)

2013	**2.09**
2012	1.27[3]
2011	2.07[4]

Net earnings per share increased 65%.

DIVIDEND PER SHARE (in €)

2013	**1.00**
2012	1.00
2011	0.50

Dividend of 1.00 euro per share, proposed at the General Meeting of Shareholders on May 7, 2014.

(1) *Like for like variations are calculated excluding the impact of scope, exchange rates, carbon credit sales and one-time gains (39 million euros in 2012 and 20 million euros in 2013).*

(2) *See Section 2.2 (Accounting policies and definitions).*

(3) *2012 figures have been restated following the application of IAS 19 amended.*

(4) *Data published in 2012 for 2011 and not restated for the amendments of IAS 19.*

SELECTED FINANCIAL DATA

Following European Regulation no. 1606/2002 issued on July 19, 2002, the Group has prepared consolidated financial statements for the year ending December 31, 2013 in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union on December 31, 2013.

The tables below show selected consolidated financial data under IFRS for the years ending December 31, 2013, 2012, and 2011. The selected financial information is derived from our consolidated financial statements, which were audited by Deloitte & Associés and Ernst & Young et Autres. The audited consolidated financial statements for the years ending December 31, 2013 and 2012 appear in part F at the end of this Registration Document.

KEY FIGURES FOR THE GROUP

(million euros, unless otherwise indicated)	2013	2012[(1)]	2011[(2)]
CONSOLIDATED STATEMENT OF INCOME			
Revenue	15,198	15,816	15,284
Ebitda [(3)]	3,102	3,423	3,217
Operating income before capital gains, impairment, restructuring and other	2,075	2,413	2,179
Operating income	2,020	1,920	1,683
Net income	782	554	736
Out of which:			
Net Income from continuing operations	736	538	244
Net income from discontinued operations	46	16	492
Out of which part attributable to:			
Owners of the parent of the Group	601	365	593
Non-controlling interests (minority interests)	181	189	143
Earnings per share – attributable to the owners of the parent company:			
Basic earnings per share (euros)	2.09	1.27	2.07
Diluted earnings per share (euros)	2.08	1.27	2.06
Earnings per share of continuing operations			
Basic earnings of continuing operations per share (euros)	1.93	1.21	0.36
Diluted earnings of continuing operations per share (euros)	1.92	1.21	0.35
Basic average number of shares outstanding (thousands)	287,268	287,079	286,514

(1) *2012 figures have been restated following the application of IAS 19 amended.*
(2) *Data published in 2012 for 2011 and not restated for the amendments of IAS 19.*
(3) *See Section 2.2.4 (Reconciliation of non-GAAP financial measures) for the definition of this indicator.*

(million euros)	2013	2012[(1)]	2011[(2)]
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS			
Non-current assets	29,358	30,180	31,172
Current assets	7,717	9,284	9,547
Out of which assets held for sale	-	*2,280*	*2,195*
TOTAL ASSETS	**37,075**	**39,464**	**40,719**
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent company	14,555	15,666	16,004
Non-controlling interests (minority interests)	1,951	2,082	2,197
Non-current liabilities	13,620	14,451	15,260
Current liabilities	6,949	7,265	7,258
Out of which liabilities associated with assets held for sale	-	*388*	*364*
TOTAL EQUITY AND LIABILITIES	**37,075**	**39,464**	**40,719**

(1) *2012 figures have been restated following the application of IAS 19 amended.*
(2) *Data published in 2012 for 2011 and not restated for the amendments of IAS 19.*

(million euros)	2013	2012[(1)]	2011[(2)]
CONSOLIDATED STATEMENT OF CASH FLOWS			
Net cash provided by operating activities	1,256	1,298	1,619
Net operating cash generated by continuing operations	*1,255*	*1,276*	*1,597*
Net operating cash generated by discontinued operations	*1*	*22*	*22*
Net cash provided by/(used in) investing activities	37	(327)	843
Net cash provided by/(used in) investing activities from continuing operations	*39*	*(323)*	*891*
Net cash provided by/(used in) investing activities from discontinued operations	*(2)*	*(4)*	*(48)*
Net cash provided by/(used in) financing activities	(460)	(1,348)	(2,529)
Net cash provided by/(used in) financing activities from continuing operations	*(460)*	*(1,348)*	*(2,455)*
Net cash provided by/(used in) financing activities from discontinued operations	-	-	*(74)*
Increase (decrease) in cash and cash equivalents	833	(377)	(67)

(1) *2012 figures have been restated following the application of IAS 19 amended.*
(2) *Data published in 2012 for 2011 and not restated for the amendments of IAS 19.*

(million euros, unless otherwise indicated)	2013	2012[(2)]	2011[(3)]
ADDITIONAL FINANCIAL INDICATORS[(1)]			
Free Cash-Flow	864	884	1,208
Return on capital employed [(4)] (%)	7.2	7.8	6.8
Net Debt	10,330	11,317	11,974

(1) *See Section 2.2.4 (Reconciliation of non-GAAP financial measures) for the definition of these indicators.*
(2) *2012 figures have been restated following the application of IAS 19 amended.*
(3) *Data published in 2012 for 2011 and not restated for the amendments of IAS 19.*
(4) *Before tax.*

(euros, unless otherwise indicated)	2013	2012	2011
DIVIDENDS			
Total dividend (million euros)	289[(3)]	289	145
Basic dividend per share	1.00[(1)]	1.00	0.50
Loyalty dividend per share [(2)]	1.10[(1)]	1.10	0.55

(1) *Proposed dividend.*
(2) *See Section 6.2.5 (Articles of Association (Statuts) – Rights, preferences and restrictions attached to shares) for an explanation of our “Loyalty dividend”.*
(3) *Based on an estimation of 287,347,462 shares eligible for dividends.*

1

GROUP PRESENTATION

1.1 Lafarge presentation 10
1.1.1 Profile 10
1.1.2 History and development 10

1.2 Strategy 12
1.2.1 Our ambition: building better cities 12
1.2.2 A solid foundation: a balanced geographical portfolio focused on emerging markets and on Lafarge's core business lines 14
1.2.3 Innovating to build better cities 15
1.2.4 Becoming yet more competitive through performance.. 20
1.2.5 Men and women, at the heart of Lafarge transformation 23
1.2.6 A firm commitment to sustainable development 25
1.2.7 Intellectual Property 26
1.2.8 Recent acquisitions, partnerships and divestitures 27

1.3 Overview of operations 28
1.3.1 Cement 31
Cement trading activities 35
1.3.2 Aggregates and Concrete 37
Aggregates 37
Ready-mix concrete 37
Asphalt 37
Breakdown by region 38
1.3.3 Other products: Gypsum 39
1.3.4 Mineral reserves and quarries 39
1.3.5 Expenditures in 2013 and 2012 41
1.3.6 Capital expenditures planned for 2014 41

1.1 LAFARGE PRESENTATION

Founded in France in 1833, Lafarge has become a world leader in building materials.

1.1.1 PROFILE

Lafarge primarily produces and sells cement, aggregates and ready-mix concrete worldwide, mostly under the "Lafarge" brand name. Its building products and solutions are used to construct and renovate homes, buildings and infrastructures.

Based on its revenues and on internal and external analysis, Lafarge is a world leader in building materials and in the cement market. It is the second largest producer of aggregates and the fourth largest producer of ready-mix concrete.

In the 2013 financial year, Lafarge generated sales of 15,198 million euros, with Ebitda [(1)] of 3,102 million euros and net income, group share of 601 million euros. At year-end, its assets totaled 37,075 million euros and the Group employed approximately 64,000 people in 62 countries.

Lafarge S.A. is a Limited Liability Company (Société Anonyme) incorporated in France under French law, registered on the Paris Corporate and Trade Register under number 542 105 572. The Company's corporate term is due to expire on December 31, 2066 and may be extended pursuant to its by-laws. The registered office is located at 61 rue des Belles Feuilles, 75116 Paris, France. The Group reporting currency is the euro (€).

Lafarge shares have been traded on the Paris Stock Exchange (NYSE Euronext Paris) since 1923. Lafarge shares have belonged to the CAC 40 since the creation of this index.

1.1.2 HISTORY AND DEVELOPMENT

In 1833, Joseph-Auguste Pavin de Lafarge sets up a lime operation in Le Teil (Ardèche, France), on the right bank of the Rhône river. Through sustained growth and numerous acquisitions, the Company becomes France's largest cement producer by the late 30's.

Lafarge's first step to international expansion takes place in 1864 with the export of lime for the construction of the Suez Canal. Its expansion then continues, first in the Mediterranean basin (particularly Algeria), then in Canada and Brazil in the 1950s. The acquisition of General Portland Inc. in 1981 allows it to become one of the largest concrete manufacturers in North America, while the purchase of the Swiss group Cementia in 1989 enables it to take up new positions, particularly in Europe and East Africa. The 1990s see the Group's first sites appear in Eastern Europe and Asia, primarily China and India.

In the meantime, Lafarge develops it aggregates and ready-mix concrete activity. In 1997, the acquisition of the British company Redland allows Lafarge to expand in this sector.·

With the purchase of the British manufacturer Blue Circle in 2001, Lafarge further increases its presence on emerging markets and becomes the world's leading cement producer. In January 2008, Lafarge acquires the cement activity of the Egyptian Orascom group (Orascom Building Materials Holding S.A.E.), which makes it the market leader in the Middle East and Africa.

Lafarge decided to refocus on its core business lines of cement and aggregates and concrete, which show very high growth potential, by disposing in 2011 and 2013 most of its gypsum assets, having done the same with its roofing business in 2007.

Definitions

"Lafarge S.A." refers to the Group listed parent company.

"Lafarge" refers to the whole Lafarge Group.

KEY DATES

- **1833** Beginning of operations in France
- **1864** Lafarge delivers 110,000 tonnes of lime for the construction of the Suez Canal
- **1956** Lafarge builds its 1st cement plant in Richmond, Canada
- **1959** First operations in Brazil
- **1981** Acquisition of General Portland, making Lafarge one of the largest cement manufacturers in North America
- **1989** Acquisition of Cementia
- **1994** Lafarge enters the Chinese market
- **1997** Acquisition of Redland plc, one of the principal manufacturers of aggregates and concrete worldwide
- **1998** First operations in India
- **2001** Acquisition of Blue Circle Industries plc.
- **2006** Lafarge owns 100% of Lafarge North America Inc.
- **February 2007** Sale of the Roofing Division
- **January 2008** Acquisition of Orascom Cement
- **2011** Sale of our Gypsum operations

(1) *See Section 2.2.4 (Reconciliation of non-GAAP financial measures) for the definition of this indicator.*

WHAT MAKES US DIFFERENT

Strategic levers	Our strengths	The evidence
A strong ambition: "Build better cities"	A new positioning in line with the challenges of a growing urbanization	The contribution of Lafarge to build cities with more housing, more compact, more durable, more beautiful and better connected.
Geographical portfolio to capture growth	Strong and diversified presence in emerging countries	- 71% of our revenue outside Europe; - 58% of our revenue in emerging countries; - No single emerging country represents more than 5% of sales.
Staying ahead through innovation	Innovation, a growth driver	220 million euros of incremental Ebitda generated in 2013.
	R&D focused on market needs	- The world's largest R&D center in the building materials sectors, established in 1887. - A budget of 122 million euros. - 116 new patent applications in 2013. - Development laboratories in Lyon, Mumbai, Chongquing and Algiers. Project 2014: Brazil.
	Innovative products and solutions: - Cements and concretes - Special concretes to meet construction challenge	- More than 140 launches of cement and concrete products by countries in 2013. - Special concrete products accounted for 36% of concrete sales volume in 2013: Hydromédia™ permeable concrete, Agilia® self-compacting concrete, Artevia® decorative concrete, Thermedia® thermal concrete and Ductal® ultra-high-strength concrete.
	A growing number of services to support projects and distribution	Some examples: - the "placing and finishing" service for concrete launched in 21 countries; - creation of innovative distribution circuits in Morocco, Tanzania, Algeria, Nigeria.
	Development of specification and consultancy services for architects and decision-makers	More than 60 positions for construction specialists and international key account managers.
Continuous improvement in performance to boost our competitiveness	Cost reduction	450 million euros of cost reduction in 2013, through various levers. - For example, non-fossil fuels constitute more than 17% of the consumption of our cement plants; - A sourcing platform in Beijing to supply plants with equipments and spare parts at the best value.
	Increase productivity of the plants	- 13 to 15 million additional cement tonnes have been identified during 2012-2015; - reliability rate of 94.9% in 2013; - continuous improvement of the cement/clinker ratio during the past ten years; - business models in each business.
Men and women at the heart of the Group transformation	Health and Safety: Our first priority	Lost Time Incident Frequency rate strongly improved from 2012 (0.62%) to 0.49% in 2013.
	Increase sales efficiency	1,400 sales people trained on new methods and sales tools.
	Promote diversity	Creation of the inclusion index.
	Training	1.6 million hours of training in 2013.
A continuing commitment to sustainable Development	Contribute to the needs of communities	- 37% of countries implemented a job creation plan or an educational program; - 57,000 hours of voluntary services by staff.
	Contribute to sustainable construction	Development of new products to reduce our carbon footprint: Aether®, Thermedia 0.3®, deployment of Hydromedia® in 20 countries.
	Contribute to the circular economy	- Volume of recycled aggregates increased by 88%; - CO_2 emission per tonne reduced by 26% since 1990.

1.2 STRATEGY

1.2.1 OUR AMBITION: BUILDING BETTER CITIES

Over the next few decades, growth in the world population will occur almost exclusively in urban environments. One of the key challenges of the 21st century consists in making a success of human, economic and ecological urbanization.

a) The phenomenon of urbanization

Growth of the urban population will continue during the coming decades, setting challenges that will call for imagination and innovation.

WORLD POPULATION GROWTH

The planet population surpassed 7 billion in 2011. According to United Nations forecasts, it should pass the 8 billion mark in 2025, and 9 billion around 2050. In less than 40 years, an extra 2 billion [(1)] people will need to be housed, mostly in cities. Urbanization, which rose with the demographic explosion of the twentieth century, will become even more spectacular. Since 2007, the majority of the world population has lived in towns and cities, compared to 30% in 1950. The rate is expected to be close to 70% by 2050, as the cities absorb all the population growth [(2)].

A NEW URBAN LANDSCAPE

Growth in towns and cities will occur in all countries. The phenomenon will be less marked – but nonetheless real – in regions that are already highly urbanized (Europe, North America, South America), but it will be considerable in emerging countries, including in Africa.

Two phenomena will characterize the urban landscape of the future:

- a larger number of average-size cities of between 100,000 and 500,000 inhabitants, which will contain around half of the total urban population;
- a growing proportion of megalopolises (metropolitan areas with more than 10 million inhabitants), which will increase in number from 23 today to around 40 in 2025, with many located in Asia.

CHALLENGES TO BE MET

Urbanization generates enormous needs at the same time as many challenges: better management of population density and fluidity of movement, providing access for all to decent housing, significantly improving the quality of the housing stock, building collective infrastructures for the production and distribution of energy (water, electricity), sewage systems, public transport networks and educational, cultural and sports facilities.

In this context, it is critical to avoid increasing waste of natural resources, pollution and greenhouse gas emissions, and even to reduce them.

The construction market is naturally positioned at the heart of the challenges of urbanization. It has the twofold mission of meeting major needs, particular in emerging countries, and proposing innovative solutions that will contribute to improving the quality of life.

b) The construction market

The construction market is divided into two segments: building (residential and non-residential) and infrastructure. At the global level, these segments are distributed as follows: 32 % for infrastructure, 34 % for residential and 34 % for non- residential (Oxford Economics 2013). The expertise acquired by Lafarge in each of its markets allows the Group to continuously innovate by anticipating the needs of its customers.

THE MARKET FOR RESIDENTIAL BUILDING (HOUSING)

Housing demand is growing strongly as two factors combine : population growth and rising per capita income. For housing construction continues to accelerate , it is necessary to ensure that the price of building materials is affordable and that the distribution range. In developed countries, new energy efficiency requirements have emerged. To meet these new environmental standards , the materials used must evolve and become more efficient .

THE MARKET FOR NON-RESIDENTIAL BUILDING

Strong commercial construction in each country depends on GDP growth and corporate health. While making the strongest and most durable commercial buildings, Lafarge contributed to limit urban sprawl to preserve farmland and offer more mobility within the urban compact cities .

THE INFRASTRUCTURE MARKET

Investment in infrastructure is critical to future economic growth, because the productivity of an economy depends largely on the quality of its infrastructure networks. Even in the case of developped countries, large sources of growth could emerge if the infrastructure were upgraded. The McKinsey Global Institute showed that in the United States, a GDP permanent gain 2 points of growth if infrastructure investments increased a percentage point of GDP.

Keeping pace with trends on these markets to meet new needs

As a world leader in building materials, Lafarge has a crucial part to play in the changes occurring in the urban landscape. In 2013, it defined a new positioning which will enable it to meet both the quantitative and qualitative needs of the construction market, with the ambition of contributing to building better cities.

(1) *http://www.un.org/en/globalissues/humansettlements/*

(2) *http://www.who.int/gho/urban_health/situation_trends//en/*

c) For better cities

Deeply committed to the construction of better cities, Lafarge has defined five key priorities: providing cities with more housing and making cities more compact, more durable, more beautiful, and better connected.

CITIES WITH MORE HOUSING

To provide decent housing for all city-dwellers, especially newcomers, whatever their income level, construction industry players are working out solutions to build quality housing at affordable prices.

In Bègles, France, Lafarge, is taking part in an innovative project in partnership with the town council, architect Christophe Hutin and property developer Domofrance. It consists of stacked decks divided into units of between 100 and 120 square meters including 50% living space and 50% garden, half of which can be converted into additional living space, if required.

Facilitating access to housing

Through its Sustainability Ambitions 2020, launched in June 2012, Lafarge has undertaken to facilitate access to affordable and sustainable housing for two million people around the world.

In Mumbai, India, Lafarge has devised a simple solution: concrete in buckets that can be delivered by three wheels motorcycles in very narrow alleyways to allow the construction of high-quality two story houses for improving the quality of life in the city slums.

In several countries (the Philippines, Nigeria, Morocco, Zambia, Bangladesh, Sri Lanka, Indonesia), Lafarge has created or set up microcredit programs intended to help families with low purchasing power to build, improve or enlarge their homes.

MORE COMPACT CITIES

Cities will not be able to accommodate their growing populations simply by expanding outward, since sprawl poses complex, costly problems related to transportation, inefficient use of energy and disappearance of farmland. Instead, cities will have to become more dense.

Building upward

Densification will entail building upward, whether by adding one or more additional stories to one-story buildings or by building high-rise developments, depending on the size of the city and the geography.

To help make these projects possible, Lafarge offers numerous types of concrete: very high strength concrete for the foundations and the lower parts, lightweight concrete for the upper parts, insulation, etc.

The Group contributed to building the Lodha World One tower in Mumbai, one of the world tallest residential skyscrapers. With the help of state-of the-art technology, Lafarge designed a concrete that combines properties of extreme solidity and durability.

Reimagining and renewing cities

As cities become denser, efforts must also be made to increase their attractiveness and to improve their residents' well-being through a balanced approach to urban planning. In Marseille, for instance, this has taken the form of the renovation of the former industrial neighborhood of Arenc, the redevelopment of the Vieux-Port and the regeneration of the Porte d'Aix neighborhood.

MORE DURABLE CITIES

More durable cities are more solid and more environmentally friendly. Thanks to its numerous properties, concrete is a material particularly well adapted to meeting these requirements.

Withstanding earthquakes

Concrete is the building material that offers the best resistance against natural disasters. It is good at withstanding earthquakes, deformation and fire. In sensitive regions, Lafarge's range includes special concretes with enhanced resistance to earthquakes and hurricanes. The facades of the new Pérez Art Museum in Miami incorporate ultra-high-performance fiber-reinforced Ductal® concrete because it meets the anti-hurricane standards in force in Florida.

THE MUCEM CAPTIVATES MARSEILLE

The Museum of Civilizations from Europe and the Mediterranean (MuCEM), inaugurated in June 2013, has already proved to be a success.

Located at the entrance to Marseille Vieux-Port and connected to the Fort Saint-Jean by a stunning footbridge, this "vertical casbah" features a latticework sun-break like a gigantic mashrabiya, entirely produced with ultra-high performance fiber-reinforced Ductal® concrete, which is one of the favorite materials of the building's designer, architect Rudy Ricciotti.

He also used Ductal® for the outer shell of the stands of the new Jean Bouin stadium, the home ground of the Paris rugby team, Stade Français.

Improving thermal efficiency

Providing buildings with better insulation to reduce both energy costs and CO_2 emissions has become a high priority for property developers, owners and tenants.

In response to this ambition, Lafarge offers simple and effective solutions, such as Thermedia® concrete, which gives three times better insulation that standard concrete, and a thermal break based on Ductal® and rockwool.

In partnership with the French house builder Cécile Robin Construction, Lafarge has designed a townhouse with positive energy (*i.e.* it produces more energy than it consumes). Named "House of the Year" in its category by the Union des Maisons Françaises in 2012, it combines traditional techniques and innovative materials.

Reducing the environmental footprint of construction

In its Sustainability Ambitions 2020, Lafarge set itself targets of reducing its CO_2 emissions per tonne of cement produced by 33% compared to 1990 levels, using 50% of non-fossil fuels in its cement plants (including 30% biomass), manufacturing 15 million tonnes of aggregates from reused or recycled materials and incorporating these aggregates in 20% of its concrete production.

Actions are already under way to address all these points. They include development of the new Aether® cement, constant improvement to the cement/clinker ratio, an agreement signed in October 2013 with a young American company, Solidia Technologies, for the industrial development of an innovative technique that will reduce the CO_2 footprint of precast concrete; implementation of sourcing programs for alternative fuels; and the removal of demolition waste which is transformed and marketed as aggregates under the Aggneo™ brand name.

MORE BEAUTIFUL CITIES

The beauty and attractiveness of buildings is a key factor in the quality of life of city-dwellers. It is no coincidence that concrete inspires so many architects: its technical performance combines with its great flexibility to make possible every audacious architectural achievement to make cities more beautiful.

High-performance concrete with an esthetic edge

Concretes developed by Lafarge enable architects to design buildings that are as audacious as well as robust.

The facade of a retirement home in Paris, dating back to 1935, was restructured and set behind a latticework screen in Ductal® designed to resemble enormous bamboo stems blowing in the wind.

The Hepworth Gallery in Wakefield, near Leeds (United Kingdom), was built using Agilia® self-placing concrete enhanced with a purple-gray pigment. A specific casting technique was needed in order to obtain a uniform color throughout the structure.

Decorative art

The Artevia® range of decorative concretes is particularly well-suited to the embellishment of buildings and public spaces. When combined with other types of concrete, it is possible to create an aesthetically-pleasing, environmentally-friendly result.

For the Plaza del Milenio in Valladolid, Spain, Lafarge teams devised tailored solutions to create an environmentally exemplary space. The paving was carried out in green and grey Artevia® while the cycle track employs a pervious concrete that optimizes the drainage of rainwater, which is recovered for the purpose of watering the green spaces.

Artevia® was also chosen to create an 80-meter facade at the Cambridge University Botanic Garden in the United Kingdom, with joints that are barely visible.

Artevia® is often used in private homes to create or restore a polished concrete patio, to create garden paths or colored swimming pools sides, or to use stamped concrete to simulate the warm appearance of a wooden patio.

BETTER CONNECTED CITIES

The mobility of city-dwellers is essential for their quality of life and for economic activity in the city. Lafarge draws on its expertise, its cutting-edge products and services and its international resources to offer construction solutions for infrastructures that link people together and allows them access to energy resources.

Lafarge has been involved in the construction of the 200 meter tall telecommunications tower in Belgrade; tunnels and bridges, including the Port Mann Bridge in Canada, the world widest bridge; and transport infrastructures such as the tramway in Casablanca, Morocco, and an expressway which crosses Poland from West to East. In this example, Lafarge is the only supplier capable of offering a complete range including concrete for bridges and roads, aggregates for stabilization, cement and associated services.

Improving energy supply to cities

Working toward the harmonious development of cities entails taking part in constructing the infrastructure networks that supply them with energy, and require particularly strong and reliable materials.

Lafarge was chosen to supply three layers of different types of concrete for the foundations of wind turbines in the largest European wind farm, in Romania (1,100 hectares, 240 turbines). The foundations of a future hydroelectric power plant in Roanne, France, laid in the bed of the Loire river, nine meters below the water, required 7,000 cubic meters of Agilia® concrete, which was selected for its self-leveling properties and its compactness. Following a number of tests, Ductal® was chosen for the renovation of the Caderousse dam on the Rhône river in France, because of its exceptional resistance to shocks and abrasion.

1.2.2 A SOLID FOUNDATION: A BALANCED GEOGRAPHICAL PORTFOLIO FOCUSED ON EMERGING MARKETS AND ON LAFARGE'S CORE BUSINESS LINES

With a balanced geographic portfolio oriented towards emerging markets and a presence in 62 countries, Lafarge - having refocused on its core business lines and with a more efficient organizational structure since 2012 - has the strengths required for its development and to consolidate its position in the world building materials market.

a) A balanced international group

Thanks to its long-standing international expansion strategy, Lafarge has now achieved a geographic balance that offers a unique growth potential with strong positions in both developed and emerging markets and with limited risk: no single emerging country accounts for more than 5% of its sales. Sales in emerging markets in Central and Eastern Europe, Middle East and Africa, Latin America and Asia, grew from 32% in 2005 to 58% of sales in 2013. Lafarge is therefore in a strong position to seize all opportunities for worldwide growth and will continue to develop its leading positions through selective organic investments, notably in Subsaharan Africa and in North America.

b) A group refocused on its core business

In 2011, Lafarge decided to refocus on its core business lines of cement and aggregates and concrete, which show very high growth potential, by disposing most of its Gypsum assets in 2011 and 2013, having done likewise with its Roofing business in 2007.

c) A country-based organizational structure

Early in 2012, a new organizational structure - more agile, more reactive and more focused on markets and customers - was implemented with a view to enhancing Lafarge's efficiency and accelerating its growth. The business-based structure was replaced by a country-based organization. Each country unit is headed by a general manager responsible for all cement and aggregates and concrete activities in the country, drawing on shared local support functions as well as Lafarge's support functions.

The organizational structure and the responsibilities of the Executive Committee were also redistributed with the creation of Innovation and Performance functions.

This new structure is the natural continuation of both Lafarge's geographic expansion phase and its refocusing on its core business. Its aim is to increase Lafarge's differentiation through the development of higher added value products and solutions for construction, linking all cement and aggregates and concrete skills in each country, thus reinforcing Lafarge's position as a key player in construction.

1.2.3 INNOVATING TO BUILD BETTER CITIES

Innovation has always been one of the pillars of Lafarge's strategy. Today, this approach is not limited to the creation of new products through cutting-edge R&D. It also incorporates marketing policy with a focus on the end-user, including a needs analysis for each market in every country, to ensure the development of innovative offers that will deliver added value to customers and ensure the growth of Group businesses. Innovation is a key growth driver, with 450 million euros of additional Ebitda expected for the period 2012-2014, and a new objective of 500 million euros expected in 2015-2016.

a) As close as possible to our markets

Determined to strengthen its customer focus, Lafarge is now organized in a way that enables it to promote its products, solutions and services to its markets. Lafarge also makes its offer available through the development of licenses and franchises for the industry and by increasing the professionalism of its distribution network.

BUILDING

The building market is key for Lafarge. It consists of two segments: residential (housing) and non-residential (commercial, offices, industrial).

In 2012, Lafarge began a process in each country of identifying markets with strong growth potential and developing specific offers corresponding to them. These can combine products, solutions for applications (walls, floors, roof terraces, etc.) and services and, in some cases, they may involve partners.

For example, in China, a lightweight insulating concrete was developed early in 2013 to meet the construction requirement of very tall apartment buildings (30 storeys). The first contract with Longfor, one of the leading Chinese developers, covers the delivery of 17,000 m^3, which will allow the construction of 500,000 m^2 of slabs.

In France, an offer for low-consumption houses was launched on the market. One of the objectives is to promote concrete blocks over bricks. Four major regional manufacturers have set up a grouping called GIE France Blocs to work on this issue. As a partner in this project, Lafarge developed a lightweight block based on pumice stone (12 kg instead of 18 kg) with high thermal performance. It is used for the construction of Pro-Eco low-consumption houses designed by Lafarge and sold by regional developers.

Construction systems: solutions for specifiers

Launched in 2012, construction systems are innovative solutions for the production of structural components (walls, floors, facades, etc.) with stand-out characteristics in one or more areas (cost, durability, strength, insulation, aesthetics, ease of application, etc.). The catalog includes more than 50 solutions for developing appropriate offers for each market.

Promoting affordable housing

There is a great need for housing construction in emerging countries for the middle classes, but especially for the most underprivileged populations. It is essential to offer solutions for building decent, solid housing at affordable prices.

In India, Lafarge has developed an innovative distribution system in the heart of the slums, where trucks cannot pass along the narrow alleyways: bags of concrete and mortar are delivered by motorized rickshaws. Launched in Mumbai, this offer could be extended to several other cities. Replication of the offer in other countries, such as Brazil, is under consideration.

To help families with low purchasing power to build, improve or extend their homes, Lafarge has also introduced microcredit programs, in partnership with banks or specialized finance institutions and distributors.

Following Indonesia, the Philippines and Zambia, the program was extended to Nigeria this year, with the expertise and financial support of the French Development Agency. Others are being set up in Morocco, Bangladesh and Sri Lanka. The programs

A WINNING PARTNERSHIP IN THE PHILIPPINES

The Philippines provide an interesting example of partnership. The concept consists in a complete green roof on very tall office towers which enables property developers to increase their LEED (Leadership in Energy and Environmental Design) rating. The project involves two perfectly complementary partners: Sika, a manufacturer of roofing membranes, which also has a good network of installers, and Lafarge, which provides the design solutions and offers custom mix soil and pumice aggregates specially selected for their lightness and drainage properties. Thanks to Sika's and Lafarge's collaboration, the solution has been made available to sustainability-conscious developers.

devised by Lafarge are not restricted to granting loans for the purchase of building materials. They offer complete solutions, with design, products, training and services covering the entire construction chain.

INFRASTRUCTURES

Transports, energy and mining, roads, telecommunications, water, public facilities, ... infrastructures are keys to the development of cities and countries, and represent a business sector in which materials play a significant role because of unique requirements in terms of technological challenges and longevity. One of the keys to success is to contribute value starting from the project design phase. For infrastructures, the majority of decisions – broad strategic choices and options of techniques and materials – are taken a long way upstream. It is therefore at this decisive time that it is important to be present.

Products, solutions, logistics

Major infrastructure projects constitute challenges in terms of design and technical application, of meeting commitments on schedules and budgets, of guaranteeing longevity and public acceptability. In all these areas, Lafarge is able to make major contributions.

For major projects such as the extension of the Madrid airport and the Casablanca tramway, Lafarge convinced the decision-makers as much by the quality and the innovative nature of its products (self-compacting Agilia® concrete, decorative Artevia® concrete, etc.) as by its capacity to supply large quantities on a continuous basis. For the Koralpe tunnel, in Austria, the Lafarge Research Center devised a customized cement adapted to the chemical composition of the rocks. For the Le Havre stadium, a positive energy building, Lafarge supplied cement with very low carbon content, which enabled the construction site to achieve a 22% reduction in CO_2 emissions. Apart from their technical and environmental performance, Lafarge solutions also meet the esthetic challenges that are central to the public acceptability of urban infrastructures. The choice of fiber-reinforced ultra-high performance Ductal® concrete for the MuCEM in Marseille, for example, in spite of being more expensive than ordinary concrete, made it possible to construct a building at a competitive cost compared to that of other European museums built with other materials, while offering innovative architecture to the public.

CEMENT AND EARTH, A SUCCESSFUL COMBINATION IN MALAWI

In Malawi, the construction of brick houses results in heavy consumption of wood used for firing the clay. Anxious to put a stop to deforestation, the country authorities now discourage this technique. Lafarge has devised an alternative solution, a product called Durabric. Designed in conjunction with the Group's Research Center, this new cement binder is mixed with earth and/ or sand to produce stabilized blocks of earth without firing. The solution is reliable, affordable and environmentally friendly.

Lafarge supports its product offer with a range of services including analysis of the earth used to optimize formulation, renting of machines and training. This solution could easily be replicated in other countries: two billion people around the world live in earth houses.

A SPECIAL CEMENT FOR THE OIL AND GAS INDUSTRY

In 2012, the Oil Well Cement market was established as a Lafarge market in its own right. The oil drilling sector, which continues to expand to keep pace with the growth in world energy demand, calls for specific products and requires a specific commercial approach.

Very stringent standards

Both onshore and offshore wells, which can exceed 2,000 meters in depth for a diameter of only one meter, are composed of a metal casing surrounded by a special cement slurry mix known as oil well cement that fills the space between the outer face of the tubing and the wall formation of the hole and ensures the consolidation and insulation of the geographical layers crossed.

Given the complexity of the application and the extreme conditions of temperature and pressure to which they are exposed, oil well cements must be carefully designed to meet the most stringent requirements such as predictable set time and thickening time, high sulfate resistance, adjustable density and viscosity, fluid loss control, low free fluid, strength, a perfect seal, etc. These requirements correspond to a standard stipulated by the American Petroleum Institute (API), and the plants manufacturing this cement must be certified for conformity.

A global ambition

As a producer of oil well cement at its Le Havre plant in France and in plants in the United States and Canada, the aim for Lafarge is to become one of the benchmark players on the world market.

Lafarge's presence in many countries gives it another competitive edge. Although many contracts with drilling companies are signed at an international level, proximity is a benefit when it comes to logistics. In Algeria, for example, Lafarge is capable of delivering cement to the oil wells in the south of the country. As a result of this expertise, Lafarge signed new contracts in 2013 in Algeria, Iraq and Egypt.

TWO MAJOR CHANNELS FOR PROMOTING THE LAFARGE OFFER

Developing licenses and franchises for the industrial market. This includes all customers who process materials industrially: ready-mix concrete, precast concrete products, asphalt mixes and mortars.

Industrial customers generally purchase bulk cement and aggregates. They sell their products to the construction and infrastructure markets. The cost of raw materials accounts for between 50% and 70% of their cost price.

Lafarge has extensive operational and commercial experience in the concrete industry (both ready-mix and precast concrete). The aim of this new offer for Lafarge is to become an indispensable industrial partner for its customers. It goes much farther than merely supplying materials; it also enables the Group to share its know-how through licensing or franchise contracts.

In a highly competitive open market, this type of contract makes it possible for customers to benefit from the full value of the Lafarge brand and its innovative products, to improve their operational and marketing approach, and to have the support of a recognized partner.

Following the United States, Romania and France, new projects are underway in Germany, Poland and Algeria.

More professional distribution networks

The distribution market covers sales to intermediaries – wholesalers and retailers – that resell the products without modifying them.

In emerging countries, the largest part of sales is made up of bagged cement, distribution mostly entailing a chain of intermediaries of varying length. In developed countries, retail sales account for less than 30% of the cement volumes sold on all distribution circuits. To a large extent, particularly in France, it is concentrated by networks of specialist retailers and do-it-yourself stores.

However, a constant on practically all markets has been a growing demand for specialty products, ready-to-use products for specific utilizations and specific forms of packaging (aggregates in bags, small quantities of cement in plastic bags, masonry cements, mortars in buckets, etc.). This trend is linked to the development of self-build observed in the residential building sector.

On this substantial market, the Group has multiplied the initiatives in 2013, in practically every country in order to find – or create – the most suitable circuits for making its products available under the best conditions.

In developped countries, this strategy mostly entails the creation of special partnerships with leading retailers (including in-store promotions and events, training of sales personnel, etc.), to ensure that Lafarge products are more present and to raise the Group's profile.

In Nigeria and China, strategic distributors have been identified and selected to improve coverage of the country or of markets. This principle of close partnership will develop over the next few years.

In Tanzania and Zambia, a network of containers has been put in place to enable the development of cement distribution in rural regions.

Lafarge's targets are not only professional distributors but also end-users: small contractors, craftsmen and even the public. This entails building up the most complete possible range of products and developing strong brands, such as in India, Brazil and the Philippines, creating service offerings going as far as finance and microcredit arrangements or making grants to match bank loans, as is done in Serbia (see page 15).

b) An innovative offer of products and solutions

The development of offers that meet market needs is based on Lafarge's products, construction solutions and services, whether traditional or more innovative. They are vital to the performance of these offers. Sometimes created by a particular country to respond to a specific situation, they are then added to the Group's catalog and are available for application in other countries and in other situations.

SPECIAL CONCRETES

Lafarge's range of special concretes constitute one of the strengths of its offer. Available in 25 countries, this range represented 36% of concrete sales in terms of volume in 2013, an increase of 12.4% over the previous year on a like-for-like basis.

Increasing the proportion of special concretes in the Lafarge offer will remain an objective for the Group in 2014.

Innovative projects

Hydromedia™ pervious concrete was available in 20 countries in 2013, against 10 in 2010. After a project in Greece in 2012, it was used in 2013 to surface a supermarket car park in Vietnam, a first in this country, and in China it was used for the plaza of the Yuelai international exhibition center in Chongqing.

Agilia® self-compacting and self-leveling concrete, available in different formulations according to the application (foundations, horizontal, vertical, etc.), quick to apply and offering an outstanding finish, was used in a number of prestigious sites, including Madrid airport, the Islamic Arts wing at the Louvre in Paris, the Olympic diving boards in London and the Absolute Towers (also known as the Marilyn Towers) in Mississauga, Toronto, Canada, etc.

Decorative Artevia® concrete is as suitable for the swimming pool surrounds and pathways of private houses as for public areas, such as the paving for the Casablanca tramway in Morocco, the Plaza del Milenio in Valladolid, Spain, and the Place de la République in Paris, where Hydromedia™ was also employed.

THE FIRST SALES OUTLET IN ALGERIA

In Algeria, the first Batistore branch opened its doors in July 2013. Directly managed by Lafarge, this is the pilot for a future chain of stores intended to expand mostly through franchising: roughly one hundred outlets are planned by 2016.

The initiative is inspired by the Mawadis chain of stores in Morocco, launched by Lafarge, two years ago.

THE KEY ACCOUNTS APPROACH REWARDS WITH ALSTOM

As a partner of Alstom Transport on the construction of the Casablanca tramway, Lafarge dedicated a key account director to the constructor. In addition to a thorough understanding of his client, expectations and market, his mission is to work upstream with Alstom technical managers and project directors to specify Lafarge solutions according to their needs, and then to provide coordination with the Lafarge teams in the country where the project is situated. This approach has already borne fruit: the Group has been selected for three other tramway projects, in Dubai (United Arab Emirates), Nottingham (United Kingdom) and Gisors (France), and two other projects are currently under study (the underground of Riyadh in Saudi Arabia and of Baghdad in Iraq).

Chronolia®, as flexible to use as traditional concrete, quickly develops very high mechanical strength. This speed is particularly appreciated in bridge construction, a recent case in point being the 2,300 elements constituting the deck of the Port Mann Bridge in Canada.

The Thermedia® range of insulating concrete is the basis of numerous solutions for reducing energy bills ranging from the slabs of residential tower blocks in China to the facades of an occupational health care center in Perpignan, France.

Placing and Finishing services boost sales

Launched in 2005 in Spain, the "placing and finishing" turnkey service is currently provided in 21 countries, including Egypt, South Africa and Malaysia. The principle is simple: Lafarge is responsible for both supplying value-added concrete solutions and installing them, subcontracting to approved installers. Originally launched for just Artevia® and Agilia®, the offer is now also available for Hydromedia™. This has proved to be an effective way of offering an additional service, especially to small contractors.

INNOVATION IN CEMENTS AND AGGREGATES

Concrete is not the only area in which Lafarge is developing innovative products. Cements and aggregates are also evolving to meet new market expectations.

Tailor-made cements

By using blended cements, based on separate grinding of clinker and additives, it is possible to meet the needs of different markets.

In Canada, in response to the growing demand for sustainable construction, Lafarge has launched Contempra™, a limestone cement that delivers lower greenhouse gas emissions and has helped change the image of concrete in the eyes of the authorities.

In each country, the aim is to launch cell-designed, well-formulated products adapted to local needs. An excellent example is Mohtarif™, a blast furnace slag cement specifically designed for the infrastructure market in Algeria.

New-generation aggregates

In the aggregates sector, the highlight of 2013 was the development of Aggneo™, a range of new-generation high-quality recycled aggregates. It can be used for road sub-bases as well as in concrete production. It meets many needs for sustainable construction in civil engineering as well as for residential and commercial construction, and is an example of the circular economy, where waste become a quality resource.

Lafarge also markets manufactured sand, produced from crushing rocks, graded and "worn down" according to the needs of each market to ensure optimum quality. This solution is both more economical and more ecological in many countries where natural sand deposits are rare and collection is subject to strict regulations.

c) Research & Development, keys to innovation

The innovation strategy is supported by the Group's Research Center, whose work is continued at local level by the Construction Development Labs.

GLOBAL EXPERTISE FOR LOCAL MARKETS

See also page 23 Section 1.2.5 *(Men and wormen, at the heart of Lafarge transformation)*.

Innovation is only possible thanks to substantial efforts in research and development. This strategy has always been one of the strengths of Lafarge: its very first research center was created in 1887. On today site in l'Isle d'Abeau, near Lyon, France, some 240 engineers and technicians from a variety of scientific backgrounds and a dozen or so nationalities work at the Lafarge Research Center (LCR).

In 2013, the principal areas of research, which corresponded to requests from the countries, focused on energy efficiency, renovation – particularly in developped countries – and affordable housing, as well as binders, recycled asphalt mix and aggregates for roads, special concretes for wind turbines, etc.

Work also continued on reducing greenhouse gas emissions, in both manufacture and product usage, and the efficiency of production processes.

R&D AT LAFARGE

- A budget of 122 millions euros in 2013.
- 240 engineers and technicians at Lafarge Research Center in L'Isle D'Abeau site (Lyons).
- 116 new patent applications were filed in 2013.

DEVELOPMENT AT COUNTRY LEVEL

Lafarge launched the first of its Construction Development Labs in 2011. They are tasked with adapting Lafarge's solutions to the needs, restrictions, characteristics and opportunities of its local markets, in close partnership with customers and specifiers (architects, industrial operators, distributors, consulting engineers, etc.).

In 2013, the three existing laboratories – in l'Isle d'Abeau (France), Mumbai (India) and Chongqing (China) – expanded their portfolios. On November 18, 2013, a fourth one, near Algiers, was added to the network, with the aim of supporting Lafarge growth in Algeria. By the end of 2015, the Group expects to be operating ten of these innovation tools intended to boost development in the countries.

INTERNATIONAL PARTNERSHIPS

As an internationally-renowned benchmark, Lafarge's Research Center takes part in scientific networks and forms partnerships with the most important research institutions, top-ranking higher education establishments and universities worldwide.

d) Selling differently, selling better

Selling innovations means being commercially innovative. The countries have put in place sales and marketing strategies based on new skills and on the best sales practices to implement.

SPECIALISTS SPEAK TO SPECIFIERS

In order to be present as far upstream as possible with architects and decision-makers, Lafarge has created high-level specialized sales functions: construction specialists

A PARTNERSHIP TO REDUCE THE ENVIRONMENTAL FOOTPRINT OF PRECAST CONCRETE

Apart from collaborations with universities and research centers, the Lafarge Research Center forms partnerships with companies offering breakthrough solutions. The most recent agreement of this kind was signed with Solidia Technologies, an American start-up that has developed an innovative process that can reduce the carbon footprint of precast concrete by 70% by manufacturing low-carbon cement in a traditional rotary kiln using the same raw materials as normal cement and using CO_2 capture in the manufacture of precast concrete using this cement.

operating in the countries and key account managers. Their role consists in analyzing needs and offering them tailored solutions, chiefly employing products and innovative solutions. Thanks to their professional skills and Lafarge's global expertise, they are a source of ideas and advice.

It was construction specialists, for instance, who devised the solution of using Chronolia® in repair work to the foundations of a building on the aerospace exploration site in Madrid, of a system of pre-stressed concrete panels for a library in Louisville, Kentucky, the choice of pervious Hydromedia™ concrete for the plaza of the Yuelai international exhibition center in Chongqing, China, and Agilia® and Artevia® for the plaza of Bucharest University, in Romania.

A PROGRAM TO ACHIEVE A TRANSFORMATION IN SALES

See page 23 Section 1.2.5 *(Men and Women, at the heart of Lafarge transformation)*.

1.2.4 BECOMING YET MORE COMPETITIVE THROUGH PERFORMANCE

Along with innovation, performance is the Group's other key growth driver. In order to permanently improve its competitiveness, Lafarge is acting to increase the value of its products and services, reduce its costs, optimize its supply chain and increase the productivity of its plants.

a) Cutting costs

In 2013, Lafarge reduced its costs by 450 million euros, added to the 1.5 billion euros of savings already generated between 2006 and 2012. The 2012-2015 plan intended to generate an additional 1.3 billion euros of cost reductions will be completed by the end of 2014. Encouraged by the success, the Group announced in November 2013 a new objective of 600 million euros cost reduction over the period 2015-2016.

REDUCING THE COST OF ENERGY

Energy accounts for one third of the cost of cement production (before distribution and administrative costs). Lowering the energy bill and protecting the Group against price increases are therefore priorities. By improving purchasing management, reducing specific cases of energy consumption and using alternative fuels, the Group is able to achieve considerable progress. In Nigeria, Benin, Jordan and Uganda, equipment has been modified to take ground coal or petcoke instead of other fuels with unreliable supply or too high a cost. Also a new Purchasing legal entity called "Lafarge Energy Solutions" has been created in order to enhance the global Lafarge presence on the coal and petcoke market and therefore optimize its sourcing performance.

DUCTAL®, THE ULTRA-HIGH PERFORMANCE CONCRETE

Fiber-reinforced ultra-high performance Ductal® concrete, one of the most prestigious products in the Lafarge range, has been in the spotlight in recent years in the projects of several leading architects, including Rudy Ricciotti's MuCEM in Marseille and Jean Bouin stadium in Paris, Frank Gehry's Louis Vuitton Foundation for Creation in Paris. Thanks to its exceptional properties, it is also used to strengthen dams, to build bridges, wind turbine masts and lightweight insulated facades...

OPERATING MODELS BASED ON EXPERIENCE

To improve its performance, Lafarge developed operating models for each of its business areas. Based on best practices, both industrial and commercial, observed in the Group, they have been modified over time to keep pace with markets changes and with priorities in the countries. They have also been pared down to make them still more operational.

Following TOP for concrete – which will be updated in 2014 – and ROCK for aggregates, CEM'UP, launched in 2012, combines the Cement business' industrial model (POM 2.0, reworked in the second half of 2013) and a commercial model built on four pillars: price management, brand definition, product definition, and sales and distribution strategies. Added to these is MOVE, developed in 2013, for the supply chain (see below). The aim is to connect the different aspects of the business – production, logistics, marketing and sales – to improve plant performance continuously and sustainably and provide better service to customers.

Optimizing electricity supply

The strategy for optimizing electricity bills, which has been directed for several years by a dedicated team, depends on the type of market: use of preferential rates in countries where prices are regulated; hedging of volatility on liberalized markets; negotiations with different operators in countries with a mixed or transitional system. In every case, a detailed analysis and accurate forecast of needs can make substantial savings possible.

In several countries, Lafarge has created its own power plants, either to ensure secure and reliable supply at low cost or to improve its energy efficiency thanks to heat recovery equipment fitted with the cement process, feeding the electricity generators. In addition, whenever possible, Lafarge can adapt its consumption or production of electricity in order to obtain additional remuneration and play its part in ensuring the security of public electricity networks.

Developing alternative fuels

Lafarge is also seeking ways to increase the proportion of alternative fuels in its plants: tires and waste industrial oils, household, industrial and agricultural waste, etc. In 2013, these fuels accounted for more than 17% of cement plant consumption, against less than 15% in 2012. The goal is to approach 30% by the end of 2015 and 50% in 2020.

Considerable progress was made in 2013, particular in sub-Saharan African countries (South Africa, Benin, Cameroon, Zambia, Zimbabwe, Uganda), and projects are under way in the majority of countries where Lafarge operates, including Morocco, Kenya, China, the Philippines, Pakistan, Algeria, Brazil and Canada.

This year, the Group introduced complete solutions for processing household waste, thanks to an innovative bio-drying technology, in Romania and developed a system for roasting biomass in Benin. These solutions will increase the use of alternative fuels in cement plants.

The Saint-Pierre-La-Cour cement plant in France has installed a new mill for shredding non-toxic and non-polluting waste sourced from local businesses (plastics, paper, cardboard, textiles, bulky objects) to supplement the shredded tires that have been used as fuel for many years. As a result, it has been possible to achieve a rate of 50% of non-fossil fuels, with a subsequent target of 75% becoming feasible.

OPTIMIZING THE SUPPLY CHAIN

Supply chain management consists in planning and supervising supplies to the plant and delivery to customers. It is a fundamental aspect of performance. Transport and logistics constitute a high proportion of costs. Optimizing internal and external flows and delivery rotations, avoiding empty return trips, avoiding waits during loading and breaks in supply caused by a lack of trucks, improving the management of transport providers by incorporating performance clauses into their contracts, ensuring that road safety standards are respected: each one of these actions creates value for the Group and for its customers. By assuring the regularity and punctuality of deliveries and unloading, and possibly onsite stock management and other value-added services, supply chain excellence can be responsible for a decisive competitive advantage in all markets.

A WELL-MANAGED CONSTRUCTION SITE IN RAJASTHAN

To construct a plant in Rajasthan, India, with a capacity of 5,000 tonnes of clinker per day, an ad hoc project team was put in place in 2011. The construction project required more than 15 million man-hours of work and saw up to 4,500 people on the site at certain times. Construction was accident-free, and the plant was delivered on time and under budget.

This is why in 2013 Lafarge tasked a dedicated team with organizing and directing the supply chain function, with the aim of making it more professional and designing a business model, including the introduction of transport planning and management software and performance indicators. These will come into operation early in 2014.

A PROGRESS PLAN FOR QUARRIES

All the raw materials in Lafarge's businesses are extracted from quarries. The Group operates more than 500 quarries, from which 400 million tonnes of rock are extracted every year. As such, Lafarge has much in common with a mining group. This is the culture that it is striving to acquire in its efforts to improve safety, productivity, costs and environmental management. The "basics" of mining culture include the following:

- safe operation based on the rigorous implementation of a mining plan which defines operating sequences over the entire lifecycle of the quarry;
- more rational management of the removal and storage of overburden;
- expertise in drilling and blasting at the rock face to optimize fragmentation for the primary crushing plants
- optimization of transport within the quarry from rock faces to site installations to ensure continuous feeding of primary crushing plants.

These are the aims of the Mining Acceleration project, launched in 2013, which focuses on the implementation of the "basics" of mining at quarry level as well as on sustainable savings. Twelve sites in five countries (Algeria, Western Canada, Iraq, Nigeria, Russia) have been chosen to act as pilots. By the end of 2014, the project will have been rolled out on 70 sites in 26 countries.

SEEKING THE BEST SOURCES OF SUPPLY

To optimize costs, Lafarge has set up a global sourcing and procurement community of more than 1,000 people, consisting of a focused central team, responsible for sourcing a limited number of critical inputs, notably energy and cementitious products, and disseminating best practices, completed by a worldwide network at country level, with a strong local expertise.

The objective is to select the best suppliers, committed to safety and sustainability, offering the lowest total cost of ownership, innovative solutions, overall performance including quality and transactional efficiency.

The decision to leverage a purchasing category at a specific level (global or country) is based on a combination of factors including the supplier market structure, the ability to standardize our requirements, the ability to maximize our value creation, the ability for our suppliers to service our sites.

Based on its experience acquired during the construction of new cement plants in China, Lafarge has expanded its sourcing platform in Beijing with a new team (International Sourcing Development Team) responsible for supplying its plants with equipment and replacement parts at the lowest possible prices, while performing controls throughout the production process to ensure that the components are of the highest quality.

b) Increasing productivity

Lafarge has identified 13 to 15 million tonnes additional cement production capacity to be made available between 2012 and 2015, with minimal investment, while bringing new products to market to meet customers' needs and while maintaining product quality.

CONTINUING TO IMPROVE THE CEMENT/CLINKER RATIO

The production of clinker, the base component of cement, is the operation with the highest energy-consumption. However, it is possible to replace clinker by other components: slag (a by-product of steel production), fly ash (produced by the combustion of coal in thermal power plants) and pozzolan (volcanic rock). This method enhances a facility production capacities – thereby limiting investment costs – while cutting energy bills and CO_2 emissions. Moreover, the use of these components gives cement special properties that can be advantageous in certain contexts, such as better resistance to chemical stresses (improved durability in environments with high levels of sulfur or chlorine) and low hydration heat (reduced cracking in large structures).

Progress is measured by changes in the cement/clinker ratio. At Lafarge, this has been constantly rising for the past ten years.

OPTIMIZING EXPERTISE OF PRODUCTION FACILITIES

Lafarge is working on optimizing its expertise of its production facilities and manufacturing processes in its cement plants, quarries and concrete plants to improve their reliability, and thus their productivity. This improvement is achieved by applying operating models that have proved their effectiveness.

A well-managed cement plant also achieves better safety results and 20% lower maintenance costs. Energy consumption is also 5% lower on average.

Lafarge is constantly improving its operational mastery: the plant reliability rate rose slightly compared to the previous year to a new record level of 94.9%. Beyond this record, this mastery has made it possible to improve the quality and regularity of products and increase the speed and reliability with which new products are brought to market.

Lafarge launched in 2011 the Boost project. This project aims to work with sites' teams to improve rapidly the performance level in a sustainable way. The "boosters" provide assistance and share their knowledge and experience. Ready to be mobilized at any time, they may remain on assignment from 3 to 9 months.

MORE EFFICIENT ENGINEERING

The Group is trying to reduce the cost of building new facilities, particularly by shortening the time taken for construction and the build-up to full production capacity, through a reorganization of the governance and financial control of projects. In summary, each project is managed as a business in its own right.

The construction of a cement plant in Rajasthan, India, which was fully operational only three months after start-up operations began, is a good example of success, achieved thanks to excellent collaboration between local teams and the engineering Division (see below).

The formation of start-up teams to support the operating teams for the time needed to achieve full capacity is another key to success. This joint work is vital for the start-up phase to run smoothly, and the cost is cheap compared to the cost of loss of production.

Eliminating bottlenecks

The engineering Division has also analyzed plant operations to detect potential for increasing production with a minimum investment, through the elimination of bottlenecks. The debottlenecking plan, which should help meet the target of raising capacity by 13 to 15 million tonnes, has been rolled out in some twelve countries.

1.2.5 MEN AND WOMEN, AT THE HEART OF LAFARGE TRANSFORMATION

A key element in the success of the strategy, human resources have supported the Group's commercial transformation more specifically, particularly with regard to hiring and training.

Lafarge's human resources policy continues to promote diversity, professional development for everyone through training and career management, health, safety and well-being at the workplace.

a) Attracting talents, developing skills

To be truly effective, the new Group organization, focused on markets and customers, is backed up by hiring, training and career management policies that are in line with performance and innovation targets.

BRINGING R&D AND MARKETING CLOSER

The strategy towards customers materializes in Research and Development.

In 2013, the Research Center at L'Isle d'Abeau (LCR) was reorganized according to our market priorities. A team tasked with helping with technology transfers and bringing new products to market in the countries was also set up. New profiles (such as engineers, architects, etc.) combining knowledge of techniques and experience of markets were recruited for the Construction Development Labs, which report to Marketing departments in the countries. Interaction between R&D and marketing is encouraged.

A PROGRAM TO ACHIEVE A TRANSFORMATION IN SALES

Since 2011, Lafarge has been operating a commercial transformation program. It proposes a method and a set of tools that will enhance the activity management of its sales teams. By the end of 2013, the half of sales force has been trained in the new methods and the best practices were shared widely.

In 2014, this program should be accelerated and benefit to the entire sales force.

SPEEDING UP DEVELOPMENT PATHS

Launched late in 2013 by Lafarge University, "Make It Yours" is an initiative that aims to accelerate individuals' progress through skills development programs, whether technical or behavioral, for employees in contact with customers. So this does not only involve sales teams, but also production teams in the Group's three product lines: cement, concrete and aggregates. The aim is to learn to offer innovative solutions, sell them effectively and produce them at a competitive cost. After each participant's skills are evaluated, an individual development plan is drawn up, which specifies training programs, learning activities in the field, e-learning and coaching. A qualification is awarded to recognize the skill acquired when the program is completed.

INITIATIVES IN FAVOR OF DIVERSITY

In 2013, actions have been set up in order to promote diversity. As examples, the recruitment of several people with hearing impairments to work in supply chain posts in Malaysia and the exemplary way in which they were integrated into the company, and a partnership set up with Women Building Futures in Alberta, Canada, resulting in 18 women being hired and trained as concrete truck drivers.

HEALTH AND SAFETY PRIORITY N° 1

In 2013, the lost-time incident frequency rate (number of accidents/million hours worked) was 0.49, a distinct improvement over 2012, which was 0.62.

TRAINING TO BOOST PERFORMANCE

Enhancing its employees' skill sets is central to Lafarge's business models. A well-managed production unit, with well-trained teams and individuals, will have a high level of reliability, which will make it more competitive. The Group therefore organizes a range of training programs for managers and other key operational employees. These programs, which have been running for several years, are recognized by certification, and will eventually involve 1,300 employees.

b) Promoting diversity

As an international group, Lafarge is convinced that diversity speeds up change and is a source of performance, creativity and innovation. The Sustainability Ambitions 2020 emphasize a desire to increase the number of women holding senior management posts with a target of 35% and to promote inclusivity in order to allow people of differing backgrounds (nationality, socio-professional category, etc.) to contribute value to the Group in their own right.

In 2013, an Inclusivity index was developed. This makes it possible to assess to what extent employees feel able to succeed and to contribute value. This has enabled the countries to identify areas of development and to devise a progress plan. Moreover, a Diversity and Inclusion evaluation grid was deployed in 2013. The Group is aiming for 75% of countries to be in category A or B on the "Diversity and Inclusivity" evaluation grid and to have a minimum of 20 countries recognized as an "employer of choice".

c) A high quality of industrial relations

Lafarge seeks to benefit from the involvement of employee representatives, especially in a rapidly changing economic environment. It therefore values high-quality social dialogue at country, European and international level.

WELL-BEING AT THE WORKPLACE

Lafarge considers that well-being at the workplace is an essential factor in employee motivation, and in turn for the entire Group performance. A year after a joint declaration on safety, hygiene and health protection, the trade unions signed a declaration on well-being at the workplace in 2013. The Group European works council is paying close attention to action plans adopted following surveys of well-being at the workplace carried out in France, Germany and Austria between 2009 and 2013.

AN INTERNATIONAL AGREEMENT

In 2013, Lafarge continued to strive to develop high-quality industrial relations. It is worth pointing out that each year, the annual meeting of the European works council is chaired by the Chairman and Chief Executive Officer of Lafarge, while representatives of the international trade unions and the European works council take part in meetings of the stakeholder panel.

Lafarge signed an international agreement in 2013 with the European Federation of Building and Wood Workers and the IndustriALL Global Union covering the Group social responsibility and international industrial relations.

d) The absolute priority of Health and Safety

Improving Health and Safety remains the first priority of the Group. To consolidate the progress it has achieved, Lafarge is committed to a strategy based on a constant analysis of Health and Safety risks and regular revision of the corrective actions needed to reduce them.

MANAGING HEALTH AND SAFETY RISKS

Lafarge's objective in the context of its Sustainability Ambitions 2020 is to achieve zero fatal accidents and to prevent lost-time incidents for both employees and contractors. The Group wishes to be acknowledged as a world leader in Health and Safety by all its stakeholders.

In 2013, the lost-time incident frequency rate (number of accidents/million hours worked) was 0.49, a distinct improvement over 2012, which was 0.62. This excellent performance results from a strong re-engagement with the subject of Safety by teams in every country in line with a strategy which gives countries freedom to manage and rank risks according to local conditions, and effective sharing of experience and best practice.

Although the number of fatal accidents has fallen, it remains a major concern. The majority of these accidents relate to road transport. All countries are working relentlessly on the implementation of Group standards on transport in order to make further progress.

CHANGING BEHAVIOR

To improve behavior with regard to risks, Lafarge rolled out a vast program of audits (30 sites audited in 2013) based on the 10 key elements of the Health and Safety Management System, to identify strengths and areas requiring progress. The aim for each of the countries is to share the best practices to implement, to carry out regular monitoring of the actions that are required, and to involve employees at every level. It is hoped that all Group sites will be audited over the next three years.

Thanks to this effective system and action plan, the countries have access to all the tools they need in order to bring about a lasting change to behavior in regard to Safety. The Group supports this culture change by celebrating every year the Health and Safety Month. The theme for 2013, "at home, at work – make the link", attracted involvement from 100% of the countries. Another example is the Health and Safety Excellence Club, which has introduced a level of recognition for the most mature countries. Four countries were given this award in 2013.

e) Security

While safety focuses on unintentional incidents (occupational accidents and diseases), security relates to incidents resulting from malevolent acts (terrorism, crime, etc.) or natural catastrophes.

Ensuring the protection of its employees and its property is a major responsibility for Lafarge. This was why the Group defined a Security policy in 2009. Its expansion has taken it to some particularly exposed parts of the world. Based on analyzing and evaluating risks and on anticipation, the policy makes use of protection plans and tried and tested procedures.

The commitment to Security and the rules to apply are part of Lafarge's principles of action: by example behavior, integrity, respect for others. Beyond the managers and teams specialized in this function, Security is a shared concern for everyone in the Group, at every level.

1.2.6 A FIRM COMMITMENT TO SUSTAINABLE DEVELOPMENT

Lafarge's commitment to sustainable development is not recent. Nor are its motivations philanthropic: the Group is convinced that its performance and its competitiveness are inextricably linked to the social and economic living conditions of the communities in which it operates, and that there can be no sustainable economic development without preserving our living environment and our planet.

Back in 2001, Lafarge set the target of a 20% reduction in its CO_2 emissions per tonne of cement produced by 2010. It reached its goal a year ahead of schedule. In 2007, the Group's first complete program, Ambitions 2012, was set up, and all its commitments were met. Encouraged by these successes, the Group has now set itself new targets.

a) Major strides in 2013

The Group initiatives are geared to contributions to three specific areas: the development of communities, sustainable construction and the circular economy.

CONTRIBUTING TO THE DEVELOPMENT OF COMMUNITIES

Lafarge's areas of focus divide into two key areas: health and safety, and local economic and social development. It engages in a constructive and transparent dialogue with stakeholders to take stock of their needs and help them resolve their local issues. Here are a few examples.

The Beocin cement plant, in Serbia, has partnered with the city council in creating a business park, occupied so far by four companies with the creation of 350 jobs.

In India, the Group has provided IT education programs in areas surrounding its cement plants in remote regions. 12,000 children have already taken part.

In Bangladesh, working with a local NGO, Lafarge has made it possible for 25,000 people living in 40 villages close to its plant in the north of the country to have access to health services. Training in the installation of solar panels has also been organized in the same region, leading to the creation of jobs.

In addition to these local initiatives, the Group has launched two global programs to preserve water resources and to promote voluntary work.

Preserving water resources

Water is a key issue in a number of countries in which Lafarge is present, which is why the Group has been working for several years to reduce its water footprint. 70% of its industrial sites are already equipped with wastewater recycling and/or rainwater recovery systems. Since 2012, the Group has gone farther: it now evaluates the water risks of its 155 plants of the cement activity and 475 aggregates quarries, and, alongside other stakeholders, makes a commitment to organize more sustainable water management, particularly in the ten water basins where the situation has been identified as being the most critical.

Promoting voluntary work

Lafarge has introduced a program for employees who would like to contribute their expertise to local communities, in the spirit of the Group values. A very ambitious target has been set of providing a million hours of voluntary work each year devoted to locally selected projects in the areas of biodiversity, preservation of water resources, training, affordable housing, health and the creation of jobs.

CHOOSING RESPONSIBLE SUPPLIERS

Lafarge's commitment to sustainable development plays a part in its procurement policy. It chooses suppliers that also respect fundamental human rights and workers' rights.

In 2013, the Group launched a vast program to assess its suppliers' performance in the areas of the environment, working conditions, human rights, ethics, and sustainable purchasing practices.

When necessary, the Group Purchasing teams are working alongside suppliers to develop corrective action plans.

CONTRIBUTING TO SUSTAINABLE CONSTRUCTION

The Group has developed many innovations in the field of sustainable construction that meet the needs of its markets and comply with the principles of sustainable development.

In 2013, R&D and marketing teams worked on the first concrete-based applications for Aether®, the new-generation Lafarge cement with a carbon footprint reduced 25% to 30% by comparison with a traditional Portland cement. The Thermedia® insulating concrete range has expanded with the launch of Thermedia® 0.3, specially designed for facade walls and offering six times more insulation than conventional concrete. The Group also continues to roll out Hydromedia™, its new pervious concrete, which is now available in around twenty countries.

New solutions have also been developed for affordable housing (see the chapter "Innovating to build better cities" page 15).

CONTRIBUTING TO THE CIRCULAR ECONOMY

The circular economy is one of the keys to responsible industrial development. It is based on maximizing the re-use of materials considered as waste. A pioneer in industrial ecology, Lafarge is working to reduce its ecological impact on natural environments by way of two major focuses: reducing its consumption of fossil energies and its CO_2 emissions and preserving biodiversity.

Increasing the use of non-fossil fuels

The replacement of fossil fuels by alternative fuels is one of the Group objectives. In 2013, they represented more than 17% of consumption by cement plants, compared to less than 15% in 2012. The aim is to approach an average of 30% in 2015 and 50% in 2020.

This change has the double interest of reducing energy costs and converting waste (used tires, plastics, biomass, etc.). Both initiatives undertaken in Uganda for the use of coffee husks, which accounted for 50% of the Lafarge cement plant energy mix in 2013, and an agreement signed in November with the regional authorities in Iraq to provide a complete and innovative solution for converting household waste are also beneficial for the communities: they provide an alternative to landfills and help create jobs (see the chapter "Becoming yet more competitive" page 20).

Reduced environmental impact is also a consequence of the constant improvement in the cement/clinker ratio (see the chapter "Becoming yet more competitive" page 20).

Preserving biodiversity

In 2013, Lafarge also pressed ahead with programs to rehabilitate its quarries, with rehabilitation projects covering more than 1,600 hectares out of a total of more than 39,400 hectares of land being quarried. An analysis of over 700 of the Group quarries to identify sensitive areas for biodiversity at an international level has identified 22% of sites as being at risk. By the end of 2013, all these sites had implemented a biodiversity management plan.

d) Ambitions 2020 to take Lafarge farther

Sustainability Ambitions 2020, introduced by Lafarge in 2012, is the most comprehensive and the most ambitious program in the sector. It covers all the dimensions of sustainable development, social, economic and environmental, considered as a whole.

The Ambitions incorporate quantified targets and constitute the Group roadmap for making a net positive contribution to society and to nature. The aim is to minimize the environmental footprint while maximizing the value created for all stakeholders.

1.2.7 INTELLECTUAL PROPERTY

Lafarge has a substantial portfolio of Intellectual Property rights including patents, trademarks, domain names and registered designs, which are used as a strategic tool in the protection of its business activities.

Lafarge aims to enhance the value of Intellectual Property by coordinating, centralizing and establishing its rights through patents, trademarks, copyright and other relevant laws and conventions and by using legal and regulatory recourse in the event of infringement of the rights by a third party.

The Group Intellectual Property department is in charge of protecting the Group trade name, and trademark portfolios in more than 120 countries, and implementing the necessary legal recourse against third party unauthorized use of the Lafarge name. Action against illegal use of the Lafarge name and logo against local counterfeiters in China as well as in France,continued during 2013, with criminal lawsuits resulting in severe sentences.

The Group Intellectual Property department is also strongly involved in new information and communication technologies issues by protecting and defending Lafarge domain names as well as securing the presence of Lafarge on the internet and new digital medias

COMMITMENT AT THE TOP LEVEL

The success of the Lafarge sustainable development policy owes much to a commitment displayed by the Group Chairman and Chief Executive Officer, Bruno Lafont, at the highest level of the national, European and worldwide organizations.

Co-chair of the Energy Efficiency in Building (EEB) initiative run by the World Business Council for Sustainable Development (WBCSD) since 2006, he was appointed a member of the WBCSD Executive Committee in November 2013. He also chairs the Energy and Climate Change working group of the European Round Table of Industrialists (ERT), a forum of fifty chief executives and chairmen of major European companies in industry and technology.

In France, he has been elected president of the Sustainable Development Commission of the Medef, the French employers' federation. He took up this position in January 2014.

including social networking, smartphone applications etc.

The use of, and access to, Lafarge Intellectual Property rights are governed by the terms of license agreements granted by Lafarge S.A. to its subsidiaries as well as to third parties.

Such agreements, granted by Lafarge S.A. to its subsidiaries, include a series of licenses permitting the use of the intangible assets by the Group (such as know-how, trademark, trade name, patents, software and best practices).

The global process to revise all agreements, launched in 2011, is now close to being completed.

The portfolio of patents continues to grow, with 116 new patent applications submitted in 2013. The number of patent filings reflects Lafarge's continued commitment to innovation. A significant part of the applications relates to sustainable construction and sustainable development, in line with the 2020 ambitions of Lafarge.

1.2.8 RECENT ACQUISITIONS, PARTNERSHIPS AND DIVESTITURES

SIGNIFICANT RECENT ACQUISITIONS

In 2013 and 2012, the Group made a limited number of small to medium-sized acquisitions.

Acquisitions during the last two years had an overall positive effect on revenue of 187 million euros in 2013 compared to 2012.

SIGNIFICANT RECENT PARTNERSHIPS

See Notes 3 (Significant events of the period) and 20 (Equity) to the consolidated financial statements for more information on these partnerships.

United Kingdom. On January 7, 2013, creation of Lafarge Tarmac, 50/50 joint venture between Lafarge and Anglo American. This joint venture combines the cement, aggregates, ready-mix concrete, asphalt and asphalt surfacing, maintenance services, and waste services businesses in the United Kingdom.

Mexico. On July 31, 2013, Lafarge and Elementia completed the creation of an entity combining their cement assets in Mexico. The Group brought to the new entity its two plants of Vito and Tula for a total capacity close to one million tonnes, while Elementia contributed the new one million tonnes plant in central Mexico. The new entity formed is held at 47% by the Group and 53% by Elementia and is recorded under equity method in the Group consolidated financial statements.

SIGNIFICANT RECENT DIVESTITURES

See Notes 3 (Significant events of the period), 5 (Net gains (losses) on disposals) and 32 (Supplemental cash flow disclosures) to the consolidated financial statements for more information on these divestitures.

Honduras. On November 27, 2013, the Group disposed of its cement asset in Honduras to the group Argos. Sold assets comprise an integrated cement plant with a capacity of 1 million tonnes and a grinding station with a 0.3 million tonnes capacity.

Ukraine. On September 25, 2013, Lafarge disposed of its cement asset in Ukraine to the CRH group. Lafarge remains present in Ukraine through three aggregate quarries serving the Ukrainian as well as the Russian and Polish markets.

The United States:

On November 30, 2012, Lafarge sold its cement and concrete and aggregates assets in Missouri and Oklahoma to Eagle Materials Inc. The assets sold include cement plants in Kansas City (Missouri), and Tulsa (Oklahoma) having a total cement capacity of 1.6 million tonnes, along with associated cement terminals. Lafarge also sold its Aggregates and ready-mix Concrete operations in Kansas City.

During the first quarter 2013, Lafarge disposed of six aggregates quarries in Georgia.

On August 30, 2013, Lafarge disposed of its Gypsum operations in North America to an affiliate of Lone Star investment fund. Since September 2011, Gypsum operations (activities in Middle East and Africa excluded) were presented as discontinued operations in the Group consolidated financial statements.

In addition, during 2013 and 2012, Lafarge carried out several small-to-medium sized divestments.

In total, divestitures during the last two years reduced the Group revenue by 277 million euros in 2013 compared to 2012.

POST CLOSING DIVESTITURES

See Note 34 (Subsequent events) to the consolidated financial statements for more information on these divestitures.

Europe and South America. On December 26, 2013, Lafarge announced the sale of its 20% minority stake in European and South American Gypsum operations to Etex. This transaction was closed on February 12, 2014.

The United States. On January 10, 2014, Lafarge announces the sale of five aggregates quarries and related assets in Maryland (USA) to Bluegrass Materials. After the relevant regulatory approvals have been received, the transaction was closed on February 12, 2014.

1.3 OVERVIEW OF OPERATIONS

The breakdown of Lafarge revenue by geographic area and activity is as follows:

SALES BY GEOGRAPHIC AREA [(1)]

	2013 (million euros)	(%)	2012 (million euros)	(%)
Western Europe	3,256	21	3,181	20
North America	3,137	21	3,375	21
Central and Eastern Europe	1,145	7	1,270	8
Middle East & Africa	4,067	27	4,283	27
Latin America	869	6	961	6
Asia	2,724	18	2,746	18
TOTAL	**15,198**	**100**	**15,816**	**100**

(1) *After elimination of sales between geographic areas.*

SALES BY ACTIVITY [(1)]

	2013 (million euros)	(%)	2012 (million euros)	(%)
Cement	9,657	63	10,373	66
Aggregates and concrete	5,451	36	5,353	33
Other products	90	1	90	1
TOTAL	**15,198**	**100**	**15,816**	**100**

(1) *After elimination of sales between activities.*

EBITDA [(1)] BY GEOGRAPHIC AREA

	2013 (million euros)	(%)	2012 (million euros)	(%)
Western Europe	354	11	507	16
North America	560	18	558	16
Central and Eastern Europe	201	7	256	7
Middle East & Africa	1,153	37	1,242	36
Latin America	240	8	296	9
Asia	594	19	564	16
TOTAL	**3,102**	**100**	**3,423**	**100**

(1) *As defined in Section 2.2.4 (Reconciliation of non-GAAP Financial measures).*

EBITDA [1] BY ACTIVITY

	2013 (million euros)	(%)	2012 (million euros)	(%)
Cement	2,665	86	2,983	87
Aggregates and concrete	464	15	479	14
Other products	(27)	(1)	(39)	(1)
TOTAL	**3,102**	**100**	**3,423**	**100**

(1) *As defined in Section 2.2.4 (Reconciliation of non-GAAP Financial measures).*

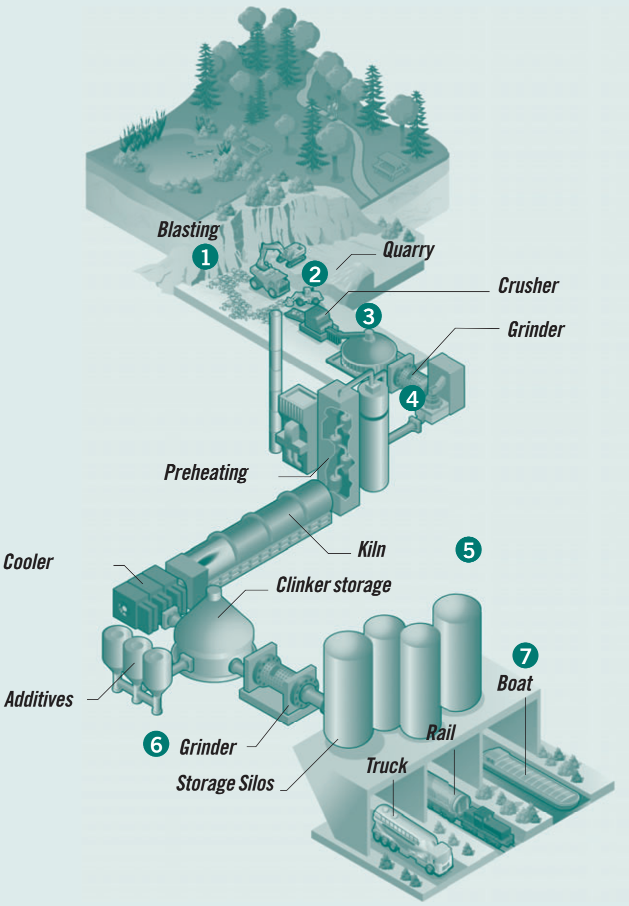
In the following pages of this Section 1.3:

- *sales figures are presented "by origin" country. They include all the amounts both produced and sold in the market, as well as any quantities exported to other markets. They are presented before elimination of inter-activities sales and calculated following applicable consolidation rules;*
- *data regarding the number of sites and production capacity include 100% of all its subsidiaries' facilities and production capacity, whether fully or proportionately consolidated;*
- *the percentage of sales for each region is computed in relation to the total sales of the relevant activity, before elimination of inter-activity sales.*

During its operations, Lafarge may face risks that are presented in Section 5.1 (Risk Factors).

Detailed comments per geographic area and per country can be found in Section 2.3 (Results of operations for the years ended December 31, 2013 and 2012).

CEMENT



A WORLD LEADER

(December 31, 2013)

9,657
revenue
million euros

38,000
employees

56
countries

155
production sites

1.3.1 CEMENT

Cement production historically represents the Lafarge core business. Cement is the principal hydraulic binder. It 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.

Based on both internal and external research, Lafarge is a world leading producer of cement, taking into account sales, production capacity, geographical positions, technological development and quality of service.

a) Profile

At year-end 2013, Lafarge operated, in 56 countries, 113 cement plants and 42 grinding plants, with an annual production capacity of 221 million tonnes (total capacity of the entities consolidated by Lafarge, of which 195 million tonnes after deduction of our partners' shares in joint ventures). Consolidated sales for 2013 reached 136.8 million tonnes.

b) Production process

The raw materials needed to make cement are calcium carbonate, silica, alumina and iron ore. These are usually present in limestone, chalk, marl, shale and clay.

These raw materials are crushed, then ground up and mixed in the appropriate proportions. The resulting mixture is then put into a rotary kiln and heated to approximately 1,500°C to produce clinker. The clinker is finely ground with gypsum to make cement.

It is also possible to substitute other ingredients—such as limestone, ground slag (by-product of steel manufacturing), fly ash (created when coal is burned in thermal power plants), or pozzolan (volcanic slag)—for certain raw materials or to add these ingredients at the end of the manufacturing process. This technique makes it possible to cut energy bills and CO_2 emissions and to broaden the range of products.

See Section 1.2.4 (Becoming yet more competitive through performance) for further information on lowering energy costs and improving the cement/clinker ratio.

An average breakdown of the production cost of cement (before distribution and administrative costs) is approximately: energy 33%, raw materials and consumables 29%, labor, maintenance and other production costs 26%, and depreciation 12%.

See paragraph "Customers, products and services" on page 32.

c) The cement industry

The cement industry is capital intensive: construction of a new production line represents more than two years of its full capacity sales. As a result, the cement industry saw a trend toward concentration beginning in the 1970s.

Today, there are several multinational cement companies, including, other than Lafarge, Holcim (Switzerland), HeidelbergCement (Germany), Italcementi (Italy), Buzzi (Italy), Cemex (Mexico), Taiheiyo (Japan), Camargo Corrêa and Votorantim (Brazil), and many smaller international corporations. Most of the major international cement companies implemented cost reduction plans and focus on internal growth. There are also well-positioned national and regional producers alongside multinational corporations.

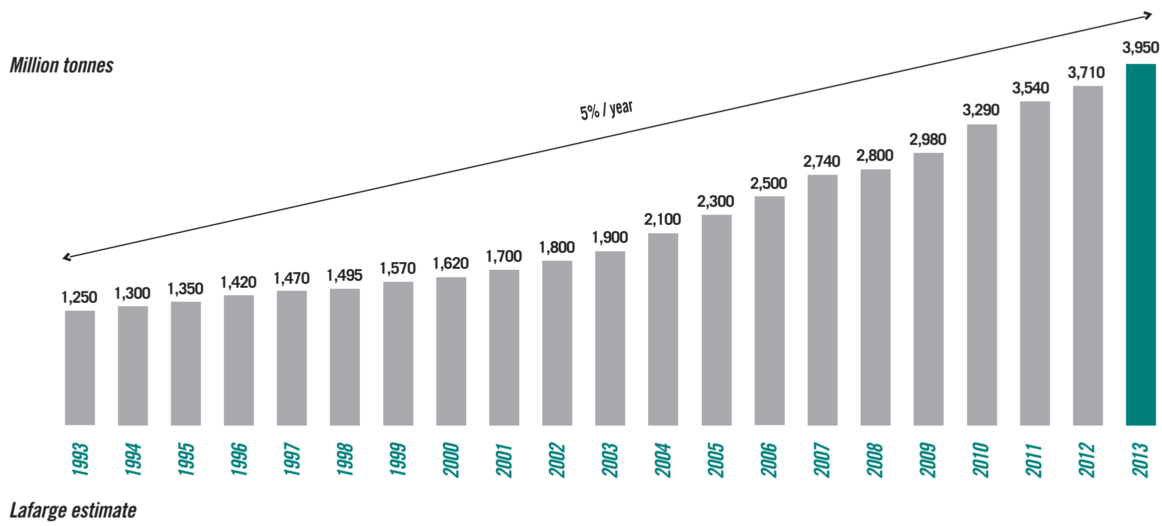
In 2013, local players based in emerging countries continued to gain strength. Chinese giants CNBM and ANHUI CONCH do not have any presence outside China.

d) Markets

Emerging markets (Central and Eastern Europe, Asia, Middle East & Africa, Latin America) currently represent 90% of the world market, while North America and Western Europe make up the remaining 10%. Lafarge has a large presence in each of these markets, in fierce competition with other international cement companies and local producers.

Over the past twenty years, worldwide cement consumption has significantly increased with an average rate of growth above 5% per year. Despite the economic and financial crisis, global cement demand grew by approximately 6%. In 2013, supported by the dynamism of many emerging markets, particularly China and Sub-Saharan Africa. Mid and long-term prospects for cement demand remain favorable, especially in these markets, where demography, urbanization and economic growth drive the needs for housing and infrastructure.

EVOLUTION OF THE CEMENT WORLD MARKET



e) Location of our cement plants and 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 more economically by sea and inland waterway over great distances. The location of a cement plant and the cement transportation cost produced through our distribution network significantly affect the plant's competitiveness. Lafarge establishes its plants to the extent possible near its clients.

f) Customers, products, and services

Lafarge produces an extensive line of cements and hydraulic binders, ranging from Portland cements and classic masonry cements to specialized products for different types of environments (*e.g.*, environments exposed to seawater, sulfates and other harsh natural conditions, in which case cements with high slag or pozzolan content provide greater durability) and products intended for specific applications (*e.g.* white cement, oil-well cements, road surfacing binders, etc.).

These products are designed for all segments of the construction and public works industries: construction/public works companies, manufacturers (producers of ready-mix concrete and prefabricated products), and the general public, via retailers.

These products go hand-in-hand with certain complementary services, such as technical support, order and delivery logistics, documentation, and demonstrations and training related to the characteristics and proper use of cement.

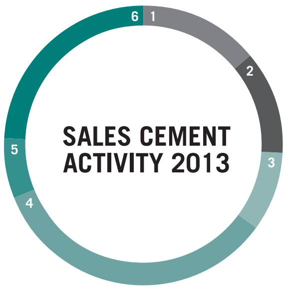
The quality and consistency of the products, as well as the reliability of a producer's deliveries and related services represent major competitive advantages. Lafarge makes every effort to meet its customers' expectations in these areas.

g) Breakdown by regions

Lafarge produces and sells cement in the regions and countries listed in the tables below.

The following presentation shows, for each region, the percentage contribution to 2013 cement sales in euros, as well as the number of plants operated, cement production capacity, and approximate market share in each country over the year ending December 31, 2013.

SALES CEMENT ACTIVITY 2013



1. Western Europe	14%
2. North America	12%
3. Central and Eastern Europe	9%
4. Middle East and Africa	34%
5. Latin America	7%
6. Asia	24%

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

The approximate market share has been calculated per country based on information contained in the Industrial Building Materials Sector report published by Jefferies in August 2012 (the "Jefferies Report") and internal estimates.

Comparable information for the year 2012 is available in the 2012 Registration Document.

WESTERN EUROPE (14% OF THE CEMENT ACTIVITY 2013 SALES)

	NUMBER OF			
Country	Cement plants	Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
France	9	5	10.0	34
Greece	2	-	6.8	50
Spain	3	2	6.8	10
United Kingdom	5	-	4.6	40
Germany	2	1	3.4	10
French West Indies/Guyana	-	3	1.0	100
TOTAL WESTERN EUROPE	**21**	**11**	**32.6**	

The Lafarge Tarmac 50/50 joint venture in the United Kingdom was completed on January 7, 2013 and has a total capacity of 4.6 million tonnes, considering the contribution of one Tarmac plant and the disposal of one Lafarge plant .

NORTH AMERICA (12% OF THE CEMENT ACTIVITY 2013 SALES)

	NUMBER OF			
Country	Cement plants	Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
United States	6	3	10.7	12
Canada	6	2	5.8	33
TOTAL NORTH AMERICA	**12**	**5**	**16.5**	

CENTRAL AND EASTERN EUROPE (9% OF THE CEMENT ACTIVITY 2013 SALES)

	NUMBER OF			
Country	Cement plants	Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
Poland	3	-	5.7	20
Romania	2	1	4.9	31
Russia	2	-	4.1	7
Austria	2	-	2.0	32
Serbia	1	-	2.0	45
Moldova	1	-	1.4	62
Czech Republic	1	-	1.2	9
Hungary	1	-	1.0	20
Slovenia	1	-	0.6	38
TOTAL CENTRAL AND EASTERN EUROPE	**14**	**1**	**22.9**	

Lafarge sold its wet process cement plant in Ukraine to CRH in the third quarter of 2013.

MIDDLE EAST AND AFRICA (34% OF THE CEMENT ACTIVITY 2013 SALES)

	NUMBER OF			
Country	Cement plants	Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
Egypt	1	-	10.0	15
Algeria	2	-	9.4	36
Morocco	3	1	6.8	43
Iraq	3	-	5.8	24
Nigeria	3	-	5.7	32
Jordan	2	-	4.8	33
South Africa	1	2	3.6	17
United Arab Emirates	1	-	3.0	6
Syria	1	-	2.6	23
Kenya	1	1	2.0	48
Cameroon	1	1	1.7	92
Zambia	2	-	1.3	75
Uganda	1	-	0.8	62
Benin	1	-	0.7	37
Zimbabwe	1	-	0.5	38
Tanzania	1	-	0.3	22
Malawi	-	1	0.2	76
TOTAL MIDDLE EAST AND AFRICA	**25**	**6**	**59.2**	

Lafarge develops its cement business through joint ventures in Morocco (50%), the United Arab Emirates (50%), Benin (50%).

Lafarge also has two participations consolidated by the equity method:

- In Nigeria, in Unicem (2.5 million euros tonnes capacity plant).
- In Saudi Arabia, a 25% stake in Al Safwa Cement, which operates a 2 million tonnes capacity plant.

LATIN AMERICA (7% OF THE CEMENT ACTIVITY 2013 SALES)

	NUMBER OF			
Country	Cement plants	Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
Brazil	5	3	7.1	11-12
Ecuador	1	-	1.4	20
TOTAL LATIN AMERICA	**6**	**3**	**8.5**	

Lafarge sold its cement operations in Honduras to Cementos Argos (including one cement plant of one million tonnes capacity and a grinding station of 0.3 million tonne capacity).

Lafarge created in 2013 a joint venture in Mexico with Elementia that combines the cement assets of both entities: Lafarge contributed its two plants of Vito and Tula for a total capacity close to 1 million tonnes, while Elementia contributed its new 1 million tonnes plant located in central Mexico. The new joint venture, which is held 47% by Lafarge and 53% by Elementia, has been incorporated by Lafarge as an equity affiliate since August 2013.

ASIA (24% OF THE CEMENT ACTIVITY 2013 SALES)

Country	NUMBER OF Cement plants	NUMBER OF Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
China	20	9	35.9	6-22 (1)
Malaysia	3	1	12.5	37
South Korea	1	2	9.6	13
India	3	2	11.0	20 (2)
Philippines	5	1	6.5	33
Pakistan	1	-	2.1	6
Indonesia	1	-	1.6	4
Bangladesh	1	-	1.6	7
Vietnam	-	1	0.5	1
TOTAL ASIA	**35**	**16**	**81.3**	

(1) *Depending on region where Lafarge is operating.*
(2) *For our relevant markets.*

Lafarge commissioned in 2013 a new integrated cement plant with 2.6 million tonnes capacity in Rajasthan (northern India).

In China, Lafarge operates through 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).

The cement business in Bangladesh is held through a joint venture with Cementos Molins (Spain).

CEMENT TRADING ACTIVITIES

Lafarge also manages worldwide cement trading activities, which helps meeting fluctuations in demand in certain countries without building plants that may result in excess capacity. Lafarge conducts these activities primarily through its subsidiary Cementia Trading AG. In addition, another subsidiary Marine Cement AG/Ltd. acts mainly as an importer and distributor of cement in the Indian Ocean and the Red Sea countries.

AGGREGATES AND CONCRETE

N°2 AND 4
worldwide
(December 31, 2013)

5,451
revenue
million euros

25,000
employees

37
countries

1,481
production sites

1.3.2 AGGREGATES AND CONCRETE

AGGREGATES

Aggregates are used as raw materials for concrete, masonry, asphalt, and other industrial processes, and as base materials for roads, landfills, and building.

According to internal and external analysis, Lafarge is the world's second largest producer of aggregates, thanks in large part to its mineral reserves in key markets. These reserves are an undeniable advantage given the growing environmental pressures that make it increasingly difficult to obtain extraction permits.The Group's responsible environmental management and quarry restoration contribute to the ability to obtain these permits.

a) Profile

On December 31, 2013, Lafarge had 475 production facilities for aggregates (each including one or more quarries) in 23 countries. Consolidated sales reached approximately 192.8 million tonnes.

b) Production process

Aggregates are typically produced by blasting hard rock from quarries and then extracting it and crushing it. Aggregates production also involves the extraction of sand and gravel from both land and marine locations, which generally requires less crushing. In both cases, the aggregates are then screened to obtain various sizes to meet different needs.

c) Industry and markets

The production of aggregates requires heavy equipment including crushing and screening systems and mobile equipment like wheel loaders and dumpers, etc. The cost of the processing systems and mobile equipment can range from a few million euros for a small quarry to several tens of million euros for a very large quarry. Furthermore, the law in many countries restricts the development of new sites. Consequently, the aggregates industry is in the early stages of consolidation, mainly in mature markets. Competitors include a few multinational groups (Lafarge, Cemex, CRH, HeidelbergCement, Holcim), national producers like Martin Marietta Materials and Vulcan Materials in the US, and a large number of independent operators.

Because of the high weight of aggregates and the cost to ship them, markets are very local in nature. Although it does business worldwide, Lafarge still remains mainly present in Western Europe and North America.

d) Customers, products, and services

The customers of the aggregates activity number in the tens of thousands. Major customers include concrete and asphalt producers, manufacturers of prefabricated products and construction and public works contractors of all sizes.

Aggregates differ in terms of their physical characteristics such as hardness, geological nature (limestone, granite, etc.), their granularity (ranging from sand to riprap used in seawalls), their shape, their color and their granular distribution. These characteristics have a large impact on the quality of the applications in which they are used, especially for concrete. The work of the Lafarge Research Center has made it possible to redefine its offer to products with greater added value. Lafarge also markets high-quality recycled aggregates made from crushed concrete and asphalt issued from deconstruction.

READY-MIX CONCRETE

Ready-mix concrete is one of the largest markets for the cement and aggregate industries.

As the fourth largest producer of ready-mix concrete, according to internal and external analyses, Lafarge is known for its innovation with sophisticated, high value added concretes.

a) Profile

On December 31, 2013, Lafarge had 1,006 concrete plants in 34 countries. Consolidated sales reached approximately 30.7 million cubic meters.

b) Production process

Indispensable to most construction projects around the world, concrete is produced by mixing aggregates, cement, chemical admixtures and water in varying proportions depending on the type of concrete to be produced. Ready-mix concrete is prepared at concrete production plants. The mixture is loaded into concrete trucks so that it can be mixed until consistent and delivered to the customer within a very specific timeframe. Concrete plants are usually fixed permanent sites, but there are also portable facilities that may be set up at major construction sites or at sites that are too far removed from any permanent plants.

c) Industry and markets

The ready-mix concrete industry is less capital intensive than the cement industry. It is also highly decentralized, since concrete is a heavy product that must be delivered quickly, thus requiring that production facilities be near to wherever the concrete is going to be used. Because of this, only very large integrated corporations that produce both cement and aggregates, including Lafarge and its main competitors - Cemex, CRH, HeidelbergCement, Holcim and Italcementi—have succeeded in establishing an international presence in this market. The competition consists mainly of independent, local operators.

Lafarge's ready-mix concrete production facilities are still located primarily in Western Europe and North America. However, its operations are rapidly expanding in North Africa, the Middle East, latin America and Asia.

d) Customers, products, and services

Buyers of ready-mix concrete are typically construction and public works contractors, ranging from major multinational corporations to small-scale customers. In this highly competitive market, Lafarge works to set itself apart based on the quality and consistency of its products, the breadth of its product line and, especially, the innovative products by its Research Center. These products include ultra-high performance fiber reinforced concrete, self-filling and self-levelling concrete, decorative concrete, insulating concrete, pervious concrete, etc.

ASPHALT

In North America and the United Kingdom, we produce asphalt which we sell either as a stand-alone product, or in conjunction with contracted paving. Asphalt consists of 90-95% dried aggregates mixed with 5-10% heated liquid bitumen, a by-product of oil refining that acts as a binder.

We obtain much of the aggregates needed to produce asphalt from internal sources and purchase the bitumen from third party suppliers. Bitumen is a by-product of petroleum refining, the price of which is tied to oil prices. Asphalt is produced at plants consisting of raw material storage facilities and equipment for combining raw materials in the proper proportions at a high temperature. Our asphalt plants range in output from 5,000 to 500,000 tonnes per year.

Like concrete, asphalt must be delivered quickly by specialized vehicles after it is produced. Thus, asphalt markets tend to be very local. Generally speaking, asphalt is sold directly by the asphalt producer to the customer, with only very limited use of intermediate distributors or agents since prompt and reliable delivery is essential.

BREAKDOWN BY REGION

Lafarge produces and sells Aggregates and Concrete in the regions and countries of the world listed in the table below. The table shows the number of industrial sites operated on December 31, 2013 and the volume of Aggregates and Concrete sold by the consolidated operations in 2013.

	NUMBER OF INDUSTRIAL SITES		VOLUMES SOLD [2]	
Region/country	**Aggregates [1]**	**Ready-mix concrete**	**Aggregates** (million tonnes)	**Ready-mix concrete** (million cubic meters)
WESTERN EUROPE				
France	105	260	33.2	6.7
United Kingdom	124	94	23.6	1.4
Spain	8	42	1.4	0.6
Greece	9	20	1.2	0.4
Other	-	2	-	0.1
NORTH AMERICA				
Canada	115	143	54.7	5.0
United States	35	37	37.6	1.2
CENTRAL AND EASTERN EUROPE				
Poland	13	36	10.3	1.1
Romania	16	16	2.6	0.4
Russia	3	-	2.7	-
Ukraine	3	-	4.7	-
Serbia	-	4	-	0.1
Hungary	1	-	0.5	-
MIDDLE EAST AND AFRICA				
South Africa	19	54	5.2	1.4
Reunion/Mauritius	3	9	1.0	0.3
Egypt	3	19	1.8	1.1
Algeria	2	21	0.4	0.8
Morocco	3	27	0.4	0.4
Nigeria	-	5	-	0.1
Qatar	1	10	-	0.6
Iraq	1	17	-	0.7
Oman	-	9	-	0.3
Jordan	-	7	-	0.8
Saudi Arabia	-	3	-	0.1
United Arab Emirates	-	4	-	0.2
Kuwait	-	4	-	0.1
OTHER				
Malaysia/Singapore	6	29	3.4	2.2
Philippines	1	-	3.4	-
Brazil	3	54	2.8	1.2
India	1	66	1.4	3.0
Other	-	14	0.5	0.4
TOTAL	**475**	**1,006**	**192.8**	**30.7**

(1) *Industrial sites for the production of aggregates from one or more quarries.*

(2) *Volumes sold take into account 100% of volumes from fully consolidated subsidiaries and the consolidated percentage of volumes for proportionately consolidated subsidiaries.*

In 2013, Lafarge's asphalt operations produced and sold a total of 6.2 million tonnes in the United States, Canada and the United Kingdom.

1.3.3 OTHER PRODUCTS: GYPSUM

Nearly all of the Group Gypsum activities were disposed of in Asia, Europe, South America, Australia and United States in 2011 and 2013. Lafarge retained operations only in a few countries in the Middle East and Africa.

1.3.4 MINERAL RESERVES AND QUARRIES

In an effort to secure the availability of raw materials necessary to produce our products, Lafarge is implementing internal procedures to manage mineral resources by managing land control and permits as well as by monitoring the reserves of its quarries.

a) Objectives

Lafarge's businesses activities are involved in heavy industry, and as such, are built to last. Therefore, they must own or have control over substantial reserves of raw materials. These reserves represent a major competitive asset in terms of their location, quantity and quality.

All business units must follow the Group policy concerning the acquisition and preservation of its reserves (limestone, marl, clay, sand, etc.), within the constraints of local regulation.

In particular they must ensure they have adequate reserves for:

- plants currently in operation;
- plants projected for the relatively near future;
- long-term projects intended to assure growth, restructuring or strategic positioning.

The exploration for deposits must be based on rigorous geological studies.

b) Requirements

In order to comply with international standards, Lafarge has reclassified, in 2013, its reserves following in the 4 categories: "proven", "probable", "possible" and "potential". This new classification allows the split in reserves sensu stricto (proven and probable) and mineral resources (possible and potential).

- Each entity has to define its reserves in terms of years of production of aggregates or clinker production (for cement). The target in cement is to maintain fifty years of proven and probable reserves except where justified for exemple by constraints due to local regulations.
- For each deposit, entities must establish a long term plan for obtaining or extending mining rights, and for managing landholding and operating permits. For all areas involved in long-term operations, including buffer zones, this plan must contain the following information:
  - property limits,
  - expiry dates of mining permits,
  - tonnage and quality of reserves,
  - characteristics of the deposits and their environmental constraints,
  - action plans and budget necessary until restoration.

c) Definitions

The raw material deposits are considered as reserves when the technical and economical operability is confirmed. Reserves of raw materials are validated by the Industrial Performance Centres and classified as follows:

PROVEN AND PROBABLE RESERVES

Reserves are defined as proven when Lafarge has full control over them through the following parameters:

- the mining rights and necessary administrative permits for mining operations are obtained;
- the full control of the land for which we have the mining rights is achieved;
- the reserve evaluation is validated based on representative core drilling or equivalent and reliable geochemical analyses.

Reserves are defined as probable if the mining permit or the land control are subject to renewal.

POSSIBLE AND POTENTIAL RESOURCES

Resources are defined as possible if only one of the above parameters is not fully achieved, such as:

- some necessary administrative permits for mining operations could be incomplete;
- the control of the land for which Lafarge has mining rights could be incomplete;
- the necessary geological investigations have not been finalized.

Resources are considered as potential if they are in a land which is not fully controlled, but recognized as potentially mineable after obtaining the necessary permits. The necessary geological investigations are not fully carried out.

d) Remarks on the impact of local regulations for granting permits

- In some countries, permits are given for a limited period of time. Reserves are therefore proven for the duration of the permits and probable for the remaining time. Local regulations may therefore impact proven reserves. In France for example, the mining right duration is not more than 30 years; in the most favorable case, the reserves can only be proven for 30 years. In other countries the mining rights could be obtained for a very long period of time but the surface rights are limited to five years. In this case, reserves are proven for five years and probable for the remaining duration of the mining rights. For this reason, proven and probable reserves are reported together.
- The mining rights procedures in each country may also influence the land control strategy that is implemented locally. For example, a limited duration of mining rights provides less visibility on the future. Surface rights will be granted until expiry of this period but not necessarily beyond. The capital expenditure is thus spread out over a long period of time. In that hypothesis, the corresponding reserves are only potential. Land management is therefore specific to each situation.

e) Yearly reporting

A senior geologist in the Industrial Performance team must approve the reserve reporting for cement production in his area. For aggregates, the calculation of reserves is approved by the land director of each entity.

Ownership titles, mining permits and others legal issues (environment, parks, historical monuments, etc.) must be validated by a Lafarge legal manager.

The reserves are expressed in years of production (of clinker or of aggregates) as compared to average production of the three previous years.

Every year the reserves table is updated in the yearly internal reporting. The numbers are worked out between the geologists and the quarry managers according to the reserves calculated with the latest quarry model using the plant raw materials consumption.

- The raw material expert obtains the tonnage mined during the previous year from the quarry manager.
- The reserve calculation is done by the raw material expert for cement and by the geologist for aggregates:
  - simple yearly calculation by subtracting quarry production from the last reserve estimation;
  - full reserves reconciliation using accurate topographic survey, deposit block model and production figures (each three-five years).
- For cement, the result is validated through an exchange between the plant quarry manager, the country raw material manager and the raw material expert from the Industrial Performance team. For aggregates, the calculation is validated by the quarry manager, the geologist and the land director.

For purposes of external reporting of the cement plants' reserves, only the limestone reserves are considered critical for the plant's life. Additives such as clay, sand, iron and alumina represent a small percentage of the ingredients making up the raw mix. The supply of these additives is controlled either through ownership of quarries, like for limestone, or through supply agreements. Control of these materials is not as critical as control of limestone resources, since they may be purchased from outside sources and transported long distances. Nevertheless, internal teams monitor the sourcing of these materials since this could potentially impact production costs.

In the tables below, the reserves are consolidated region by region with the total tonnage of raw material reserves available divided by the total production of the plants in each region. As explained above, the production taken as a reference is the average production of the past three years. Mothballed plants are included in this computation. All the plants technically managed by Lafarge at the end of December 2013 are fully taken into account, even if Lafarge is not the majority shareholder.

CEMENT

	Average Production 2011 - 2013 (MT Clinker)	Proven and probable reserves (years)	Possible and potential resources (years)	Number of clinker production sites
Western Europe	13.7	64	66	21
North America	8.9	146	57	12
Central and Eastern Europe	9.1	145	114	14
Middle East and Africa	33.8	67	36	25
Latin America	4.2	78	199	6
Asia	42.9	33	48	35
TOTAL	**112.6**	**67**	**58**	**113**

AGGREGATES

	Average Production 2011 - 2013 (MT Aggregates)	Proven and probable reserves (years)	Possible and potential resources (years)	Number of quarries
Western Europe	75.5	75	18	246
North America	79.8	70	41	150
Central and Eastern Europe	23.6	25	63	36
Middle East and Africa	10.5	47	24	32
Latin America	2.6	38	87	3
Asia	6.2	16	2	8
TOTAL	**198.2**	**49**	**33**	**475**

The changes in reserves reflect the divestments and coming on stream of new sites in various countries.

1

1.3.5 EXPENDITURES IN 2013 AND 2012

The following table presents the Group's capital expenditures for each of the two years ending December 31, 2013 and 2012. Sustaining expenditures serve to maintain or replace equipment, while internal development expenditures are intended to enhance productivity, increase capacity, or build new production lines. External development expenditures are devoted to the acquisition of production assets and equity interests in companies.

	SUSTAINING AND INTERNAL DEVELOPMENT EXPENDITURES		EXTERNAL DEVELOPMENT EXPENDITURES	
(million euros)	**2013**	**2012**	**2013**	**2012**
Western Europe	171	154	13	(32) (1)
North America	119	109	(2)	4
Central and Eastern Europe	285	114	(1)	11
Middle East and Africa	164	137	7	15
Latin America	61	72	1	1
Asia	246	170	3	3
TOTAL	**1,046**	**756**	**21**	**2**

(1) *Including the indemnity received pursuant the settlement agreement with Orascom Construction Industries S.A.E. (see Note 28 (Off-blalance sheet commitments) to the consolidated financial statements).*

See Section 2.4 (Liquidity and Capital Resources) for more information on 2013 investments.

Lafarge generally owns its plants and equipments. The legal status of the quarries and lands depends on the activity:

- in the cement activity, Lafarge owns its quarries or holds long-term operating rights;
- in the aggregates activity, mineral lease contracts are favored in order to minimize the capital employed.

See also Section 1.3.4 (Mineral reserves and quarries) for more information.

1.3.6 CAPITAL EXPENDITURES PLANNED FOR 2014

Capital expenditures for 2014 will be limited initially to 1.1 billion euros in 2014.

These capital expenditures will be financed notably by the cash provided by operating activities, the cash provided by the issuance of debt, and establishment of short and medium term credit lines.

2

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

2.1 Overview ... 44

2.1.1 2013 Highlights ... 44

2.1.2 2014 perspectives ... 44

2.2 Accounting policies and definitions ... 45

2.2.1 Significant accounting policies ... 45

2.2.2 Effects on reported results of changes in the scope of operations and currency fluctuations ... 46

2.2.3 Definition of operating income before capital gains, impairment, restructuring and other ... 47

2.2.4 Reconciliation of non-GAAP financial measures ... 47

2.3 Results of operations for the years ended December 31, 2013 and 2012 ... 49

Volumes, sales, Ebitda and current operating income by geographical area ... 50

Consolidated operating income and consolidated net income ... 55

2.4 Liquidity and capital resources ... 57

2.4.1 Group funding policies ... 57

2.4.2 Cash flows ... 57

2.4.3 Level of debt and financial ratios ... 59

2.4.4 Rating ... 60

2.1 OVERVIEW

2.1.1 2013 HIGHLIGHTS

After a first semester marked by a low volume environment, notably due to adverse weather, the second half of the year 2013 experienced more positive trends versus last year in most countries, benefitting from continuing recovery in the residential market in the United States, sustained growth in Middle East and Africa and in Asia and stabilizing volumes in Europe.

Sales and Ebitda were impacted by the unfavorable impact of changes in scope and foreign exchange rates. However, the underlying operational performance was solid, with sales and Ebitda up like for like (1).

Sales, at 15.2 billion euros, contracted 4% versus 2012, impacted by unfavorable currency variations. At constant scope and exchange rates, sales grew 2%, supported by pricing gains to address cost inflation across all product lines, while volumes sold were overall stable.

Ebitda was also affected by the adverse effect of foreign exchange fluctuations, as well as lower carbon credit sales. Like-for-like(1), Ebitda improved 2% versus 2012, thanks to the combined effect of our performance and innovation measures and price increases that more than offset cost inflation and adverse impact of a reduction of our inventories.

Net income Group share (2) was 601 million euros in 2013 compared to 365 million euros in 2012, benefitting from the net gain on the divestment of our operations in Honduras (172 million euros after tax), and considering the 200 million euros impairment charge on Greek assets recorded in 2012.

The Group successfully implemented targeted actions to promote innovation and reduce costs and debt:

- With a total of 670 million euros generated (450 million euros from cost savings and 220 million euros from innovation measures), the Group has reached its 2013 objective.
- The net consolidated debt was reduced by a further 1 billion euros reflecting the forceful deleveraging actions taken throughout the year. Net debt stood at 10,330 million euros at year-end. Adjusted for the 380 million euros (total enterprise value) of secured divestments announced around the year end and closed mid February 2014, the year-end Group net debt would stand below 10 billion euros.

2.1.2 2014 PERSPECTIVES

Overall, Lafarge sees cement growth in its markets of between 2 to 5 percent in 2014 versus 2013. Markets shall increasingly benefit from the recovery in the United States and the continuing growth in emerging markets as Europe overall stabilizes.

Cost inflation should continue at a similar pace as in 2013, which should result in higher prices overall.

The Group targets to deliver additional Ebitda of above 600 million euros in 2014 through its cost reduction and innovation measures (above 400 million euros from cost savings and more than 200 million euros from innovation). Beyond 2014, in 2015-2016, it plans to generate at least 1.1 billion euros of additional Ebitda from its actions of which 600 million euros from cost reductions and 500 million euros from innovation. This represents a minimum objective of 550 million euros per annum.

The Group is also aiming to reduce net debt below 9 billion euros in 2014 and will continue to apply the utmost discipline in capital allocation and our aim is to return to an investment grade profile this year.

Such forward-looking statements do not constitute forecasts regarding results or any other performance indicator, but rather trends or targets, as the case may be, including with respect to plans, initiatives, events, products, solutions and services, their development and potential. Although Lafarge believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions as at the time of publishing this document, investors are cautioned that these statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are difficult to predict and generally beyond the control of Lafarge, including but not limited to the risks described in the Section 5.1 (Risk Factors) and uncertainties related to the market conditions and the implementation of our plans. Accordingly, we caution you against relying on forward looking statements. Lafarge does not undertake to provide updates of these forward-looking statements.

(1) *At constant scope and exchange rates, and excluding carbon credit sales (14 million euros in 2013 versus 99 million euros in 2012) and one-time gains (20 million euros in 2013 and 39 million euros in 2012).*

(2) *Net income/loss attributable to the owners of the parent company.*

2.2 ACCOUNTING POLICIES AND DEFINITIONS

2.2.1 SIGNIFICANT ACCOUNTING POLICIES

See Note 2 (Summary of significant accounting policies) to the consolidated financial statements for more information.

Impairment of goodwill

In accordance with IAS 36 – Impairment of Assets, goodwill is tested for impairment, whose purpose is to take into consideration events or changes that could have affected the recoverable amount of these assets, at least annually and quarterly when there are some indications that an impairment loss may have been identified. The annual impairment test is performed during the last quarter of the year, in relation with the budget process. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use.

For the purposes of the goodwill impairment test, net assets are allocated to Cash Generating Units (CGUs) or groups of CGUs. A CGU is the smallest identifiable group of assets generating cash inflows independently and represents the level used by the Group to organize and present its activities and results in its internal reporting. CGUs generally represent one of the two activities of the Group (Cement or Aggregates and Concrete) in a particular country. When it is not possible to allocate goodwill on a non-arbitrary basis to individual CGUs, goodwill can be allocated to a group of CGUs at a level not higher than the operating segment, as defined in Note 4 (Operating segment information) to the consolidated financial statements.

Impairment tests are carried out in two steps:

- first step: the Group compares the carrying amount of CGUs or groups of CGUs with an Ebitda multiple (the industry-specific multiples used is determinate every year on the basis of a sample of companies in our industry). Ebitda is defined as the operating income before capital gains, impairment, restructuring and other, before depreciation and amortization on tangible and intangible assets;
- second step: for CGUs or groups of CGUs presenting an impairment risk according to this first step approach, the Group determines the recoverable amount of the CGU or group of CGUs as its fair value less costs to sell or its value in use.

Fair value is the best estimate of the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties. This estimate is based either on market information available, such as market multiple, on discounted expected market cash flows, or any other relevant valuation method.

Value in use is estimated based on discounted cash flows expected over a 10-year period. This period reflects the characteristics of our activities where operating assets have a high lifespan and where technologies evolve very slowly.

If the recoverable amount of the CGU or group of CGUs is less than its carrying value, the Group records an impairment loss, first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs, then to reduce the carrying amount of the other assets of the CGU or group of CGUs.

Goodwill impairment losses cannot be reversed.

See Note 10 (Goodwill) to the consolidated financial statements for more information.

Pension plans, termination benefits and other post-employment benefits

Accounting rules for pension plans and other post-employment benefits require us to make certain assumptions that have a significant impact on the expenses and liabilities recorded for pension plans, termination benefits, and other post-employment benefits.

From January 1, 2013, the Group applies "Amendments to IAS 19" – Employee benefits. These amendments impact mainly the financial component of the net periodic pension cost recorded in the consolidated statement of income. It is now calculated by applying the discount rate to the deficit at the beginning of the period, taking into account any variation during the period from contributions and benefit payments. The difference with the actual return of plan assets will be recorded in the other comprehensive income. As a result, this will impact neither the total amount of the obligation nor the equity. It will only change the split of the financial component of the net periodic pension cost between net income and other comprehensive income. Furthermore, following the adoption o these amendments, the financial component of the net periodic pension cost which is now presented in "Financial expense" the consolidated statement of income.

See Note 2.1 (Accounting principles) to the consolidated financial statements for more information on the impacts of the first application of the amendments to IAS 19.

The United Kingdom and North America (the United States and Canada) represent as of December 31, 2013, 60% and 25%, respectively, of the Group's total obligations in respect of pension plans, termination benefits and other post-employment benefits.

See Note 23 (Pension plans, termination benefits and other post-employment benefits) to the consolidated financial statements for more information on the primary assumptions made to account for pension plans, termination benefits and other post-employment benefits.

Pension and other post-employment benefit obligations are impacted by the 2013 discount rates, which reflect the rate of long-term high-grade corporate bonds. An increase of the discount rate assumption by 0.5 percentage point at December 31, 2013 would have led to a decrease in the valuation of the obligations of the main benefit plans located in the United Kingdom and North America by approximately 335 million euros.

Provision for environmental risks

Costs incurred to mitigate or prevent future environmental contamination and costs incurred that result in future economic benefits, such as extending useful lives, increasing capacity or safety, are capitalized. When the Group determines that a legal or constructive obligation exists and that its resolution will result in an outflow of resources, an estimate of the future remediation cost is recorded as a provision without contingent insurance recoveries being offset (only quasi-certain insurance recoveries are recognized as an asset). When the Group does not have a reliable reversal time schedule or when the effect of the passage of time is not significant, the provision is calculated based on undiscounted cash flows.

Environmental costs, which are not included above, are expensed as incurred.

See Note 24 (Provisions) to the consolidated financial statements for more information.

Provision for site restoration

Where the Group is legally, contractually or implicitly required to restore a quarry site, the estimated costs of site restoration are accrued and recognized under cost of sales on the basis of production levels and depletion rates of the quarry. The estimated future costs for known restoration requirements are determined on a site-by-site basis and are calculated based on the present value of estimated future costs.

See Note 24 (Provisions) to the consolidated financial statements for more information.

Income tax

In accordance with IAS 12 – Income tax, deferred taxes are accounted for by applying the liability method to temporary differences between the tax basis of assets and liabilities and their carrying amounts (including tax loss and capital loss available for carry forward). Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available on which these tax advantage will be used.

The Group offsets deferred tax assets and liabilities if the entity has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxing authority.

The Group calculates the income tax expense in accordance with the prevailing tax legislation in the countries where the income is earned.

See Note 22 (Income tax) to the consolidated financial statements for more information.

2.2.2 EFFECTS ON REPORTED RESULTS OF CHANGES IN THE SCOPE OF OPERATIONS AND CURRENCY FLUCTUATIONS

Changes in the scope of our operations, such as acquisitions and divestitures, changes in consolidation method for an entity, such as a change from proportionate to full consolidation, or changes in exchange rates used for the conversion of accounts of foreign subsidiaries to euro, may increase or decrease our consolidated sales, Ebitda and operating income before capital gains, impairment, restructuring and other in comparison to a prior year and thus make it difficult to determine trends in the underlying performance of our operations.

Changes in the scope of our operations

In order to provide a meaningful analysis between any two years (referred to below as the “current” year and the “prior” year), sales, Ebitda and operating income before capital gains, impairment, restructuring and other are adjusted to compare the two years at constant scope. With respect to businesses entering the scope of consolidation at any time during the two years under comparison, current year sales, Ebitda and operating income before capital gains, impairment, restructuring and other are adjusted to take into account the contribution made by these businesses during the current year only for a period of time identical to the period of their consolidation in the prior year. With respect to businesses leaving the scope of consolidation at any time during the two years under comparison, prior-year sales, Ebitda and operating income before capital gains, impairment, restructuring and other are adjusted to take into account the contribution of these businesses during the prior year only for a period of time identical to the period of their consolidation in the current year.

Currency fluctuations

Similarly, as a global business operating in numerous currencies, changes in exchange rates against our reporting currency, the euro, may result in an increase or a decrease in the sales, Ebitda and operating income before capital gains, impairment, restructuring and other reported in euros not linked to trends in underlying performance. Unless stated otherwise, the impact of currency fluctuations is calculated as the difference between the prior year's figures as reported (adjusted if necessary for the effects of businesses leaving the scope of consolidation) and the result of translating the prior year's figures (adjusted if necessary for the effects of businesses leaving the scope of consolidation) using the current year's exchange rates.

In addition, operating income before capital gains, impairment, restructuring and other is a major component of the Group's key profitability measure, "return on capital employed" (ROCE).

The Group's sub-total shown under operating income may not be comparable to similarly titled measures used by other groups. Furthermore, this measure should not be considered as an alternative for operating income as the effects of capital gains, impairment, restructuring and other amounts excluded from this measure ultimately affect our operating performance and cash flows. Accordingly, the Group also presents "operating income" on the consolidated statement of income, which encompasses all the amounts affecting the Group's operating performance and cash flows.

2.2.3 DEFINITION OF OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER

The Group has included the "Operating income before capital gains, impairment, restructuring and other" sub-total (which is commonly referred to as "current operating income" hereinafter) on the face of consolidated statement of income. This measure excludes aspects of our operating performance that are by nature unpredictable in their amount and/or in their frequency, such as capital gains, asset impairment charges and restructuring costs. While these amounts have been incurred in recent years and may recur in the future, historical amounts may not be indicative of the nature or amount of these charges, if any, in future periods. The Group believes that the "Operating income before capital gains, impairment, restructuring and other" sub-total allows to better identify the current operating performance and provides to the users of financial statements a useful information for a predictive approach of the results.

2.2.4 RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Net debt and cash flow from operations

To assess the Group's financial strength, various indicators, in particular the net debt-to-equity ratio and the cash flow from operations to net debt ratio are used. These ratios are useful to investors as they provide a view of the Group-wide level of debt in comparison with its total equity and its cash flow from operations.

See Section 2.4.3 (Level of debt and financial ratios) for the value of these ratios in 2013 and 2012.

As shown in the table below, the net debt is defined as the sum of long-term debt, short-term debt (including current portion of long-term debt), non current and current derivative instruments liabilities less cash and cash equivalents, current and non current derivative instruments assets.

(million euros)	2013	2012
Long-term debt	10,805	11,261
Short-term debt (including current portion of long-term debt)	2,891	2,823
Non current derivative instruments liabilities	1	8
Current derivative instruments liabilities	15	53
Cash and cash equivalents	(3,346)	(2,733)
Non current derivative instruments assets	(12)	(27)
Current derivative instruments assets	(24)	(68)
NET DEBT	**10,330**	**11,317**

The **net debt-to-equity ratio** is calculated by dividing the amount of the net debt, as computed above, by the total equity as shown on the consolidated statement of financial position.

The cash flow from continuing operations to net debt ratio is calculated by dividing cash flow from continuing operations by the net debt as computed above. Cash flow from continuing operations (after interest and income tax paid) is the net cash provided by operating activities from operations, before changes in operating working capital items, before financial expenses and income taxes, see table below:

(million euros)	2013	2012
Net operating cash generated by continuing operations	1,255	1,276
Changes in operating working capital items, excluding income tax and financial expenses	36	304
CASH FLOW FROM CONTINUING OPERATIONS	**1,291**	**1,580**

Free cash flow

Free cash flow corresponds to net operating cash flows generated by operations less sustaining capital expenditures.

Ebitda

Ebitda is defined as the current operating income before depreciation and amortization on tangible and intangible assets. The Ebitda margin is calculated as the ratio Ebitda on revenue.

Return on capital employed

One of the key profitability measures used by Lafarge is the "return on capital employed" (1). This non-GAAP measure is calculated by dividing the sum of "Operating income before capital gains, impairment, restructuring and other" and share of net income (loss) of associates by the average of "capital employed" at the end of the current and prior year. This measure is used by Lafarge internally to manage and assess the results of its operations and those of its operating segments, make decisions with respect to investments and resource allocations and assess the performance of the management. However, because this measure has limitations, Lafarge restricts the use of this measure to these purposes only.

See Note 4 (Operating segment information) to the consolidated financial statements for more information on current operating income and capital employed by operating segment.

Return on capital employed before tax was 7.2% in 2013 vs 7.8% (2) in 2012.

(1) *Before tax.*

(2) *Adjusted following the application of IAS 19 amended.*

2.3 RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

All data regarding sales, sales volumes, Ebitda and COI include the proportional contributions of our proportionately consolidated subsidiaries.

When we analyze volumes and sales trends per country, and unless specified, we comment on the domestic volumes and sales both originating and completed within the relevant geographic market, and thus exclude export sales and volumes.

Demand for cement and aggregates and concrete products is seasonal and tends to be lower in the winter months in temperate countries and in the rainy season in tropical countries. Lafarge usually experiences a reduction in sales on a consolidated basis in the first quarter during the winter season in its principal markets in Western Europe and North America, and an increase in sales in the second and third quarters, reflecting the summer construction season.

CONSOLIDATED SALES AND EBITDA

SALES BY GEOGRAPHICAL AREA AND ACTIVITY

	12 months					
(million euros)	2013	2012	Variation	Scope variations effect	Foreign exchange effect	Varation at constant scope and exchange rates
By geographical area						
North America	3,137	3,375	-7%	-7%	-5%	5%
Western Europe	3,256	3,181	2%	5%	-	-3%
Central and Eastern Europe	1,145	1,270	-10%	-1%	-1%	-8%
Middle East and Africa	4,067	4,283	-5%	-	-7%	2%
Latin America	869	961	-10%	-4%	-11%	5%
Asia	2,724	2,746	-1%	-	-6%	5%
By activity						
Cement	9,657	10,373	-7%	-3%	-5%	1%
Aggregates and Concrete	5,451	5,353	2%	4%	-5%	3%
Holding and others	90	90				
TOTAL	**15,198**	**15,816**	**-3.9%**	**-0.4%**	**-5.1%**	**1.6%**

Consolidated sales, at 15,198 million euros in 2013 were down 4% versus last year.

Currency impacts were unfavorable (-5.1% or -756 million euros in 2013), overshadowing the organic growth experienced in many countries. They were mainly due to the depreciation of the Canadian and US dollars, the South African rand, the Egyptian pound, the Brazilian real and the Indian rupee versus the euro. Net changes in the scope of consolidation had a slightly negative impact on sales (-0.4% or -90 million euros on the full year sales). The combined effect of the divestment of two plants located in Missouri and Oklahoma (United States), the deconsolidation of our Mexican cement operations now combined with Elementia assets from August 2013 and the disposal of our Ukrainian and Honduras cement activities (completed end of September 2013 and November 2013, respectively) was partly offset by the net impact of the consolidation of the joint-venture with Tarmac in the United Kingdom.

At constant scope and exchange rates, consolidated sales were up 2% in the year, supported by improved prices across all of our product lines to address cost inflation. The volume progression experienced in the second half of the year offset the impact of the volume decrease in the first semester. Sales were up in all regions but Europe.

EBITDA BY GEOGRAPHICAL AREA AND ACTIVITY

(million euros)	12 Months 2013	12 Months 2012	Variation	Scope	Foreign exchange effect	CO_2 and one-time effects	Variation like-for-like [(2)]
By geographical area							
North America	560	558	-	-10%	-7%	-1%	18%
Western Europe [(1)]	354	507	-30%	-4%	-	-10%	-16%
Central & Eastern Europe [(1)]	201	256	-21%	-	-	-7%	-14%
Middle East and Africa	1,153	1,242	-7%	-	-7%	-	-
Latin America	240	296	-19%	-4%	-9%	-5%	-1%
Asia	594	564	5%	-	-8%	-	13%
By activity							
Cement [(1)]	2,665	2,983	-11%				2%
Aggregates and Concrete	464	479	-3%				1%
Holding and others	(27)	(39)	-				-
TOTAL [(1)]	**3,102**	**3,423**	**-9%**	**-2%**	**-6%**	**-3%**	**2%**

(1) *Impacted by 85 million euros lower sales of carbon credits for the year:*
- Western Europe: 62 million euros lower proceeds (11 million euros sold in 2013 versus 73 million euros sold in 2012).
- Central and Eastern Europe: 23 million euros lower proceeds (3 million euros sold in 2013 versus 26 million euros sold in 2012).
(2) *Like-for-like variations are calculated excluding the carbon credit sales and one-time gains (20 million euros in 2013 and 39 million euros in 2012), and at constant scope and exchange rates.*

Ebitda declined in the year, impacted by an adverse impact of foreign currency variations (-6% for the year), a negative effect of the changes in scope (-2% in the year) and the unfavourable evolution of one-time gains and CO_2 proceeds.

Like for like, Ebitda improved 2% in 2013, thanks to the combined effect of our performance and innovation measures and price increases that more than offset cost inflation and the adverse 56 million euros impact of a reduction of our inventories. The Group continued to actively increase prices although the impact on Ebitda for the year was limited by price adjustments in a few number of countries and adverse mix effects. The Group generated 450 million euros of Ebitda through cost reduction measures and 220 million euros through innovation initiatives in 2013, achieving its 2013 objective.

VOLUMES, SALES, EBITDA AND CURRENT OPERATING INCOME BY GEOGRAPHICAL AREA

NORTH AMERICA - VISIBLE OPERATING LEVERAGE IN THE SECOND HALF OF THE YEAR AND STRONG COST REDUCTIONS

	12 Months 2013	12 Months 2012	Variation	Variation like-for-like [(1)]
Volumes				
- Cement (MT)	11.3	12.8	-12%	-3%
- Pure aggregates (MT)	92.3	97.2	-5%	1%
- Ready-mix concrete (Mm^3)	6.2	6.5	-4%	2%
Sales (million euros)	3,137	3,375	-7%	5%
Ebitda (million euros)	560	558	-	18%
Ebitda Margin (% of sales)	17.9%	16.5%	140bps	190bps
COI (million euros)	405	360	13%	32%

(1) *Variations like-for-like are calculated at constant scope and exchange rates, and excluding the one-time gains recorded for pensions (24 million euros in 2012 and 20 million euros in 2013).*

Overall, market trends are solid in the region, on the back of the recovery in the residential sector in the United States and the well-oriented economy in Western Canada. The second half of the year was marked by volume growth across all product lines, after a first semester 2013 affected by adverse weather in our relevant regions in the United States, as well as floods across Canada.

The region was impacted by targeted divestments achieved in line with the Group's strategy of focusing on the most promising geographic areas in the United States and by the depreciation of the Canadian dollar. Changes in scope had a negative impact on 2013 sales of -7%, or -227 million euros, reflecting the divestment of two plants located in Missouri and in Oklahoma (United States) at the end of November 2012, together with other smaller disposals of aggregates quarries. Foreign exchange variations also lowered sales with the depreciation of the Canadian and US dollar against the euro (negative impact of -5%, or -159 million euros, on 2013 sales).

At constant scope and exchange rates, sales were up 5% compared to last year, with solid price gains across all product lines and volumes back to positive territory in the second half of the year.

- **In the United States**, housing starts continued to improve, exceeding 900,000 units in 2013, while constrained public spending continued to weigh on civil engineering. In this context, volumes grew solidly in the second half of the year, supported by the recovery in the residential segment and partly catching up after a first semester impacted by adverse weather in the Northeast region. Like-for-like annual cement and ready-mix sales volumes decreased 3% and 2%, respectively, while yearly aggregates sales volumes were slightly up 1%. Prices remained firmly up in all product lines, driving sales up for the year.
- **In Canada**, sales increased in the year, under the combined effect of price gains and solid growth in Western Canada more than offsetting a soft market in Quebec. Like-for-like annual cement sales volumes decreased 2%, while 2013 aggregates and ready-mix sales volumes improved 2% and 3%, respectively, supported by several projects in Western Canada.

Ebitda increased 18% versus last year like-for-like (24 million euros in 2012 and 20 million euros in 2013), benefiting from operating leverage as volumes recovered as well as solid pricing and a continuous focus on cost-saving and innovation measures, and despite a negative impact of stock movements (26 million euros in 2013).

WESTERN EUROPE - COST-CUTTING IN A CHALLENGING ENVIRONMENT; STABILIZATION AT A LOW LEVEL IN THE SECOND HALF OF THE YEAR

	12 Months			
	2013	2012	Variation	Variation like-for-like [(2)]
Volumes				
- Cement (million tonnes)	14.0	16.4	-14%	-3%
- Pure aggregates (million tonnes)	59.4	50.9	17%	-3%
- Ready-mix concrete (million cubic meters)	9.1	9.8	-7%	-5%
Sales (million euros)	3,256	3,181	2%	-3%
Ebitda[(1)] (million euros)	354	507	-30%	-16%
Ebitda Margin[(1)] (% of sales)	10.9%	15.9%	-500bps	-170bps
COI (million euros)[(1) (3)]	87	316	-72%	-34%

(1) *Impacted by lower carbon credit sales: 62 million euros versus the year 2012.*

(2) *Variations like-for-like are calculated excluding the carbon credit sales, and at constant scope and exchange rates.*

(3) *The COI was impacted by the restarting of the depreciation of the assets in the UK: 80 million euros of additional depreciation in 2013 versus 2012, included in the scope impacts.*

In Western Europe, the market trends were contrasting within the region, with an overall stabilization at low levels in the second half of the year.

Changes in the scope of consolidation had a net positive impact on sales, reflecting the impact of the completion of the Lafarge Tarmac joint venture in the United Kingdom in January 2013. The effects of the divestments of some assets required by the competition authorities (notably a 1.4 million tonnes cement capacity plant and some ready-mix plants) and the deconsolidation of 50% of the remaining assets of Lafarge were more than offset by the impact of the integration of 50% of the assets brought by Tarmac into the joint-venture. The impact of foreign exchange rates was negligible.

At constant scope and exchange rates, sales were down 3% versus last year, mainly driven by volume trends.

- **In France**, the construction market was quite resilient, supported by several infrastructure projects and investments ahead of local elections expected in 2014. The level of activity for the residential sector remains quite low, with housing starts at 332,000 units in 2013, down 4% versus last year. Annual cement, aggregates and ready-mix volumes were down 3%, 3% and 4% versus last year, respectively, showing a stabilization from the second quarter.
- **In the UK**, the construction market was down in the first quarter of the year, but progressively improved from the second quarter, supported by the housing segment. The joint venture Lafarge

Tarmac started in January 2013. Overall, our sales went up in the year, reflecting a higher proportion of aggregates and asphalt and paving sales from the assets contributed to the joint venture by Tarmac.

- Activity in **Spain and Greece** remained affected by the economic environment. In Spain, both the residential and the infrastructure sectors continued to be hampered by severe cuts in spending made to address the public deficit, but our cement sales volumes were flat, helped by lower margin sales of clinker. In Greece, cement volumes were down 8% versus last year; in the second half of the year though, our volumes benefited from an upswing, with GDP contraction beginning to slow down and construction activity slightly increasing from low levels. In a challenging environment, mitigating actions, such as cost-saving, adapting our industrial network and focusing on innovation and the development of exports continue to be deployed in these two countries.

Ebitda was affected by lower carbon credit sales versus 2012 (impact of -62 million euros for the full year) and by the scope impact on the UK (negative impact of 42 million euros on 2013). Excluding these impacts, and at constant foreign exchange rates, Ebitda was down 16% versus last year, with robust cost-cutting initiatives partly offsetting the lower sales.

CENTRAL AND EASTERN EUROPE - LIMITED INFRASTRUCTURE SPENDING WEIGHED ON VOLUMES IN THE FIRST HALF OF THE YEAR

	12 Months			
	2013	2012	Variation	Variation like-for-like (2)
Volumes				
- Cement (MT)	12.5	13.2	-6%	-5%
- Pure aggregates (MT)	20.7	22.3	-7%	-8%
- Ready-mix concrete (Mm^3)	1.6	1.5	6%	6%
Sales (million euros)	1,145	1,270	-10%	-8%
Ebitda(1) (million euros)	201	256	-21%	-14%
Ebitda Margin(1) (% of sales)	17.6%	20.2%	-260bps	-120bps
COI (million euros)(1)	112	175	-36%	-27%

(1) *Impacted by the lower carbon credit sales: 23 million euros versus the year 2012.*
(2) *Variations like-for-like are calculated excluding carbon credit sales, and at constant scope and exchange rates.*

The region has been impacted by limited infrastructure spending as a result of lower EU funds available in Poland and Romania.

In this context, sales were down 10% versus last year, with an easing decline in the third quarter and a stabilization in the fourth quarter, thanks to normalized comparables and improved market trends in Poland. The foreign exchange variations had a slightly negative effect on sales (-1% in the year), while the divestment of our cement Ukrainian operations negatively impacted our sales by 1% versus 2012.

At constant scope and exchange rates, sales were down 8% versus 2012.

- **In Poland**, building activity showed some softness in the first part of the year, after having been bolstered by the European Cup Games of June 2012 and EU funding. Cement sales volumes decreased 5% in 2013, but improved in the second part of the year, under the combined effect of a normalized comparison base and the increasing contribution from our innovation actions. Aggregates sales also experienced an improvement quarter after quarter, but decreased versus last year. Average cement prices were lower than the 2012 levels, mostly due to price erosion during the second half of 2012.
- **In Romania**, cement sales were down 16% versus last year, impacted by lower infrastructure spending and a competitive environment.
- **In Russia**, market trends were positive, although our sales were affected by the competitive environment and by production limitations. Cement sales volumes were down 6% in the year.

In 2013, Ebitda decreased, hampered by a volume decline in the cement and aggregates product lines, lower average prices in Poland, 23 million euros lower carbon credit sales versus last year and a negative impact of stock movements (6 million euros) which more than offset the cost reduction and innovation achievements.

MIDDLE EAST AND AFRICA - HIGHER PRICING IN RESPONSE TO COST INFLATION AND SELF-HELP MEASURES - ROBUST PERFORMANCE IN THE SECOND HALF OF THE YEAR

	12 Months			
	2013	2012	Variation	Variation like-for-like (1)
Volumes				
- Cement (MT)	44.4	45.2	-2%	-4%(2)
- Pure aggregates (MT)	8.9	8.6	4%	6%
- Ready-mix concrete (Mm^3)	6.9	7.0	-1%	-1%
Sales (million euros)	4,067	4,283	-5%	2%
Ebitda (million euros)	1,153	1,242	-7%	-
Ebitda Margin (% of sales)	28.4%	29.0%	-60bps	-50bps
COI (million euros)	847	913	-7%	-

(1) *At constant scope and exchange rates.*
(2) *Domestic only.*

The region benefitted from well-oriented markets in most countries, supported by significant needs for housing and infrastructure.

Overall, cement volumes trends improved quarter after quarter, as actions to limit the effect of gas shortages in Egypt progressively showed their impacts, and volumes were back in positive territory for this region in the second half of the year.

Sales were impacted by a significant adverse impact of foreign exchange rate variations (-7%, or -309 million euros, reduction of 2013 sales).

At constant scope and exchange rates, sales were up 2% versus 2012, benefiting from price hikes in response to significant cost inflation, while volumes experienced contrasting trends.

- **Nigeria** benefited from strong market trends. Cement sales increased 10% year-to-date, with a double-digit volume growth largely offsetting the price adjustment implemented in the first quarter.
- **Algeria's** underlying market demand was strong throughout the year, and our cement sales increased 9% versus 2012, supported by the development of the sales of new cement products. Volumes were up 1% compared with 2012, impacted by a 10-day work stoppage in the first quarter. A new grinder, started recently, will allow us to further capture market growth.
- **In Egypt**, our cement sales volumes were affected by gas shortages. This impact has eased throughout the year as we progressively replaced gas by other fuels; after a first semester experiencing volumes down 30%, volumes contracted 19% in the third quarter and only 7% in the fourth quarter. Prices were raised in response to high cost inflation.
- **In Morocco**, cement volumes were down 6% compared to 2012, but stabilized from the second quarter with an easing comparison base. Sales improved, supported by an increasing proportion of value-added products and with the development of a strong distribution network through franchises.
- **In Iraq**, where cement demand remains strong, our sales were impacted by Iranian imports.
- **South Africa** benefited from positive market trends. Cement and aggregates sales volumes grew 1% and 7% compared with 2012, respectively, while ready-mix concrete sales volumes soared 14% compared to 2012, supported by road projects and renewable energy projects.
- **In Kenya**, construction market growth was dampened as elections were held in March 2013. Kenya experienced a 5% cement volume decline over last year, after a 12% cement volume growth in 2012.
- **Syria** continued to be impacted by the current environment.

At constant scope and exchange rates, Ebitda was stable compared with last year, as the good performance in many countries was offset by the effect of the production limitations in Egypt. Prices moved higher in many markets in response to significant cost inflation. Ebitda experienced double-digit growth both in the third and fourth quarters, with a positive contribution from the vast majority of the countries. The Ebitda resilience and its strong improvement in the second half of the year was achieved through improving volume trends in the second semester, significant cost-saving and innovation measures combined with pricing gains in many countries in response to cost inflation, and despite an adverse destocking effect (-18 million euros for the year).

LATIN AMERICA - MODERATE MARKET GROWTH IN A STRONG INFLATION ENVIRONMENT

	12 Months			
	2013	2012	Variation	Variation like-for-like (1)
Volumes				
- Cement (MT)	8.8	9.2	-4%	1%
- Pure aggregates (MT)	2.8	2.7	2%	2%
- Ready-mix concrete (Mm³)	1.2	1.1	10%	10%
Sales (million euros)	869	961	-10%	5%
Ebitda (million euros)	240	296	-19%	-1%
Ebitda Margin (% of sales)	27.6%	30.8%	-320bps	-170bps
COI (million euros)	202	256	-21%	-3%

(1) *Variations like-for-like are calculated at constant scope and exchange rates, and excluding the 15 million euros one-time gain recorded in Q4 2012.*

In Latin America, market trends were positive overall. Sales were affected by a significant adverse impact of currency fluctuations (-11% year-to-date, or -94 million euros), primarily due to the depreciation of the Brazilian real versus the euro. Additionally, the deconsolidation of our Mexican cement operations now combined with Elementia assets from August 2013 and the divestment of our Honduras cement activities completed mid-November 2013 reduced annual sales by 4%.

At constant scope and exchange rates, sales grew 5% like-for-like in the year, with higher prices and volumes.

- **In Brazil**, the construction market experienced subdued growth. The impact of the development of infrastructures ahead of the sports events coming in 2014 and 2016 was mitigated by the economic backdrop characterized by cost inflation and significant exchange rate fluctuations. Year-to-date domestic cement sales were up 3%, with some pricing gains in response to significant cost inflation, while volumes were somewhat hindered by some production limitations in the last quarter.
- **In Ecuador**, construction market trends were solid throughout the year, supported by higher demand in the infrastructure segment. Cement sales were up 12% versus 2012, with higher prices and volumes.

At constant scope and exchange rates, and excluding the one-time gain of 15 million euros recorded in the fourth quarter 2012, Ebitda was down 1% year-to-date, reflecting the inflationary environment and some production limitations in Brazil.

ASIA - POSITIVE MARKET TRENDS - EARNINGS GROWTH IN 2013 DESPITE NEGATIVE IMPACT OF THE CURRENCY FLUCTUATIONS

	12 Months			
	2013	2012	Variation	Variation like-for-like (1)
Volumes				
- Cement (MT)	45.8	44.3	3%	3%
- Pure aggregates (MT)	8.7	6.6	32%	30%
- Ready-mix concrete (Mm³)	5.7	5.9	-4%	-1%
Sales (million euros)	2,724	2,746	-1%	5%
Ebitda (million euros)	594	564	5%	13%
Ebitda Margin (% of sales)	21.8%	20.5%	130bps	140 bps
COI (million euros)	422	393	7%	16%

(1) *At constant scope and exchange rates.*

In Asia, market trends were positive in most countries in which we operate, but our sales were impacted by the effect of foreign exchange fluctuations that lowered sales by 6% or 161 million euros for the year.

At constant scope and exchange rates, sales grew 5% year-to-date, with higher volumes and pricing gains in response to cost inflation.

- **The Philippines** benefited from buoyant market trends and the start-up of a new grinding facility in the second quarter, bolstering cement volumes, up 9% year-to-date, while prices rose solidly to offset cost inflation. However, the construction market was temporarily hit by the Yolanda typhoon in the fourth quarter.

- **In Malaysia**, sales were up 1% in the year. Cement sales volumes slightly increased by 1%. Average cement prices were lower than the price levels of last year, mostly reflecting price erosion during the second half of 2012, but improved in the second semester of 2013.
- **In India**, our regions were resilient despite a slowdown in the economy ahead of the 2014 elections, impacting the construction sector in the last part of the year. Our cement sales volumes increased 2% year-to-date while prices improved to mitigate the impact of cost inflation. Our ready-mix sales volumes were down 11% versus 2012, but we were able to raise prices in response to cost inflation. Our new 2.6 million tonnnes cement plant located in Rajasthan successfully started in the fourth quarter 2013 and should help us to continue to benefit from market growth in the coming years.
- **In China**, cement sales volumes were up 3% over the year. Average price levels were slightly below last year's levels, with contrasting trends by region
- **In South Korea**, improved market trends supported an acceleration of the pace of the volume growth quarter after quarter. Domestic cement volumes were up 5% versus last year.

The devaluation of several currencies of the region against the euro reduced Ebitda by 8% over the year. At constant scope and exchange rates, Ebitda increased 13% versus 2012, supported by volume growth, pricing gains to face overall cost inflation, the visible impact of cost cutting and innovation measures and the effect of lower coal prices in China.

CONSOLIDATED OPERATING INCOME AND CONSOLIDATED NET INCOME

The table below shows our operating income and net income for the period ended December 31, 2013 and 2012:

	12 Months		
(million euros)	2013	2012	Variation %
Ebitda	**3,102**	**3,423**	**-9%**
Depreciation	(1,027)	(1,010)	2%
Current Operating Income	**2,075**	**2,413**	**-14%**
Net gains on disposals	295	53	
Other operating income (expenses)	(350)	(546)	
Operating Income	**2,020**	**1,920**	**5%**
Net financial (costs)	(1,041)	(1,095)	-5%
Of which:			
Financial expenses	*(1,177)*	*(1,255)*	*-6%*
Financial income	*136*	*160*	*-15%*
Share of net income (loss) of associates	19	5	
Income before Income Tax	**998**	**830**	**20%**
Income tax	(262)	(292)	-10%
Net Income from continuing operations	**736**	**538**	**37%**
Net income from discontinued operations	46	16	
Net income	**782**	**554**	**41%**
of which part attributable to:			
Owners of the parent company	**601**	**365**	**65%**
Non-controlling interests	181	189	-4%

Depreciation was 1,027 million euros in 2013 versus 1,010 million euros in 2012, with the restarting of the depreciation in the United Kingdom (80 million euros of additional depreciation in 2013 versus 2012), partly offset by the impact of the divestment of some US operations and the effect of the changes in foreign exchange rates.

Net gains on disposals were 295 million euros in 2013 versus 53 million euros in 2012, and mainly comprise the gain of the divestment of our Honduras operations and the positive effect of the creation of a joint-venture with Elementia in Mexico.

Other operating expenses primarily reflect the impact of impairments and restructuring. They amounted to 350 million euros in 2013 versus 546 million euros in 2012. In 2013, the Group recorded 157 million euros of restructuring charges as part of executing its cost-cutting program, and 125 million euros of impairment on various assets, mostly located in Europe. In 2012, the Group recorded 204 million euros of restructuring costs in the context of the implementation of its new country-based organization, and 200 million euros of impairment of goodwill and other assets given the economic conditions in Greece.

Operating income improved 5% to 2,020 million euros, as the lower restructuring and impairment charges recorded over 2013 and higher gains on disposals versus last year more than offset the impact of the lower current operating income.

Net financial costs, comprised of financial expenses on net debt, foreign exchange, and other financial income and expenses, at 1,041 million euros in 2013 versus 1,095 million euros in 2012, decreased 5%.

The financial expenses on net debt decreased to 834 million euros from 889 million euros, reflecting the effect of a lower average net debt as we successfully implemented our deleveraging action plan. The average interest rate on our gross debt, at 6.2%, was stable versus 2012 and benefitted from the temporary drawing of short term debt during the year, as proceeds from divestments were mostly received in the second half of the year. It is worth noticing that the spot average rate on gross debt at December 31, 2013 stands at 6.5%.

Foreign exchange resulted in a loss of 52 million euros in 2013 compared with a loss of 23 million euros in 2012, primarily relating to debt placed by certain countries in a currency different from the local currency, and for which no hedging market is available.

Other financial costs were reduced to 155 million euros in 2013 versus 183 million euros in 2012, and mainly comprise bank commissions, the amortization of debt issuance costs, and the net interest cost related to pensions.

The contribution from our associates represented a net gain of 19 million euros in 2013, versus 5 million euros in 2012, thanks to a strong improvement of results generated by Unicem in Nigeria, while the contribution of the 20% ownership in Siniat (Gypsum operations in Europe and Latin America) was impacted by a non-recurring depreciation charge recorded in the first quarter of 2013.

Income tax was 262 million euros in 2013, corresponding to an effective tax rate of 27% notably benefitting from the one-time effect of the divestment of our Honduras activities. In 2012, the effective tax rate was 35%, impacted by a non-deductible impairment charge on goodwill.

Net income from continuing operations increased by 37%, from 538 million euros to 736 million euros, as the lower impairment and restructuring charges and higher gains on disposals more than compensated the decrease in Ebitda.

Net income from discontinued operations was a gain of 46 million euros in 2013, versus a gain of 16 million euros last year, notably reflecting the net gain achieved on the divestment of our Gypsum operations in North America completed at the end of August 2013.

Net income Group share[(1)] was 601 million euros in 2013 compared to 365 million euros in 2012, benefitting from the net gain on the divestment of our operations in Honduras (172 million euros after tax), and considering the 200 million euros impairment charge on Greek assets recorded in 2012.

Non-controlling interests slightly decreased to 181 million euros versus 189 million euros in 2012, mostly reflecting the effect of lower volumes in Egypt.

Basic earnings per share was 2.09 euros in 2013, compared to 1.27 euros in 2012, reflecting the strong improvement in net income attributable to the owners of the parent company over the year, while the average number of shares was relatively stable.

(1) *Net income/loss attributable to the owners of the parent company.*

2.4 LIQUIDITY AND CAPITAL RESOURCES

2.4.1 GROUP FUNDING POLICIES

The Group financial policies are defined by the Group Executive committee. They are aiming at ensuring a strong financial structure and the Group ability to face its obligations. These policies deal particularly with the targeted Group financial structure and financial ratios, the average maturity of the Group debt, the Group exposure to interest rates and the level of committed credit facilities. These elements are monitored on a regular basis. In accordance with these policies, an important part of the indebtedness is long term. Committed and unused medium term credit lines are constantly maintained.

Lafarge is subject to foreign exchange risks as a result of either its ownership of companies which operate in geographies where the functional currency is different from the ultimate Group functional currency (the euro), or as a result of transactions being conducted by Group companies in a currency which is different from their functional currency.

The Group policy is for group companies to borrow, to the extent possible, in the same currency that the currency of their cash flows.

However, for companies that have excess cash balances in emerging market currencies, the Group policy is to make sure, to the extent possible, that these excess cash balances be translated in either US dollars or euros to protect these assets against any possible devaluation.

Regarding foreign exchange risks linked to the Group transactions, the Group policy is, as much as possible and as early as possible, to hedge these risks by using mostly forward sales or purchases of currencies.

2.4.2 CASH FLOWS

During the periods presented, the main sources of liquidity were:

- cash provided by operating activities;
- cash provided by the divestment of assets;
- cash provided by the issuance of bonds and commercial paper, of share capital, and set up of short and medium term credit lines.

COMPONENTS OF CASH FLOW

(million euros)	2013	2012
CASH FLOW FROM CONTINUING OPERATIONS	**1,291**	**1,580**
Changes in operating working capital items excluding financial expenses and income taxes	(36)	(304)
Net operating cash generated/(used) by continuing operations	1,255	1,276
Net operating cash generated/(used) by discontinued operations	1	22
Net operating cash generated/(used) by operations	**1,256**	**1,298**
Net cash provided by/(used in) investing activities from continuing operations	39	(323)
Net cash provided by/(used in) investing activities from discontinued operations	(2)	(4)
Net cash provided by/(used in) investing activities	**37**	**(327)**
Net cash provided by/(used in) financing activities from continuing operations	(460)	(1,348)
Net cash provided by/(used in) financing activities from discontinued operations	-	-
Net cash provided by/(used in) financing activities	**(460)**	**(1,348)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**833**	**(377)**

a) Net cash provided by operating activities

Net operating cash generated by continuing operations was 1,255 million euros in 2013 (versus 1,276 million euros in 2012).

Net operating cash generated by continuing operations was almost stable, as the solid improvement of working capital[(1)] performance offset the decrease in Ebitda.

The Group pursued its efforts on this topic in 2013, with a particular focus on stock management optimization and a more effective negotiation to extend payment times to our suppliers. These efforts entailed close internal collaboration at every level of the Group between all the teams involved (commercial, industrial, purchasing, finance, etc.). Compared to the end of December 2012, strict working capital expressed as a number of days of sales was reduced by 3 days.

See Section 2.2.4 (Reconciliation of non-GAAP financial measures) for more information on cash flow from operations.

b) Net cash provided by (used in) investing activities

Net cash provided by investing activities from continuing operations was 39 million euros (compared with 323 million euros of net cash used in 2012).

Sustaining capital expenditures were maintained stable versus 2012, representing a total of 391 million euros spent in 2013.

Capital expenditures for productivity projects and for the building of new capacity amounted to 655 million euros, reflecting a strict discipline in capital expenditures. They mostly comprise investments in on-going new cement plants projects in Russia and India and in the plants of Exshaw and Ravena in North America, as well as fast-return new grinding capacities in the Philippines, Algeria and Brazil.

Net of net debt disposed of, and including the proceeds of the disposals of ownership interests with no loss of control, the divestment operations have reduced, net of selling costs, the Group's financial net debt by 1,283 million euros in 2013. They mainly comprise 0.5 billion euros of proceeds received from the sale of US Gypsum assets, a 0.2 billion euros capital injection of the new partner in India, the divestment of a few aggregates quarries in the United States, the sale of cement operations in Ukraine and Honduras and the proceeds related to the disposal of some UK assets.

See Section 1.2.8 (Recent acquisitions, partnerships and divestitures) for more information.

c) Net cash used in financing activities

At December 31, 2013, total net debt amounted to 10,330 million euros (11,317 million euros at the end of December 2012).

The net consolidated debt was reduced by a further 1 billion euros reflecting the forceful deleveraging actions taken throughout the year.

Net debt stood at 10,330 million euros at year-end. Adjusted for the 380 million euros (total enterprise value) of secured divestments announced around the year end and closed mid February 2014 (disposal of the 20% remaining stake in gypsum operations in Europe and Latin America for 145 million euros announced in December 2013 and sale of some aggregates assets in Maryland for an enterprise value of 320 million dollars announced in January 2014), the year-end Group net debt would stand below 10 billion euros.

See Note 25 (Financial debt) to the consolidated financial statements for more information on our financing.

LONG AND MEDIUM TERM DEBT

In general, medium and long-term financing needs are met through bond issuances, in particular in the framework of its Euro Medium Term Notes (EMTN) program and also through bank borrowings. Under the EMTN program, Lafarge has a maximum available amount of 12,000 million euros of which 9,702 million euros is used at December 31, 2013.

Long and medium-term debt securities issuances in 2013 and 2012

During 2013 and 2012, the principal financing transactions have been the following:

Under the EMTN Program

- on September 30, 2013, issue of a 750 million euros bond, bearing a fixed interest rate of 4.75% with a 7-year maturity;
- on March 15, 2012, issue of a 50 million euros private placement, bearing a fixed interest rate of 5.25% with a 5-year maturity;
- on June 19, 2012, issue of a 40 million euros private placement, bearing a fixed interest rate of 5.375% with a 5-year maturity. This debt comes in addition to the 500 million euros bond issued on June 26, 2007;
- on July 9, 2012, issue of a 500 million euros bond, bearing a fixed interest rate of 5.875% with a 7-year maturity;
- on July 10, 2012, issue of a 175 million euros private placement, bearing a fixed interest rate of 5% with a 5-year-and-a-half maturity;

Outside the EMTN Program

- on October 12, 2012, issue of a private placement for 50 million euros with a 7-year maturity, bearing a floating interest rate of Euribor 3M + 2% at December 31, 2013.

Lafarge S.A. has not issued any bond or other related security in 2013 outside the EMTN program.

Bank loans

- on June 28, 2013, a 120 million euros bank loan was signed, bearing a floating interest rate of Euribor 6M + 1.9% with a 3-year maturity;
- on July 24, 2013, a 300 million euros bank loan was signed, bearing a floating interest rate of Euribor 6M + 2.85% with a 7-year maturity;
- on December 10, 2013, a 100 million euros bank loan was signed, bearing a floating interest rate of Euribor 3M + 2.0%, with a 5-year maturity. This loan was not drawn on December 31, 2013 and may be drawn in May 2014 ;
- on December 17, 2013, a 150 million euros bank loan was signed, bearing a floating interest rate of Euribor 3M + 2.05% with a 4-year maturity. This loan was not drawn on December 31, 2013 and may be drawn in May 2014.

(1) *Strict working capital: requirements trade receivables plus inventories less trade payables.*

Principal debt repayments in 2013

- on June 28, 2013, Lafarge S.A. repaid a 165 million euros bank loan;
- on October 15, 2013, Lafarge S.A. repaid an installement of a Schuldschein borrowing for 64 million euros;
- on December 4, 2013, Lafarge S.A. repaid a 500 million euros bond.

SHORT-TERM DEBT

Short-term needs are met mainly through the use of bank loans, the use of bank credit lines, the issuance of commercial paper, as well as the use of our securitization programs.

Lafarge currently has a euro-denominated commercial paper program, with a maximum available amount of 3,000 million euros. At December 31, 2013, 7 million euros in commercial paper were outstanding under this program.

Lafarge also currently has securitization programs, for which detailed information is given in Note 17 (Trade receivables) to the consolidated financial statements.

COMMITTED CREDIT LINES

The group maintains committed credit lines with various banks (mainly at Lafarge S.A. level) to ensure the availability of funding on an as-needed basis.

The syndicated credit facility signed in 2004 for a 5-year term and an initial amount of 1,850 million euros, has been amended several times successfully. Through the last amendment of March 19, 2012, the amount was reduced to 1,235 million euros and the maturity extended to July 28, 2015 for 1,200 million euros. This syndicated credit facility contains an optional exit mechanism, on an individual basis for each participating bank, if the consolidated net debt to Ebitda ratio is higher than 4.75. Such an event would not be considered an event of default and would have no impact on the status of the Group's other financing arrangements.

In addition, eleven bilateral committed credit lines initially maturing in 2014, 2015 and 2016 for a total amount of 1,750 million euros have been renegotiated in 2013, with an updated maturity of 2016 for 350 million euros, 2017 for 700 million euros and 2018 for 700 million euros. Additionally a new 50 million euros committed credit line has been implemented.

At December 31, 2013, committed credit lines amounted to 3,435 million euros (compared with 3,435 million euros at December 31, 2012), fully available on December 31, 2012 (also fully available at December 31, 2012). The average maturity of these credit facilities was approximately 2.8 years at the end of 2013 versus 2.5 years at the end of 2012.

In addition, we have a 450 million euros undrawn financing at December 31, 2013 maturing on June 22, 2020. This specific financing set-up in 2012, and the utilization of which would be considered as a private placement outside the EMTN program, is not considered in the committed credit lines amount disclosed above.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to 3,346 million euros at year-end 2013, with 39% of this amount denominated in euros and the remainder in a large number of other currencies.

CASH MANAGEMENT

In order to ensure that cash surpluses are used efficiently, cash pooling structures on a country-by-country basis were adopted in a number of cases. A centralized cash management process was established for most of the euro-zone countries, and the centralization of cash management was also extended to significant non-euro countries (such as Hungary, Poland, Romania, Switzerland, the United Kingdom and the United States). Local cash pools have also been set up in other parts of the Group.

Owing to legal or regulatory constraints or national regulations, Lafarge does not operate a fully global centralized cash management program. However, the policies set by senior management tend to maximize cash recycling within the Group. Where cash cannot be recycled internally, cash surpluses are invested in liquid, short-term instruments.

SHARE CAPITAL

See Section 6.2.1 (Share capital), Note 15 (Other financial assets) to the statutory accounts and Note 20 (Equity) to the consolidated financial statements for information on the share capital of Lafarge S.A.

2.4.3 LEVEL OF DEBT AND FINANCIAL RATIOS

See Note 25 (Debt) to the consolidated financial statements for more information on debt.

a) Total debt

On December 31, 2013, total debt amounted to 13,662 million euros (compared with 14,035 million euros in 2012) excluding put options on shares of subsidiaries and the impact of derivative instruments. At the end of 2013, 7 million euros of short-term debt were reclassified to long-term debt on the basis of the Group's ability to refinance this obligation using the available funding provided by medium and long-term committed credit lines.

Long-term debt totalled 10,782 million euros at year-end 2013 compared with 11,212 million euros at year-end 2012. Approximately 32% of the 2013 long-term debt is due to mature after 2018. Long-term debt mainly comprises fixed-rate debt (after taking into account interest rate swaps). Most of this debt is denominated in euros and US dollars.

At December 31, 2013, short-term debt (including the current portion of long-term debt) amounted to 2,880 million euros (compared with 2,823 million euros in 2012).

At December 31, 2013, the average spot interest rate on total debt after swaps was 6.5%, compared to 6.4% at December 31, 2012. The average annual interest rate on debt after swaps was 6.2% in 2013 as in 2012. *(see Section 2.4.4 - Rating).*

See Section 5.1.1 (b) (Financial and market risks) and Notes 25 (Debt) and 26 (Financial instruments) to the consolidated financial statements for more information.

b) Net debt and net debt ratios

The net debt, which includes put options on shares of subsidiaries and derivative instruments, totalled 10,330 million euros at December 31, 2013 (compared with 11,317 million euros at December 31, 2012).

The net debt-to-equity ratio stood at 63% at December 31, 2013 (compared with 64% at December 31, 2012).

The cash flow from operations to net debt ratio stood at 13% at December 31, 2013 (compared with 14% at December 31, 2012).

See Section 2.2.4 (Reconciliation of non-GAAP financial measures) for more information on these ratios.

c) Loan agreements

Some of the loan agreements contain restrictions on the ability of subsidiaries to transfer funds to the parent company in certain specific situations. The nature of these restrictions can be either regulatory, when the transfers of funds are subject to approval by local authorities, or contractual, when the loan agreements include restrictive provisions, such as negative covenants on the payment of dividends. However, we do not believe that any of these covenants or restrictions, which relate to just a few loans, will have any material impact on our ability to meet our obligations.

See Section 5.1.1 (b) (Financial and market risks).

At December 31, 2013, the financing contracts of Lafarge S.A. do not contain any financial covenants. A few subsidiaries' loan agreements include such provisions. These subsidiaries are located in the following countries: Bangladesh, Ecuador, India, Pakistan, Qatar and United Arab Emirates. Debt with such financial covenants represents approximately 2% of the total Group debt excluding put options on shares of subsidiaries at December 31, 2013. For most of them, these financial covenants have a low probability of being triggered. Given the split of these contracts on various subsidiaries and the quality of the Group's liquidity through its access to committed credit lines, the existence of such clauses cannot materially affect the Group's financial situation.

See Note 25 (e) (Debt) to the consolidated financial statements.

2.4.4 RATING

Because external sources are used to finance a significant portion of the Group capital requirements, access to global sources of financing is important. The cost and availability of unsecured financing are generally dependent on short-term and long-term credit ratings. Factors that are significant in the determination of credit ratings or that otherwise could affect the ability to raise short-term and long-term financing include: the level and volatility of earnings, the relative positions in the markets in which Lafarge operates, the global and product diversification, the risk management policies and the financial ratios, such as net debt to total equity and cash flow from operations to net debt. Credit rating agencies are expected to focus, in particular, on the ability to generate sufficient operating cash flows to cover the repayment of debt. Deterioration in any of the previously stated factors or a combination of these factors may lead rating agencies to downgrade credit ratings, thereby increasing the cost of obtaining unsecured financing. Conversely, an improvement in these factors may prompt rating agencies to upgrade credit ratings.

Since the filing of the previous Registration Document, the credit ratings for Lafarge's short and long-term debt evolved as follows:

		03/17/2011	08/05/2011	03/13/2012	08/12/2013	11/12/2013
Standard &Poor's	Short-term rating	B				
	Long-term rating	BB+ (stable outlook)		BB+ (negative outlook)		BB+ (stable outlook)
Moody's	Short-term rating					
	Long-term rating		Ba1 (stable outlook)		Ba1 (negative outlook)	

See Section 5.1.1 (b) (Financial and market risks - indebtedness and credit ratings) for information on the financial impact of changes to Lafarge's credit ratings.

3

CORPORATE GOVERNANCE AND COMPENSATION

3.1 Board of Directors - Corporate Officers 62

3.1.1 Form of organization of governance – Board of Directors – Chairman and Chief Executive Officer – Vice-Chairman 63

3.1.2 Powers of the Chairman and Chief Executive Officer..... 64

3.1.3 Information on Directors 66

3.1.4 Independent Directors – Parity and diversity within the Board........ 84

3.1.5 Director's charter 86

3.2 Board and Committees rules and practices . 88

3.2.1 Board of Directors 88

3.2.2 Board of Directors' Committees 89

3.2.3 Self-assessment of the Board, its Committees and of the Chairman and Chief Executive Officer.......... 94

3.2.4 Summary table on the attendance at Board and Committee meetings........ 95

3.3 Executive Officers 96

3.4 Compensation and benefits 98

3.4.1 Compensation paid to Directors – Directors' fees 98

3.4.2 General principles on the compensation of the Chairman and Chief Executive Officer 99

3.4.3 Total compensation and benefits of the Chairman and Chief Executive Officer 100

3.4.4 Compensation elements due or granted in 2013 to the Chairman and Chief Executive Officer submitted for notice to shareholders at the General Meeting on may 7, 2014 ("say on pay")........ 106

3.4.5 Compensation of the executive officers........ 108

3.5 Long-term incentives (stock options and performance share plans) 109

3.5.1 Grant policy – performance conditions and holding rule........ 109

3.5.2 Stock option plans........ 111

3.5.3 Performance share plans........ 113

3.5.4 Multi-year variable compensation 114

3.6 Share Ownership........ 115

3.6.1 Directors, Chairman and Chief Executive Officer and Executive Officers share ownership........ 115

3.6.2 Trading in Lafarge shares by Directors, Chairman and Chief Executive Officer and Executive Officers 115

3.7 Implementation of the principle "Comply or Explain" of the Afep-Medef Code........ 116

DECLARATION IN TERMS OF CORPORATE GOVERNANCE – GOVERNANCE CODE OF REFERENCE

LEGAL FRAMEWORK:

French listed companies are required to publish a statement of corporate governance specifying which Code they are voluntarily referring to and indicating, where appropriate, the provisions of this Code of corporate governance that have not been applied and the reasons for which they have not been implemented (Article L. 225-37 of the French Commercial Code).

The Code of Corporate Governance which the Company refers to is the "Code of the Corporate Governance of Listed Corporations" published by the Afep (*Association française des entreprises privées*) and the Medef (*Mouvement des entreprises de France*), named the "Afep-Medef Code".

This Code, which is available online on www.medef.com or www.afep.com, consolidates the various corporate governance principles and recommendations of the Afep and the Medef in its June 2013 version.

The Lafarge S.A. Board of Directors considers that these recommendations are in line with the corporate governance principles of the Company.

In accordance with this Code and French law, companies that refer to this Code must state in their Registration Document how these recommendations have been implemented and explain, if need be, the reasons why they have not been fully complied with. Explanations regarding compliance by Lafarge S.A. will be mentioned in this Chapter 3.

See Section 3.7 (Implementation of the principle "Comply or Explain" of the Afep-Medef Code) for a consolidated presentation of the provisions of the Code which are not applied by the Company.

3.1 BOARD OF DIRECTORS - CORPORATE OFFICERS

LEGAL FRAMEWORK:

Under French law, the Chairman and Chief Executive Officer as well as the members of the Board of Directors are considered as the "Corporate Officers" (mandataires sociaux) of Lafarge S.A.

At present, the Board of Directors of Lafarge S.A. consists of 15 members with largely international backgrounds that bring to the Board of Directors diverse complementary expertise and experience.

The Board's composition was modified during the 2013 financial year as a result of the following events:

- Mr Michel Bon did not ask for the renewal of his office as Director upon expiration of his term of office at the end of the General Meeting held on May 7, 2013;
- Shareholders at the General Meeting held on May 7, 2013 re-appointed Mrs Hélène Ploix as well as Messrs Bruno Lafont (Chairman and Chief Executive Officer), Oscar Fanjul (Vice-Chairman of the Board), Philippe Charrier and Juan Gallardo as Directors.

In addition, the Board of Directors held following the General Meeting of May 7, 2013 renewed Mr Bruno Lafont as Chairman and Chief Executive Officer. Mr Bruno Lafont is the only Board member exercising executive functions within the Group.

These changes to the Board are set out in the table in Section 3.1.3, which also summarizes various other information relating to the Board's composition.

GENERAL INFORMATION ON DIRECTORSHIPS AT LAFARGE

Several Board members have professional dealings with the Group and therefore have a good understanding of the Group's activities. Other Directors are not as close to our business and bring to the table other experience, a global understanding of business matters and the ability to benchmark the Group's activities against practices and standards in other industries.

In accordance with the Director's Charter, each Board member must carry out his duties with full freedom of judgment. Proposals for the election of a new Director when their nomination is on the agenda, are made by the Corporate Governance and Nominations Committee.

The Company's current Articles of Association provide that:

- Directors are appointed for a 4-year office term;
- Directors must not be over 70 years old; and
- each Director must hold a minimum of 1,143 shares of the Company in registered form.

A proposal to amend the age limit set out in the Articles of Association for Directors will be put to the vote at the next General Meeting convened on May 7, 2014. The current provisions of the Articles of Association (which provide that no Director may be over 70 years of age) are more restrictive than the fallback provisions proposed by the French Code of Commerce and according to which, in the absence of specific provisions in the articles of association, "the number of directors having reached 70 years of age may not exceed one third of the directors in office".

The Company's current provisions in the Articles of Association are also more restrictive than most provisions adopted by other CAC 40 companies and no longer seem appropriate in light of the current evolution of society given the extension of the average working life of executive officers which in turn delays their availability for directorships. A measured relaxation of these provisions in line with the fallback position of the French Code of Commerce would in future enable the Company to keep benefiting from the experience and expertise of high quality directors, when appointing or renewing their terms of office.

Consequently, the following amendments to the Articles of Association will be put to the vote of the shareholders at the General Meeting called on May 7, 2014 :

- no director to be over 73 years of age; and
- the number of directors having reached 70 years of age may not exceed one third of the directors in office.

These amendments would have immediate effect and the first consequence would be that the terms of office of Mrs Hélène Ploix and Mr Michel Rollier would no longer expire by anticipation following the General Meeting of May 7, 2014.

REPRESENTATION OF EMPLOYEES ON THE BOARD OF DIRECTORS

LEGAL FRAMEWORK:

Boards of Directors of entities that meet the criteria set out by French law must include Directors representing employees. When more than 12 Directors sit on the Board, the number of Directors representing employees must at least correspond to 2 (article L. 225-27-1 of the French Commercial Code).

Two representatives of the Works council attend Board meetings.

There is no Director representing either employee shareholders or employees as of the date of publication of this Registration Document.

Further to the entry into force of the new law on representation of employees on Boards of Directors described above, amendments to the Articles of Association of the Company will be put to the vote of the next General Meeting of Lafarge S.A. in order to lay down the procedure for nominating two Directors representing employees on the Board of Directors. These two Directors will have to be nominated within six months following the General Meeting, before November 7, 2014.

The draft resolution approved by the Board of Directors which will be put to the vote of the General Meeting provides that the first Director representing the employees will be appointed by the Works Council of Lafarge S.A., and the second one by the European Works Council, provided that and for as long as the Board of Directors comprises more than 12 members elected by the general shareholders' assembly.

This combined appointment method is considered the most suitable for a global group such as Lafarge. Lafarge S.A.'s Works Council is - as a matter of fact - the body receiving the most comprehensive and regular information on the issues affecting the Group, and will be the body solicited on the parent company's strategic approach. Lafarge S.A.'s Works Council is the most relevant body representing the employees for the appointment of the first Director who will represent the workforce. The appointment of the second of such Directors by the European Works Council - the Group's most international body representing staff, comprising representatives of the operating companies located in different European countries - aims to take into account this international dimension and to encourage European representation of the employees in the Board of Directors.

Having been consulted pursuant to the applicable legislation, Lafarge S.A.'s Works Council has expressed a favorable opinion in relation to the proposed appointment procedures.

See Section 6.2.5 (Articles of Association (statuts)) for more information on the rules governing the Board of Directors.

3.1.1 FORM OF ORGANIZATION OF GOVERNANCE – BOARD OF DIRECTORS – CHAIRMAN AND CHIEF EXECUTIVE OFFICER – VICE-CHAIRMAN

a) Chairman of the Board and Chief Executive Officer

LEGAL FRAMEWORK:

The governance structure of a French public limited liability company (i.e.: a one-tier Board of Directors or a two-tier Board with a Management Board and a separate Supervisory Board) is chosen by the shareholders in General Meeting. For companies with a one-tier Board, it is up to the Board of Directors to decide whether or not the functions of Chairman and Chief Executive Officer need to be separate. For these types of companies, general management can be assumed by the Chairman of the Board (in this case the functions of Chairman and CEO are unified). It can also be transferred to a person other than the Chairman, the Chief Executive Officer (separation of functions) (Article L. 225-51-1 of the French Commercial Code).

On May 28, 2002, the General Meeting of Lafarge S.A. resolved to amend the Articles of Association of the Company, providing that the Company would be managed through a one-tier Board structure.

At its May 3, 2007 meeting, and further to the recommendations of the Nominations Committee, the Lafarge Board of Directors resolved that it was in the best interest of the Company to unify the functions of Chairman of the Board and Chief Executive Officer. On the same date, it decided to confer these functions to Mr Bruno Lafont.

This type of governance is very common in French issuing companies with a Board of Directors. It is deemed appropriate given the organization and operating mode of Lafarge, offering a reactive and efficient decision making process which maintains and reinforces alignment within the organization. This type of governance structure is exercised in compliance with the specific powers of each governing body (General Meetings, Board of Directors, Executive Officers), particularly in terms of control over management of the Group's activity.

The presence of a majority of independent Directors on the Board together with the framework set by the Board's internal regulations which in particular provide for the election of an independent Vice-Chairman of the Board (Lead Independent Director) with specific powers, ensure compliance with corporate governance best practices. It was noted by the Board of Directors during its self-assessment conducted at the beginning of 2013 that the governance structure of the Company allowed for a balanced functioning of the Board, in compliance with corporate governance best practices.

See Section 3.1.2 (Powers of the Chairman and Chief Executive Officer) for further information regarding the powers of the Chairman and Chief Executive Officer and their limitations, as well as the paragraph below for information on the missions of the Vice-Chairman of the Board (Lead Independent Director).

b) Vice-Chairman of the Board (Lead Independent Director)

This office is currently held by Mr Oscar Fanjul.

In accordance with its internal regulations, the Board elects a Vice-Chairman of the Board (Lead Independent Director) from amongst the Directors who are classified as independent for a one-year renewable term of office upon recommendation by the Corporate Governance and Nominations Committee.

He is elected at the Board of Directors meeting following the annual Shareholders' Meeting of the Company.

The Vice-Chairman of the Board is a member of the Corporate Governance and Nominations Committee and of the Remunerations Committee.

He chairs meetings of the Board in the absence of the Chairman and Chief Executive Officer and, in particular, chairs the Board of Directors' discussions at least once per year to assess the performance and set the remuneration of the Chairman and Chief Executive Officer, such discussions taking place in the absence of the latter.

Likewise, should he consider it necessary, the Vice-Chairman may arrange, in advance of the meeting of the Board of Directors during which the assessment of the Board is scheduled to take place, a separate meeting of the independent Directors to consult on, coordinate and facilitate the communication of any recommendations by these Directors.

More generally, as provided for in the Articles of Association (Article 16), a meeting of the Board may be convened and then chaired by the Vice-Chairman if the Chairman and Chief Executive Officer is unavailable.

Since the agenda of Board meetings is prepared in conjunction with the Vice-Chairman, the Chairman and Chief Executive Officer will send him a draft version before convening the meeting. Where appropriate after consulting with the other Committee Chairmen, the Vice-Chairman may propose adding further points to this agenda. The Vice-Chairman may also propose convening an unscheduled meeting of the Board of Directors to the Chairman and Chief Executive Officer to consider a particular issue, the importance or urgent nature of which would justify holding such an exceptional meeting.

Such requests may not be dismissed without good reason.

On an annual basis, the Vice-Chairman draws up and presents to the Board an activity report helping it to assess the performance of his role and duties, particularly with regard to monitoring all the corporate governance-related issues in conjunction with the Chairman and Chief Executive Officer, and the use of his specific powers.

As part of this role of monitoring corporate governance-related issues, the Vice-Chairman's duties include coordinating within the Corporate Governance and Nominations Committee the proper implementation of procedures to identify, analyze and provide information about situations that could possibly fall within the scope of the management of conflicts of interest within the Board of Directors.

See Section 3.2.3 (Self-assessment by the Board, Committees, Chairman and Chief Executive Officer – Activity report of the Vice-Chairman) for the principal findings of the Vice-Chairman's activity report for 2013.

c) Secretary of the Board

The Board of Directors appoints a Secretary of the Board, who may be selected from beyond the membership of the Board of Directors. The Secretary of the Board may also be appointed as secretary to the Committees of the Board.

The Secretary of the Board's broad responsibility is to assist the Chairman and Chief Executive Officer in ensuring Board effectiveness and in organizing the work of the Board and of its Committees.

The Secretary of the Board is Ms Bi Yong Chungunco, Group General Counsel and Corporate Secretary.

3.1.2 POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

a) General description of the Chairman and CEO's powers

The Chairman and Chief Executive Officer represents the Company in its relations with third parties. He has broad powers to act on behalf of our Company in all circumstances (Article L. 225-56 of the French Commercial Code).

He exercises these powers within the limits of the Company's corporate purpose and subject to the powers expressly granted by law to Shareholders' Meetings and to the Board of Directors.

He represents the Company in its dealings with third parties. The Company is bound by the Chief Executive Officer's acts which are outside the Company's corporate purpose unless the Company can prove that the third party knew that such act fell outside the scope of the Company's corporate purpose or could not have ignored it given the circumstances, it being clarified that publication of the articles of association in itself does not constitute sufficient proof.

Provisions of the articles of association and decisions of the Board of Directors limiting the powers of the Chief Executive Officer are unenforceable against third parties.

In addition, as Chairman of the Board, the Chairman and Chief Executive Officer represents the Board of Directors. In accordance with the provisions of the law and of the Board's internal regulations, the Chairman and Chief Executive Officer chairs meetings of the Board of Directors and prepares and coordinates its work and that of its Committees. In this regard and with the support of the Company Secretary, he will:

- call meetings of the Board of Directors according to the timetable laid down, and decide whether to call meetings of the Board at any other time as needed;

- prepare the agenda in collaboration with the Vice-Chairman, supervise the preparation of papers for the Board of Directors and ensure that the information contained therein is complete;
- call meetings of the Committees in collaboration with the Chairmen of Committees;
- ensure that certain subjects are discussed by the Committees in preparation for meetings of the Board, and satisfy himself that their proposals carry weight with the Board;
- ensure that the Directors observe the provisions of the internal regulations of the Board and of the Committees;
- ensure that the decisions of the Board are followed up;
- prepare and organize the Board's work of periodic assessment, in collaboration with the Corporate Governance and Nominations Committee; and
- preside over the Board's discussions.

The Chairman and Chief Executive Officer will act as a liaison between the Board of Directors and shareholders at specific meetings or at meetings with the members of the shareholders' consultative Committee.

The Company's strategic priorities are proposed by the Chairman and Chief Executive Officer and are discussed by the Board of Directors and the Strategy, Investment and Sustainable Development Committee. Specific strategic presentations may be submitted to the Board of Directors as often as necessary. The Company's strategic priorities are approved by the Board of Directors.

Limitations of the Chairman and Chief Executive Officer's powers are contained in the Board's internal regulations and concern investment and divestment decisions, as well as certain financial transactions.

b) Prior approval and information of the Board (limitations)

INVESTMENTS AND DIVESTMENTS

The Board's internal regulations provide that investment and divestment decisions must be submitted to the Board of Directors as follows:

- as regards transactions which are in line with strategy previously approved by the Board:
  - submission post transaction for information purposes: for transactions below 200 million euros,
  - submission for prior information of the principle of the transaction, either during a Board meeting or in writing, enabling Directors to comment on the proposed transaction or request a Board decision: for transactions between 200 and 600 million euros,
  - submission for prior approval of the transaction and its terms: for transactions in excess of 600 million euros;
- as regards transactions that do not fall within the scope of the Company's strategy as previously defined by the Board: submission for prior approval of transactions exceeding 100 million euros.

The above amounts refer to the Company's total commitment including assumed debt and deferred commitments.

FINANCIAL TRANSACTIONS

The Board's internal regulations provide that transactions relating to the arrangement of debt, financing and liquidity that can be decided by Chief Executive Officers by law, or pursuant to a delegation by the Board of Directors and the General Meeting, are subject to the following rules:

- financing transactions carried out through bilateral or syndicated credit facilities for an amount below 2,000 million euros are submitted to the Board of Directors by the Chairman and Chief Executive Officer for information purposes post transaction. Those transactions exceeding 2,000 million euros are submitted to the Board for prior approval;
- bond issues, which may be decided by the Chairman and Chief Executive Officer pursuant to a Board delegation, must be submitted to the Board as follows:
  - for information purposes following the closing of the issue: for bond issues below 300 million euros,
  - for information purposes prior to the launch of the issue: for bond issues between 300 million and 1,000 million euros, the Chairman and Chief Executive Officer is in charge of defining the terms and conditions of the issue,
  - for prior approval of the issue and its terms: for bond issues in excess of 1,000 million euros,
  - for prior approval of the issue and its terms for bond issues convertible or exchangeable into shares.

SUMMARY OF THE PRIOR APPROVAL AND INFORMATION RULES CONTAINED IN THE BOARD'S INTERNAL REGULATIONS

Type of transaction	Amount of transaction (in million euros)	Board consultation
INVESTMENTS AND DIVESTMENTS		
In line with strategy previously approved by the Board	<200	Post Information
	≥200 ≤600	Prior Information
	>600	Prior Approval
That do not fall within the scope of the Company's strategy as previously defined by the Board	>100	Prior Approval
FINANCIAL TRANSACTIONS		
	<2,000	Post Information
Credit facilities	≥2,000	Prior Approval
Bond issues	<300	Post Information
	≥300 ≤1,000	Prior Information
	>1,000	Prior Approval
Bond issues convertible or exchangeable into shares	From 1st euro	Prior Approval

3.1.3 INFORMATION ON DIRECTORS

The Board of Directors of Lafarge S.A. is composed of 15 members with largely international profiles. Their respective management experience and expertise, presented below, bring together diverse and complementary skills to the Board of Directors.

Directors	CHANGES DURING 2013: Appointment	Renewal	End of office	Nationality	Age (1)	Gender	Date of initial appointment	Years of service on the Board (1)
DIRECTORS CURRENTLY IN OFFICE								
Bruno LAFONT Chairman of the Board and Chief Executive Officer	_	General Meeting held on May 7, 2013	_	French	57	M	05/25/2005	8
Oscar FANJUL Vice-Chairman of the Board Lead Independent Director	_	General Meeting held on May 7, 2013	_	Spanish	64	M	05/25/2005	8
Philippe CHARRIER	_	General Meeting held on May 7, 2013	_	French	59	M	05/25/2005	8
Philippe DAUMAN	_	_	_	American	60	M	05/03/2007	6
Paul DESMARAIS, Jr.	_	_	_	Canadian	59	M	01/18/2008	6
Juan GALLARDO	_	General Meeting held on May 7, 2013	_	Mexican	66	M	09/03/2003 (cooptation)	10
Ian GALLIENNE	_	_	_	French	43	M	11/03/2011 (cooptation)	2
Jérôme GUIRAUD	_	_	_	French	53	M	05/07/2008	5
Gérard LAMARCHE	_	_	_	Belgian	52	M	05/15/2012	1
Colette LEWINER	_	_	_	French	68	F	05/06/2010	3
Hélène PLOIX	_	General Meeting held on May 7, 2013		French	69	F	05/27/1999	14
Baudouin PROT	_	_	_	French	62	M	05/12/2011	2
Michel ROLLIER	_	_	_	French	69	M	05/07/2008	5
Nassef SAWIRIS	_	_	_	Egyptian	53	M	01/18/2008	6
Véronique WEIL	_	_	_	French	54	F	05/06/2010	3
DIRECTORS WHOSE TERM OF OFFICE HAS EXPIRED IN 2013								
Michel BON	_	_	At the end of the General Meeting held on May 7, 2013	_	_	_	_	_

(1) *On the date of publication of the Registration Document.*
(2) *Conditional upon approval of the amendments to the articles of association to be put to the vote of the General Meeting called on May 7, 2014.*
(3) *For further information on the classification of Directors as independent, please refer to Section 3.1.4 (Independent Directors).*
(4) *As at 12/31/2013. For the attendance rate at Committee meetings, please refer to Section 3.2.4 (Summary Table on the attendance at Board and Committee meetings).*
(5) *Audit=Audit Committee, GN= Corporate Governance and Nominations Committee, Rem=Remunerations Commitee, SDD=Strategy, Investment and Sustainable Development Commitee, C=Chairman of the Committee.*
(6) *Including the Lafarge S.A. directorship and in accordance with the Afep-Medef Code recommendations.*
(7) *Directorships in listed companies held as representative of companies in which a Director holds an executive office and whose main activity is to acquire and manage holdings do not count towards the number of directorships held, pursuant to the Afep-Medef Code. As a result, the number of directorships in listed companies held by Mr Desmarais Jr. is in line with the limitations recommended by the Afep-Medef Code.*
(8) *Directorships in listed companies held as representative of companies in which a Director holds an executive office and whose main activity is to acquire and manage holdings do not count towards the number of directorships held, pursuant to the Afep-Medef Code. As a result, the number of directorships in listed companies held by Mrs Ploix is in line with the limitations recommended by the Afep-Medef Code.*

OTHER INFORMATION

End of Term of office	Independent Director (3)	Representing employees or shareholder employees	Attendance rate (Board) (4)	Board Committees (1)(5)	Number of directorships in listed companies (6)	Experience and expertise
2017 (General Meeting called to approve the 2016 Financial statements)	No	No	100%	–	3	Chairman of the Board and Chief Executive Officer of the Group
2017 (General Meeting called to approve the 2016 Financial statements)	Yes	No	100%	GN (C) Rem (C) Audit	4	Industry / International / Finance Expertise in corporate governance
2017 (General Meeting called to approve the 2016 Financial statements)	Yes	No	100%	Rem SDD	2	Industry / International Expertise in sustainable development and marketing
2015 (General Meeting called to approve the 2014 Financial statements)	Yes	No	71%	SDD (C) GN	2	Industry / International Knowledge of the Group in North America
2016 (General Meeting called to approve the 2015 Financial statements)	No	No	71%	SDD	10 (7)	Finance and management of equity investments Industry / International Knowledge of North America
2017 (General Meeting called to approve the 2016 Financial statements)	Yes	No	100%	Audit GN Rem	4	Industry / International / Finance Knowledge of North and Latin America
2016 (General Meeting called to approve the 2015 Financial statements)	No	No	100%	GN Rem	5	Finance and management of equity investments Industry / International
2016 (General Meeting called to approve the 2015 financial statements)	No	No	86%	Audit	1	Finance / International Knowledge of Eastern Europe, Africa and Middle East
2016 (General Meeting called to approve the 2015 financial statements)	No	No	100%	Audit	5	Finance and management of equity investments Industry / International
2014 (General Meeting called to approve the 2013 financial statements)	Yes	No	86%	SDD	6	Industry / Energy / International Consulting and strategy
2017 (General Meeting called to approve the 2016 Financial statements) (2)	Yes	No	100%	SDD	6 (8)	Finance / Industry / International Knowledge of the Group
2015 (General Meeting called to approve the 2014 financial statements)	Yes	No	57%	GN SDD	5	Finance / Banking International
2016 (General Meeting called to approve the 2015 financial statements) (2)	Yes	No	86%	Audit (C) GN	3	Finance / Industry / International Expertise in corporate governance
2016 (General Meeting called to approve the 2015 financial statements)	No	No	71%	GN Rem SDD	2	Industry / International Knowledge of Africa and Middle East Knowledge of the Group's businesses Entrepreneur and business developer
2014 (General Meeting called to approve the 2013 financial statements)	Yes	No	100%	Audit Rem	1	Finance / International Knowledge of corporate functions
–	–	–	–	–	–	Mr Bon no longer is in office since May 7, 2013

a) Presentation of the Directors – Expertise and experience

BRUNO LAFONT - born on June 8, 1956 - French citizen

61, rue des Belles Feuilles, 75116 Paris, France

Number of Lafarge shares held: 27,506

Experience and expertise

Chairman of the Board of Directors and Chief Executive Officer
Bruno Lafont was appointed as Chairman of the Board of Directors in May 2007. He has held the office of Director since May 2005 and Chief Executive Officer since January 1, 2006. He graduated from the Hautes Études Commerciales business school (HEC 1977, Paris) and the École Nationale d'Administration (ENA 1982, Paris). He began his career at Lafarge in 1983 and held various positions in finance and international operations. In 1995, Mr Lafont was appointed Group Executive Vice-President, Finance, then Executive Vice-President of the Gypsum Division in 1998. Mr Lafont joined the Group's General Management as Chief Operating Officer between May 2003 and December 2005. He also acts as Director for EDF and ArcelorMittal (Luxembourg).
Bruno Lafont is a member of the Executive Committee of the World Business Council for Sustainable Development (WBCSD) where he co-chairs the Energy Efficiency in Buildings project, he presently chairs the Energy & Climate Change Working Group of the European Round Table of Industrialists and the Sustainable Development Commission of the Medef (Mouvement des Entreprises de France, the French employers association). Mr Lafont is a special advisor to the Mayor of Chongqing (China).

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2005. Expiry of his term of office after the General Meeting called to approve the 2016 financial statements. Chief Executive Officer since January 2006. Chairman and Chief Executive Officer since May 2007.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director, Chairman and Chief Executive Officer of Lafarge (listed company)
Director of EDF (listed company)

Abroad:
Director of ArcelorMittal (Luxembourg) (listed company)
Director of Lafarge Shui On Cement Limited (China) (a Group company)

Over the last five years that have ended, in France and abroad:

Abroad:
Positions in various subsidiaries of the Group

OSCAR FANJUL - born on May 20, 1949 - Spanish citizen

Paseo de la Castellana, 28-5°, ES-28046 Madrid, Spain

Number of Lafarge shares held: 6,193

Experience and expertise

Vice-Chairman of the Board and Director, Chairman of the Corporate Governance and Nominations Committee, Chairman of the Remunerations Committee, member of the Audit Committee

Oscar Fanjul was appointed to the Lafarge Board of Directors in 2005 and has been Vice-Chairman of the Board since August 1, 2007. He began his career in 1972 working for the Industrial Holding I.N.I. (Spain), then acted as Chairman Founder and Chief Executive Officer of Repsol (Spain).

He currently acts as Chairman of the Board of Deoleo, S.A. (Spain) and Vice-Chairman of Omega Capital, SL (Spain). Oscar Fanjul also is a Director of Marsh & McLennan Companies (United States) and Acerinox (Spain).

Independent Director, Oscar Fanjul in particular brings to the Board his experience as an executive officer and Director of international industrial groups as well as his expertise in finance and corporate governance. In addition to his specific duties as Vice-Chairman of the Board, Oscar Fanjul ensures coordination and coverage of work and topics to be addressed by the Corporate Governance and Nomination Committee and the Remunerations Committee, which he chairs.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2005. Expiry of his term of office after the General Meeting called to approve the 2016 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director and Vice-Chairman of the Board of Lafarge (listed company)

Abroad:
Vice-Chairman of Omega Capital (Spain)
Director of Marsh & McLennan Companies (USA) (listed company)
Director of Acerinox (Spain) (listed company)
Chairman of Deoleo, S.A. (Spain) (listed company)

Over the last five years that have ended, in France and abroad:

In France:
Director of Areva (listed company) until 2011

Abroad:
Director of the London Stock Exchange (United Kingdom) (listed company) until 2010

PHILIPPE CHARRIER - born on August 2, 1954 - French citizen

60-62, rue d'Hauteville, 75010 Paris, France

Number of Lafarge shares held: 6,118

Experience and expertise

Director, member of the Remunerations Committee, member of the Strategy, Investment and Sustainable Development Committee

Philippe Charrier was appointed to the Lafarge Board of Directors in 2005. He acts as Chief Executive Officer of Labco, Chairman of the Board of Directors of Alphident and Dental Emco S.A. He is also a Founding member of the Club Entreprise et Handicap and a Director of Rallye. He is President of the Cap'Cités association established in 2010 and President of the Clubhouse France association established in 2011. He is President and Director of the association Unafam.

He was Vice-President, Chief Executive Officer and Director of Œnobiol from 2006 to 2010 and Chairman and Chief Executive Officer of Procter & Gamble France from 1999 to 2006. He joined Procter & Gamble in 1978 and held various financial positions before serving as Chief Financial Officer from 1988 to 1994, Marketing Director in France from 1994 to 1996, and Chief Operating Officer of Procter & Gamble Morocco from 1996 to 1998.

Independent Director, Philippe Charrier in particular brings to the Board his experience as an executive officer and Director of international industrial groups as well as his expertise in the field of sustainable development and marketing.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2005. Expiry of his term of office after the General Meeting called to approve the 2016 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)
Chief Executive Officer of Labco
Chairman of the Board of Directors of Alphident and Dental Emco S.A. (subsidiary of Alphident)
Director of Rallye (listed company)
Director and President of the Unafam (association)
President of Clubhouse France (association)

Over the last five years that have ended, in France and abroad:

In France:

Vice-President, Chief Executive Officer and Director of Œnobiol from 2006 to 2010
Chairman of the Supervisory Board of Spotless group until 2010
Chairman of Entreprise et Progrès until 2009

PHILIPPE DAUMAN - born on March 1, 1954 - American citizen

1515 Broadway,
New York, NY 10036, USA

Number of Lafarge shares held: 1,143

Experience and expertise

Director, Chairman of the Strategy, Investment and Sustainable Development Committee, member of the Corporate Governance and Nominations Committee

Philippe Dauman was appointed to the Lafarge Board of Directors in May 2007. He has been President and Chief Executive Officer of Viacom Inc. (US) since September 2006. He was previously Joint Chairman of the Board and Chief Executive Officer of DND Capital Partners LLC (US) from May 2000. Before creating DND Capital Partners, Philippe Dauman was Deputy Chairman of the Board of Viacom from 1996 to May 2000, Executive Vice-President from 1995 to May 2000, and General Counsel and Secretary of the Board from 1993 to 1998. Prior to that, he was a partner in New York law firm Shearman & Sterling. He served as Director of Lafarge North America Inc. from 1997 to 2006. He is currently a Director of Viacom Inc. and National Amusements Inc. (US), a member of the Dean's Council for the University of Columbia Law School, a member of the Business Roundtable (US), a member of the Board of the National Cable & Telecommunications Association (US) and Co-Chairman of the Partnership for New York (US). He is also a member of The Paley Center for Media's Board (US), a member of the Board of Kipp Foundation (US), and a member of the Executive Committee of the Board of Lenox Hill Hospital (US).
Independent Director, Philippe Dauman in particular brings to the Board his knowledge of the Group, in particular in North America, as well as his experience as an executive officer and Director of international industrial groups.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2007. Expiry of his term of office after the General Meeting called to approve the 2014 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)

Abroad:
Director, President and Chief Executive Officer of Viacom Inc. (USA) (listed company)
Director of National Amusements Inc. (USA)

Over the last five years that have ended, in France and abroad:

Nil

PAUL DESMARAIS, JR. - born on July 3, 1954 - Canadian citizen

751, Square Victoria, Montreal, Quebec H2Y 2J3, Canada

Number of Lafarge shares held: 6,715

Experience and expertise

Director, member of the Strategy, Investment and Sustainable Development Committee

Paul Desmarais, Jr. was appointed to the Lafarge Board of Directors in January 2008. He has been Chairman and Co-Chief Executive Officer of Power Corporation of Canada (PCC or Power) since 1996 and Co-Chairman of the Board of Power Financial Corporation (PFC). Prior to joining PCC in 1981, he was at SG Warburg & Co. in London and Standard Brands Incorporated in New York. He was President and Chief Operating Officer of PFC from 1986 to 1989, Vice-Chairman of the Board of PFC from 1989 to 1990 and Chairman of PFC from 1990 to 2005. He is a Director and member of the Executive Committee of many Power group companies in North America. He is also Executive Director and Chairman of the Board of Pargesa Holding S.A. (Switzerland), Vice-Chairman of the Board and Director of Groupe Bruxelles Lambert (Belgium) and a Director of Total S.A., GDF-Suez and SGS S.A. (Switzerland).

Paul Desmarais, Jr. is Chairman of the Board of Governors of the International Economic Forum of the Americas (Canada), Founder and member of the International Advisory Committee of the École des Hautes Études Commerciales (HEC) in Montreal and honorary member for life of the Desautels Faculty Advisory Board and member of the Principal's International Advisory Board of McGill University (Canada). He is a member of the Advisory Council of the INSEAD (France), and one of the trustees and Vice-Presidents of the International Advisory Council of the Brookings Institution (Washington, US). Paul Desmarais, Jr. is a member of the Economic Consultative Council directed by minister Flaherty (Canada), Chairman of the Board and member of the Executive Committee of the CCCE (Conseil canadien des chefs d'entreprise). He is also member of the Global Board of Advisers of the Council on Foreign Relations, member of the Global Advisory Council of Harvard University (United States). Paul Desmarais, Jr. studied at McGill University where he obtained a Bachelor's degree in Commerce. He then graduated from the European Institute of Business Administration (INSEAD) in Fontainebleau, France, with an MBA.

Paul Desmarais, Jr. in particular brings to the Board his expertise in finance and management of equity investments as well as his experience as a Director of international industrial groups and his knowledge of North America.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)[1]
Director of Total S.A. (listed company)[1]
Director of GDF-Suez (listed company)[1]

Abroad:
Chairman of the Board and Co-Chief Executive Officer of Power Corporation of Canada (Canada) (listed company)[1]
The following positions are held as representative of Power Corporation of Canada:
Co-Chief Executive Officer and Director of Power Financial Corporation (Canada) (listed company)[1]
Chairman of the Board of Directors and Deputy Managing Director of Pargesa Holding (Switzerland) (listed company)[1]
Director and member of the Executive Committee of Great-West, Compagnie d'assurance-vie (Canada)
Director and member of the Executive Committee of Great-West Life & Annuity Insurance Company (USA)
Director and member of the Executive Committee of Great-West Lifeco Inc. (Canada) (listed company)[1]
Vice-Chairman of the Board, Director and member of the Executive Committee of Groupe Bruxelles Lambert S.A. (Belgium) (listed company)[1]
Director and member of the Executive Committee of group Investors Inc. (Canada)
Director and member of the Executive Committee of London Insurance group Inc. (Canada)
Director and member of the Executive Committee of London Life Compagnie d'assurance-vie (Canada)
Director and member of the Executive Committee of Mackenzie Inc. (Canada)
Director and member of the Executive Committee of Canada Life Assurance Company (Canada)
Director and member of the Executive Committee of Canada Life Financial Corporation (Canada)
Director and member of the Executive Committee of Canada Life Capital Corporation (Canada)
Director and Chairman of the Board of Power Corporation International (Canada)
Director and Vice-President of the Board of Square Victoria Communications group Inc. (Canada)
Director and member of the Executive Committee of IGM Financial Inc. (Canada) (listed company)[1]
Member of the Supervisory Board of Parjointco N.V. (Netherlands)
Director and Vice-President of the Board of Gesca Ltée (Canada)
Director and Vice-President of the Board of La Presse Ltée (Canada)
Director of Power Communications Inc. (Canada)
Director and member of the Executive Committee of Putnam Investments LLC (USA)
Director of Great-West Financial (Canada) Inc. (Canada)
Director and Chairman of 171263 Canada Inc. (Canada)
Director of 152245 Canada Inc. (Canada)
Director of GWL&A Financial Inc. (United States)
Director of Great-West Financial (Nova Scotia) Co. (Canada)
Director of Great-West Life & Annuity Insurance Company of New York (United States)
Member of the Supervisory Board of Power Financial Europe B.V. (Netherlands)
Director and Member of the Management Board of The Canada Life Insurance Company of Canada (Canada)
Director of SGS S.A. (Switzerland) (listed company)[1]

Over the last five years that have ended, in France and abroad:

Abroad:
Director and member of the Executive Committee of Crown Life Insurance Company (Canada) until 2012
Vice-Chairman of the Board of 3819787 Canada Inc. (Canada) until 2010
Director of Canada Life Insurance Company of America (United States) until 2009

(1) *Directorships in listed companies held as representative of companies in which a Director holds an executive office and whose main activity is to acquire and manage holdings do not count towards the number of directorships held, pursuant to the Afep Medef Code. As a result, the number of directorships in listed companies held by Mr Desmarais Jr. is in line with the limitations recommended by the Afep Medef Code.*

JUAN GALLARDO - born on July 28, 1947 - Mexican citizen

Monte Caucaso 915 - 4 piso, Col. Lomas de Chapultepec C.P., MX 11000 Mexico, Mexico

Number of Lafarge shares held: 1,500

Experience and expertise

Director, member of the Audit Committee, member of the Corporate Governance and Nominations Committee, member of the Remunerations Committee

Juan Gallardo was co-opted to the Lafarge Board of Directors in 2003. He has been Chairman of Organizacion Cultiba SAB de CV (Holding Grupo GEPP and Grupo Azucarero Mexico) (Mexico) since 1985. He is also a Director of IDEA S.A., Caterpillar Inc. (USA) and Banco Santander (Mexico). Juan Gallardo coordinated the private sector efforts in the Alena negotiations as well as for the free-trade agreement between Mexico and the European Union. He is a member of the Mexican Business Roundtable. He was previously a member of the International Advisory Council of Lafarge, the Chairman of the Fondo Mexico, Vice-President of Home Mart Mexico and Director of Grupo Mexico S.A. de C.V. (Mexico).

Independent Director, Juan Gallardo in particular brings to the Board his experience as a Director of international industrial groups, his expertise in finance as well as his knowledge of North and Latin America.

Position (appointment/renewal/expiry of term of office)

Co-optation as Director of Lafarge in 2003. Expiry of his term of office after the General Meeting called to approve the 2016 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)

Abroad:
Chairman of the Board of Organizacion Cultiba SAB de CV (Mexico) (listed company)
Director of IDEA S.A. (Mexico)
Director of Caterpillar Inc. (USA) (listed company)
Director of Banco Santander (Mexico) (listed company)

Over the last five years that have ended, in France and abroad:

Abroad:
Director of Mexicana de Aviacion (Mexico) until 2010
Director of Grupo Mexico S.A. de C.V. (Mexico) (listed company) until 2009
Member of the International Advisory Board of Textron Inc. (United States) (listed company) until 2009

IAN GALLIENNE - born on January 23, 1971 - French citizen

Avenue Marnix 24,
1000 Bruxelles, Belgium

Number of Lafarge shares held: 1,143

Experience and expertise

Director, member of the Corporate Governance and Nominations Committee, member of the Remunerations Committee

Ian Gallienne was co-opted to the Lafarge Board of Directors in 2011. Ian Gallienne has been Managing Director of Groupe Bruxelles Lambert (Belgium) since January 1, 2012. He has a degree in Management and Administration, with a specialization in Finance, from the E.S.D.E. in Paris and an MBA from Insead in Fontainebleau. He began his career in Spain, in 1992, as co-founder of a commercial company. From 1995 to 1997, he was a member of management of a consulting firm specialized in the reorganization of ailing companies in France. From 1998 to 2005, he was manager of the private equity funds Rhône Capital LLC in New York and London. From 2005 to 2012, he founded and served as Managing Director of the private equity funds Ergon Capital Partners, Ergon Capital Partners II and Ergon Capital Partners III in Brussels. He has been a Director of Groupe Bruxelles Lambert (Belgium) since 2009, of Imerys (France) since 2010, of Pernod Ricard (France) since 2012 and SGS (Switzerland) since 2013.

Ian Gallienne in particular brings to the Board his expertise in finance and management of equity investments as well as his experience as a Director of international industrial groups.

Position (appointment/renewal/expiry of term of office)

Co-optation as a Director of Lafarge in 2011. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)
Director of Imerys (listed company)
Director of Pernod Ricard (listed company)

Abroad:

Managing Director of Groupe Bruxelles Lambert S.A. (Belgium) (listed company)
The following positions are held as representative of Groupe Bruxelles Lambert S.A.:
Director of SGS (Switzerland) (listed company)
Managing Director of Ergon Capital Partners S.A. (Belgium), Ergon Capital Partners II S.A. (Belgium) and Ergon Capital Partners III S.A. (Belgium)
Director of Ergon Capital S.A. (Belgium)
Director of Steel Partners N.V. (Belgium)
Director of Gruppo Banca Leonardo S.P.A. (Italy)
Managing Director of Ergon Capital II Sàrl (Luxembourg)
Managing Director of Sienna Capital Sàrl (Luxembourg)
Managing Director of Serena Sàrl (Luxembourg)
Member of the Supervisory Board of Kartesia GP (Luxembourg)

Over the last five years that have ended, in France and abroad:

In France:

Director of Central Parc Villepinte S.A. (until July 31, 2011)
Director of EliTech group S.A.S. (until December 31, 2011)
Director of the "Fonds de dotations du Palais"
Director of PLU Holding S.A.S (until April 26, 2012)

Abroad:

Director of Arno Glass S.A. (Luxembourg) until June 1, 2009
Director of La Gardenia Beauty S.P.A. (Italy) until December 31, 2011
Director of Seves S.P.A. (Italy) until December 31, 2011
Director of group De Boeck S.A. (Belgium) until December 31, 2011
Managing Director of Egerton Sàrl (Luxembourg) until October 3, 2013

JÉRÔME GUIRAUD - born on January 7, 1961 - French citizen

4 Cork street, London W1S 3LG, United Kingdom

Number of Lafarge shares held: 3,948

Experience and expertise

Director, member of the Audit Committee

Jérôme Guiraud was appointed to the Lafarge Board of Directors in 2008. He graduated from École des Hautes Études Commerciales (HEC 1984 –Paris). Jérôme Guiraud started his career at the French Embassy in Zagreb (Croatia) in 1985 as Deputy to the Commercial Attaché. He joined the Société Générale group at the Inspection Générale department in 1986. From 1993 he has held various managing positions abroad, in Europe and in emerging countries on capital markets, then as Country manager and Director of the Société Générale group's listed subsidiaries. He joined the NNS group in 2008. He is currently Chief Executive Officer of NNS Capital, Director of NNS Holding and member of the Audit Committee of Orascom Construction Industries S.A.E. (significant construction and in fertilizer company, listed on the Cairo stock exchange).

Jérôme Guiraud in particular brings to the Board his expertise in finance, his experience as an executive officer and Director of international groups as well as his knowledge of Eastern Europe, Africa and the Middle East.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)

Abroad:
Director Chief Executive Officer of NNS Capital (United Kingdom)
Director of NNS Holding Sàrl (Luxembourg)
Member of the Audit Committee of Orascom Construction Industries S.A.E. (Egypt) (listed company)

Over the last five years that have ended, in France and abroad:

Abroad:
Director of Orascom Construction Industries S.A.E. (Egypt) (listed company) from 2008 to 2013

GÉRARD LAMARCHE - born on July 15, 1961 - Belgian citizen

Avenue Marnix 24, 1000 Bruxelles, Belgium

Number of Lafarge shares held: 1,143

Experience and expertise

Director, member of the Audit Committee

Gérard Lamarche was appointed to the Lafarge Board of Directors in 2012. He graduated from the University of Louvain-la-Neuve with a Bachelor's degree in Economics. He also completed the Advanced Management Program for Suez group Executives at the Insead Business School and took part in the 1998-99 Wharton International Forum (Global Leadership Series). He began his professional career in 1983 with Deloitte Haskins & Sells in Belgium, and became M&A Consultant in the Netherlands in 1987. In 1988, he joined the Venture Capital department of Société Générale de Belgique as Investment manager. He was promoted to Controller in 1989, and in 1992 was appointed Advisor to the Director of Strategic Planning. He became Special Projects Advisor to the President and Secretary of the Suez Board of Directors (1995-1997) and was later appointed the new group's Senior Vice-President in charge of Planning, Control and Accounts Management. In 2000, Mr Gérard Lamarche joined NALCO (American subsidiary of the Suez group and world leader in industrial water treatment) as Director, Senior Executive Vice-President and CFO. He was appointed CFO of the Suez group in March 2004.

Gérard Lamarche was appointed Director of Groupe Bruxelles Lambert (GBL) (Belgium) in April 2011, of which he is also Managing Director since January 1, 2012. Gérard Lamarche is also a Director of Legrand, Total and SGS (Switzerland) as well as censor of GDF Suez.

Gérard Lamarche in particular brings to the Board his expertise in finance and management of equity investments as well as his experience as an executive officer and Director of international industrial groups.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2012. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)
Director of Legrand (listed company)
Director of Total S.A. (listed company)
Censor of GDF Suez (appointed in April 2012)

Abroad:

Managing Director of Groupe Bruxelles Lambert S.A. (Belgium) (listed company)
Director of SGS (Switzerland) (listed company)

Over the last five years that have ended, in France and abroad:

In France:

Director of Suez Environnement Company (from May 19, 2011 until December 21, 2011)
Director of GDF Suez Energy Services (from September 15, 2005 until June 16, 2011)
Director of Suez Environnement (from April 20, 2004 until October 28, 2010)

Abroad:

Director of Electrabel (Belgium) until December 31, 2011
Director of International Power plc (United Kingdom) (listed company) until December 8, 2011
Director of Europalia (Belgium) until October 12, 2011
Director of GDF Suez Belgium until October 1, 2011
Director of Sociedad General de Aguas de Barcelona (Agbar - Spain) until June 28, 2011
Director of Suez-Tractebel S.A. (Belgium) until January 25, 2011
Director of Fortis Banque S.A. (Belgium) until July 2, 2010
Director of Suez Environnement North America (United States) until December 31, 2009
Director of Leo Holding Company (United States) until May 15, 2009

COLETTE LEWINER - born on September 19, 1945 - French citizen

Tour Europlaza-
La Défense 4, 20 avenue
André Prothin,
92927 Paris-La Défense,
France

Number of Lafarge shares held: 1,653

Experience and expertise

Director, member of the Strategy, Investment and Sustainable Development Committee

Colette Lewiner was appointed to the Lafarge Board of Directors in 2010. Since July 2012, she has been energy advisor of the Chairman of Capgemini after having led since 1998 (the year she joined Capgemini) the "Energy, Utilities & Chemicals" sector. She is also non executive Chairman of TDF. She is also Director of Bouygues, Colas (group Bouygues), Eurotunnel, Nexans, TGS Nopec (Norway) and Crompton Greaves (India). From 1992 to 1998, she was Chairman and CEO of SGN-Réseau Eurisys, a subsidiary of Cogema (Areva group). From 1979 to 1992, Colette Lewiner held various positions within the EDF group, at the Research & Development department, and then at the fuel procurement department that she managed in 1987. In 1989, she created the Development and Commercial Strategy Division and became the first woman Executive Vice-President at EDF. Colette Lewiner is also a member of the French Academy of Technologies and of the Strategic Research Committee chaired by the French Prime Minister. After entering the École normale supérieure and graduating as a Doctor in Physics (PhD), she started her career as an Associate Professor and Researcher at the Denis Diderot University in Paris.

Independent Director, Colette Lewiner in particular brings to the Board her recognized expertise in the field of energy, her experience in consulting and strategy as well as her experience as an executive officer and Director of international industrial groups.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2010. Expiry of her term of office after the General Meeting called to approve the 2013 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)
Director of Nexans (listed company)
Director of Bouygues (listed company)
Director of Colas (group Bouygues)
Director of Eurotunnel (listed company)
Chairman of the Board of Directors of TDF (SAS)

Abroad:

Director of TGS-Nopec (Norway) (listed company)
Director of Crompton Greaves (India) (listed company)

Over the last five years that have ended, in France and abroad:

In France:

Director of La Poste until May 2011

HÉLÈNE PLOIX - born on September 25, 1944 - French citizen

162, rue du Faubourg-Saint-Honoré, 75008 Paris, France

Number of Lafarge shares held: 2,883

Experience and expertise

Director, Chairman of the Audit Committee (until February 18, 2014), member of the Strategy, Investment and Sustainable Development Committee

Hélène Ploix was appointed to the Lafarge Board of Directors in 1999. Hélène Ploix is Chairman of Pechel Industries SAS and Pechel Industries Partenaires SAS. She is also Chairman of FSH SAS. She was previously Deputy Chief Executive Officer of Caisse des Dépôts et Consignations (CDC) and Chairman and Chief Executive Officer of CDC Participations from 1989 to 1995, Chairman of the Caisse Autonome de Refinancement and Chairman of the Supervisory Board of CDC Gestion. She previously served as Special Counsel for the single currency at KPMG Peat Marwick from 1995 to 1996 and as Director of Alliance Boots plc (United Kingdom) from 2000 to July 2007. She is a member of the Supervisory Board of Publicis groupe, a non-executive Director of BNP Paribas, Sofina (Belgium), Genesis Emerging Markets Fund Limited (Guernesey) and, as Pechel Industries Partenaires' permanent representative, she is also a Director of SES (Store Electronic System).

Independent Director, Hélène Ploix in particular brings to the Board her recognized expertise in finance and her experience as an executive officer and Director of international industrial groups. The Board also benefits from her extensive knowledge of the Group, which she accompanies since 1999.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 1999. Expiry of her term of office after the General Meeting called to approve the 2016 financial statements (subject to approval by the shareholders of the amendments to the articles of association to be put to the General Meeting convened on May 7, 2014).

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)(1)
Director of BNP Paribas (listed company)(1)
Member of the Supervisory Board of Publicis group (listed company)(1)
Director of SES (Store Electronic Systems) (representing Pechel Industries Partenaires) (listed company)(1)
Chairman of Pechel Industries SAS
Chairman of Pechel Industries Partenaires SAS
Chairman of FSH SAS
Manager of Hélène Ploix SARL
Manager of HMJ (Hélène Marie Joseph) SARL
Manager of Sorepe Société Civile

Abroad:

Director of Ferring S.A. (Switzerland)
Director of Sofina (Belgium) (listed company)(1)
Managing Director of Goëmar Holding (Luxembourg) –representing Pechel Industries Partenaires
Director of Genesis Emerging Markets Fund Limited (Guernesey) (listed company)(1)

Over the last five years that have ended, in France and abroad:

In France:

Director of Ypso Holding S.A. (as legal representative of Pechel Industries Partenaires) until October 2013
Member of the Supervisory Board of Goëmar Développement (as permanent representive of Pechel Industries Partenaires SAS) until 2013
Member of the Supervisory Board of Laboratoires Goëmar (as permanent representive of Pechel Industries Partenaires SAS) until 2013

Abroad:

Director of Completel NV (Netherlands)
(end of the term of office December 31, 2010)

(1) *Directorships in listed companies held as representative of companies in which a Director holds an executive office and whose main activity is to acquire and manage holdings do not count towards the number of directorships held, pursuant to the Afep-Medef Code. As a result, the number of directorships in listed companies held by Mrs Ploix is in line with the limitations recommended by the Afep-Medef Code.*

BAUDOUIN PROT - born on May 24, 1951 - French citizen

3 rue d'Antin,
75002 Paris, France

Number of Lafarge shares held: 1,250

Experience and expertise

Director, member of the Corporate Governance and Nominations Committee, member of the Strategy, Investment and Sustainable Development Committee

Baudouin Prot was appointed to the Lafarge Board of Directors in 2011. He is Chairman of BNP Paribas since December 2011. After graduating from the French business school HEC in 1972 and from ENA in 1976, Baudouin Prot joined the French Ministry of Finance where he stayed for four years. He then became Deputy Director of Energy and Raw Materials at the French Ministry of Industry for three years. He joined BNP in 1983 as Deputy Director of the intercontinental branch of Banque Nationale de Paris and became Director for Europe in 1985. In 1987, he joined the Central Networks department, was promoted to Central Director in 1990, and became Executive Vice-President of BNP in charge of networks in 1992. Baudouin Prot was appointed Chief Executive Officer of BNP in 1996 and Chief Operating Officer (Directeur général délégué) of BNP Paribas in 1999. In May 2000, he was appointed Director and Chief Operating Officer (Directeur général délégué) of BNP Paribas, and became Director and Chief Executive Officer of the bank in May 2003. Baudouin Prot is also a Director of Kering, Veolia Environnement and Pargesa Holding S.A. (Switzerland).

Independent Director, Baudouin Prot in particular brings to the Board his expertise in finance and banking and his experience as an executive officer and Director of international groups.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2011. Expiry of his term of office after the General Meeting called to approve the 2014 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)
Chairman of BNP Paribas (listed company)
Director of Kering (listed company)
Director of Veolia Environnement (listed company)

Abroad:

Director of Pargesa Holding S.A. (Switzerland) (listed company)

Over the last five years that have ended, in France and abroad:

In France:

Director of Accor (from June 1992 to February 2009) (listed company)
Chairman of the "Fédération Bancaire Française" (from September 2009 to August 2010)

Abroad:

Director of Erbé S.A. (Belgium) until December 2013

MICHEL ROLLIER - born on September 19, 1944 - French citizen

27, cours de l'Ile Seguin, 92100 Boulogne-Billancourt, France

Number of Lafarge shares held: 1,758

Experience and expertise

Director, Chairman of the Audit Committee (since February 18, 2014), member of the Corporate Governance and Nominations Committee

Michel Rollier was appointed to the Lafarge Board of Directors in 2008. Since May 2012, he has been Chairman of Plateforme de la Filière Automobile (PFA). He is also Chairman of the Supervisory Board of Michelin, Chairman of the Supervisory Board of Somfy S.A. and Chairman of the Supervisory Board of Siparex Associés.

Michel Rollier graduated from the Institut d'études politiques (1967) and the Université de Droit of Paris (1968). He previously held several positions with Aussedat-Rey (International Paper group) starting in 1971, including controller until 1982, Unit Operational manager from 1982 to 1987, Chief Financial Officer between 1987 and 1994 and Deputy Managing Director from 1994 to 1996. Michel Rollier joined Michelin in 1996 as Chief Legal Officer and Head of Financial Operations. He was appointed member of the Michelin group Executive Council and Chief Financial and Legal Officer in 1999 before being appointed as Managing Partner of the Compagnie Générale des Établissements Michelin in May 2005 until May 2012.

Michel Rollier is also a member of the High Committee of Corporate Governance set up in October 2013 following the latest amendments to the Afep-Medef Code.

Independent Director, Michel Rollier in particular brings to the Board his expertise in finance and corporate governance, as well as his experience as an executive officer and Director of international industrial groups.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements (subject to approval by the shareholders of the amendments to the articles of association to be put to the General Meeting convened on May 7, 2014).

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)
Chairman of the Supervisory Board of Michelin
Chairman of the Supervisory Board of Somfy S.A. (listed company)
Chairman of the Supervisory Board of Siparex Associés
Chairman of Plateforme de la Filière Automobile (PFA)

Over the last five years that have ended, in France and abroad:

In France:

Managing Partner of the Compagnie Générale des Établissements Michelin (listed company) (until May 2012)
Director of Moria (until September 2011)

Abroad:

Managing Partner of la Compagnie Financière Michelin (Switzerland) (until May 2012)

NASSEF SAWIRIS - born on January 19, 1961 - Egyptian citizen

61, rue des Belles Feuilles, 75116 Paris, France

Number of Lafarge shares held: 1,671 (this figure does not take into account the shares owned by NNS Holding Sàrl)

See Section 6 – (Major shareholders)

Experience and expertise

Director, member of the Corporate Governance and Nominations Committee, member of the Remunerations Committee, member of the Strategy, Investment and Sustainable Development Committee

Nassef Sawiris was appointed to the Lafarge Board of Directors in January 2008.

Nassef Sawiris is the major shareholder and the Chief Executive Officer of OCI N.V. (the Netherlands). He joined the Orascom Group in 1992, became the Chief Executive Officer of OCI N.V.'s predecessor, Orascom Construction Industries (OCI S.A.E.) (Egypt), in 1998 and was also appointed Chairman of OCI S.A.E. in 1999. Mr Sawiris is also a Director of the BESIX group (Belgium). Mr Sawiris served on the Board of Directors of the Cairo & Alexandria Stock Exchanges (Egypt) from 2004-2007 and was also a Director of the Nasdaq DIFX (Dubai). Nassef Sawiris holds a BA in Economics from the University of Chicago, USA.

Nassef Sawiris in particular brings to the Board his expertise as an entrepreneur and business developer as well as his experience as an executive officer and Director of international industrial groups. The Board also benefits from his extensive knowledge of Africa and the Middle East and of the Group's businesses.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)

Abroad:

Director and Chief Executive Officer of OCI N.V. (The Netherlands) (listed company)

Director of BESIX (Belgium)

Over the last five years that have ended, in France and abroad:

Abroad:

Chairman and Chief Executive Officer of Orascom Construction Industries S.A.E. (OCI) (Egypt) (listed company) until 2013

Director of NNS Holding Sàrl (Luxembourg) until 2013

Director of Nasdaq DIFX (Dubai International Stock Exchange) (United Arab Emirates) until 2011

Chairman of Lafarge Cement Egypt S.A.E. (Egypt) and positions in various subsidiaries of the Group until 2012

Director and General manager of several subsidiaries of OCI Group (Egypt)

VÉRONIQUE WEILL - born on September 16, 1959 - French citizen

25, avenue Matignon, 75008 Paris, France

Number of Lafarge shares held: 1,200

Experience and expertise

Director, member of the Audit Committee, member of the Remunerations Committee
Véronique Weill was appointed to the Lafarge Board of Directors in 2010.
Véronique Weill is a graduate of the Institut d'études politiques de Paris and of the Université la Sorbonne (Licence de Lettres). She spent more than 20 years at J.P. Morgan and has notably served as Group head of Operations for Investment Banking and global head of IT & Operations for Asset Management and Private Clients. Véronique Weill joined AXA in June 2006 as a Chief Executive Officer of AXA Business Services and Group Executive Vice-President of Operational Excellence. In January 2008, she was appointed Executive Vice-President IT and Operational Excellence of the Group. Since January 1, 2009, Véronique Weil is a member of the Executive Committee of the AXA Group and since December 2009, she has been Chief Operating Officer of AXA. She is now in charge of Group Marketing, Distribution, IT, Operational Excellence, Procurement and GIE AXA (headquarters' shared services). Véronique Weill is a member of the AXA Research Fund Scientific Committee. As from January 1, 2013, Véronique Weill is a member of the Management Committee of the AXA Group.
Independent Director, Véronique Weill in particular brings to the Board her expertise in finance, her knowledge of corporate functions and her experience as an executive officer of an international group.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2010. Expiry of her term of office after the General Meeting called to approve the 2013 financial statements. The renewal of her term of office will be proposed at the Shareholders Meeting to be held on May 7, 2014.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)
Director of AXA Assistance S.A.
Member of the Executive Committee of AXA Group Solutions (SAS)
Chairman of the Supervisory Board of GIE AXA
Member of the Supervisory Board of GIE AXA Group Solutions
Chairman and member of the Executive Committee, AXA Technology Services (SAS)
Permanent representative of Vamopar on the Board of FamilyProtect
Permanent representative of AXA on the Board of AXA France IARD and AXA France Vie

Abroad:
Director of AXA Business Services Private Ltd. (India)

Over the last five years that have ended, in France and abroad:

Nil

3

SUMMARY OF EXPIRY OF TERM OF OFFICE OF LAFARGE DIRECTORS

Directors	2014 (General Meeting called to approve the 2013 financial statements)	2015 (General Meeting called to approve the 2014 financial statements)	2016 (General Meeting called to approve the 2015 financial statements)	2017 (General Meeting called to approve the 2016 financial statements)
Bruno Lafont				◆
Oscar Fanjul				◆
Philippe Charrier				◆
Philippe Dauman		◆		
Paul Desmarais, Jr.			◆	
Juan Gallardo				◆
Ian Gallienne			◆	
Jérôme Guiraud			◆	
Gérard Lamarche			◆	
Colette Lewiner	◆			
Hélène Ploix [(1)]				◆
Baudouin Prot		◆		
Michel Rollier [(1)]			◆	
Nassef Sawiris			◆	
Véronique Weill	◆			

(1) *Subject to approval by the General Meeting called on May 7, 2014 of the amendments to the articles of association relating to the age limit of Directors.*

b) Number of directorships

The Afep-Medef Code recommends that non-executive Directors should not hold more than five directorships in listed companies in total, including foreign entities. This recommendation applies at the time of appointment or on the next renewal of the term of office of a Director.

Directorships in listed companies held as representative of companies in which a Director holds an executive office and whose main activity is to acquire and manage holdings do not count towards the number of directorships held, pursuant to the Afep-Medef Code. As a result, the number of directorships in listed companies held by Mrs Ploix and Mr Desmarais, Jr. is in line with the limitations recommended by the Afep-Medef Code.

For further information on the number of directorships in listed companies held by each Director, please refer to the overview table in Section 3.1 (Board of Directors – Corporate Officers).

c) Sanctions applicable to the Directors

To the Company's knowledge, no Director was, over the previous five years, convicted of fraud, involved in a bankruptcy, receivership or liquidation, subject to official public incrimination and/or sanctions, or disqualified by a court from acting as Director or in management or conducting the affairs of any issuer.

3.1.4 INDEPENDENT DIRECTORS – PARITY AND DIVERSITY WITHIN THE BOARD

a) Independence

Directors qualified as independent	
Philippe Charrier	Hélène Ploix
Philippe Dauman	Baudouin Prot
Oscar Fanjul	Michel Rollier
Juan Gallardo	Véronique Weill
Colette Lewiner	
Percentage of independent Directors: 60%	

Directors non-qualified as independent/justification	
Bruno Lafont	Corporate officer of Lafarge S.A. – Chairman and Chief Executive Officer.
Paul Desmarais, Jr. Ian Gallienne Gérard Lamarche	Connected to Groupe Bruxelles Lambert, a shareholder holding more than 10% of the capital and voting rights of the Company.
Jérôme Guiraud Nassef Sawiris	Connected to NNS Holding Sàrl, a shareholder holding more than 10% of the capital and voting rights of the Company.

In accordance with the recommendations of the Afep-Medef Code and the Board's internal regulations, the Board regularly reviews the situation of the Directors in light of the independence criteria.

The Board of Directors, after an individual assessment of each Director's situation in light of the independence criteria applicable to the Company, considers that nine Directors, out of the fifteen members of the Board, are independent, corresponding to 60% of the Board being independent Directors.

In accordance with the recommendations of the Afep-Medef Code, the Board's internal regulations provide that a majority of the members of the Board, the Corporate Governance and Nominations Committee and the Remunerations Committee must qualify as "independent", and that at least two-thirds of the members of the Audit Committee must qualify as "independent".

The Board of Directors considers that the composition of the Board and its Committees is compliant with its internal regulations.

The formal non-qualification as "independent Director" in no way challenges the professionalism or freedom of judgement that characterize all Directors.

See Section 3.2.2 (Board of Directors' Committees) for more information on the involvement of independent Directors in the Committees.

b) Independence criteria

The Board of Directors has applied the following recommendations of the Afep-Medef Code in its assessment of independent Directors:

- not to be an employee or Corporate Officer of the Company, or an employee or Director of its parent or a company that it consolidates and not having been in such a position over the previous five years;
- not to be a Corporate Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a Corporate Officer of the Company (currently in office or having held such office going back five years) is a Director;
- not to be a customer, supplier, investment banker or commercial banker:
  - that is material for the Company or its group,
  - or for a significant part of whose business the Company or its group accounts;
- not to be related by close family ties to a Corporate Officer;
- not to have been an auditor of the Company over the previous five years;
- not to have been a Director of the Company for more than twelve years;
- finally, with respect to Board members representing shareholders holding 10% or more of the capital or voting rights of the Company, the Afep-Medef Code provides that the Board should systematically examine their qualifications as independent Directors. The Directors of Lafarge linked to the Company's two major shareholders (Groupe Bruxelles Lambert and NNS Holding) are not classified as independent Directors.

The Board of Directors did not apply the recommended 12-year limitation on length of service as Director. The Board considers that in a long-term business such as ours, where management is stable, serving as Director for a long period of time can bring more experience and authority, increasing the Directors' independence. To date Mrs Hélène Ploix has been a director of Lafarge S.A. for over 12 years. The Board however considers that, particularly in light of the effective contribution of the Mrs Ploix to the work of the Board, of her extremely rigorous approach and great professionalism in particular demonstrated as Chairman of the Audit Committee, Mrs Ploix classifies as an independent Director. It is specified that in addition to Mrs Ploix the Board of Directors is composed of 8 independent Directors out of 15 members and that the Board of Directors remains composed of a majority of independent Directors whatever the position on the 12-year length of service criteria. In addition, Mrs Ploix no longer chairs the Audit Committee since the Board of February 18, 2014.

c) Materiality tests on business relationships between the Company and its Directors

During the annual review of the classification of Directors as independent, the Corporate Governance and Nominations Committee as well as the Board of Directors, during their meetings on February 18, 2014, conducted materiality tests on business relationships between the Company and some of its Directors. These tests consist in verifying that the value of transactions between the Company and one of its Directors or a company with which such Director is associated (as customer, supplier, investment banker or commercial banker) does not exceed specific thresholds, which have been set in advance, of the Group's revenues, equity, assets or debt.

In particular, the Board reviewed the relationship between Lafarge and BNP Paribas, one of the Group's corporate and investment banks, of which Baudouin Prot is Chairman. Lafarge can rely on a pool of competitive banks preventing the likelihood of a relationship of dependency on BNP Paribas. Likewise, the fees that BNP Paribas receives from the Group account for an infinitesimal percentage of the bank's revenues and do not create a relationship of dependency for Lafarge. In addition, the results of the materiality test show that the value of the committed credit facilities of BNP Paribas towards the Group represents less than 5% of the Group's gross debt, while the value of the transactions between the Company and BNP Paribas is less than 1% of the revenues, less than 10% of the equity and less than 5% total assets of both the Group and BNP Paribas.

In light of these factors, and given the independent thinking that Baudouin Prot has shown in his capacity as Director, the Board considers him to be an independent Director.

The Board of Directors also conducted materiality tests on the business relationships existing between the Company and AXA, of which Véronique Weill is a member of the Group Executive Committee. The results of these tests showed that the value of the transactions between the Company and AXA is less than 1% of the revenues, less than 10% of the equity and less than 5% of the total assets of the Group and AXA. The Board of Directors therefore resolved to classify Véronique Weill as independent Director.

d) Management of conflicts of interests

LEGAL FRAMEWORK:

Agreements entered into between a public limited liability company and its corporate officers are subject to dual control: prior approval of the Board, followed by a vote by the General Meeting following the reading of a special report of the statutory auditors (article L. 225-38 et seq. of the French Commercial Code).

The French regulatory authority, the AMF, recommends that related-party agreements which have a continuing effect should be reviewed by the Board on an annual basis.

As provided in the Lafarge S.A. Director's Charter, a Director is required to inform the Board of any situation involving a conflict of interests, even one of a potential nature, and must refrain from taking part in any vote on any resolution of the Board where he finds himself in any such situation.

The Charter also provides that Directors are required to inform the Chairman promptly of any relations that may exist between the companies in which they have a direct interest and the Company. The Directors must also, in particular, notify the Chairman of any agreement covered by article L.225-38 *et seq.* of the French Commercial Code that either they themselves, or any company of which they are Directors or in which they either directly or indirectly hold a significant number of shares, have entered into with the Company or any of its subsidiaries (related-party agreements). These provisions do not apply to agreements made in the ordinary course of business.

During its meeting on February 18, 2014, the Board of Directors conducted a review of related-party agreements approved in prior years that had a continuing effect in 2013, no new related-party agreement or commitment not previously approved by the shareholders were authorised in 2013.

See the special report of the statutory auditors on related-party agreements and commitments on page F96.

See Section 3.1.5 (Director's charter).

The internal regulations of the Board of Directors specify that the Vice-Chairman's duties include, as part of his role of monitoring corporate governance-related issues, coordinating within the Corporate Governance and Nominations Committee the proper implementation of procedures to identify, analyse and provide information about situations that could possibly fall within the scope of the management of conflicts of interest within the Board.

On the number of corporate offices held by Directors, the internal regulations of the Board of Directors provide that the Corporate Governance and Nominations Committee and the Board of Directors must give their prior approval before the Chief Executive Officer accepts a corporate office of a listed company that does not belong to the Group.

In addition, all Directors certify on an annual basis the existence, or absence, of specific items and indicate that there are no potential conflicts of interests between their duties as a Director and their private interests or other duties.

To the best of Lafarge's knowledge, there are no conflicts between the duties of the Group Board members and their private interests and other duties.

Lafarge has not entered into service contracts providing for the granting of future benefits.

e) Parity and diversity – Selection process

The Board of Directors of Lafarge S.A. is composed of members with largely international profiles, resulting from their professional experience.

Over a third of Directors are non-French nationals. Each Director brings to the Board of Directors diverse expertise and experiences which contribute to the diversity of the Board.

See Section 3.1.3 (Information on Directors) for a detailed presentation of the respective management experience and expertise of the Directors.

During its self-assessment conducted at the beginning of 2013, the Board of Directors considered that its composition was adapted to the situation of the Group, noting the good diversity of its membership while achieving the necessary balance between Directors qualified as independent and representative of significant shareholders.

In addition, and with the support of the Corporate Governance and Nominations Committee, the Board of Directors is aiming at increasing the number of women on the Board.

To sustain this diversity while accelerating gender parity on the Board in light of the directorships coming up for renewal, the Corporate Governance and Nominations Committee has put in place a selection process to identify and select candidates for board membership.

The proportion of women elected to the Board currently stands at 20%, with three women out of the 15 members composing the Board of Directors.

If the proposed resolutions put to the General Meeting convened on May 7, 2014 are passed, the composition of the Board will go to 16 members, of which 25% are women.

LEGAL FRAMEWORK:

The law provides, under the balanced representation of women and men on Boards of Directors, that Boards of Directors of listed companies should comprise at least 20% women in 2014 and 40% in 2017 (article L. 225-18-1 of the French Commercial Code). The Afep-Medef Code recommends attaining the same percentages one year earlier.

3.1.5 DIRECTOR'S CHARTER

The full text of the Lafarge S.A. Director's Charter is set out below. It is also available on-line at www.lafarge.com.

Preamble

In accordance with the principles of corporate governance, a Director carries out his duties in good faith, in such a manner as, in his opinion, best advances the interests of the Company, applying the care and attention expected of a normally prudent person in the exercise of such office.

COMPETENCE

Before accepting office, a Director must ascertain that he is acquainted with the general and specific obligations assigned to him. He must, in particular, acquaint himself with legal and statutory requirements, the Company articles of association (statuts), current internal rules and any supplementary information that may be provided to him by the Board.

DEFENDING CORPORATE INTEREST

A Director must be an individual shareholder and hold the number of Company shares required by the articles of association (statuts), *i.e.*, a number representing in total a nominal value of at least 4,572 euros which amounts to 1,143 shares, recorded in the share register in nominal form.

Every Director represents the body of shareholders and must in all circumstances act in their interest and in that of the Company.

CONFLICTS OF INTEREST

A Director is required to inform the Board of any situation involving a conflict of interests, even one of a potential nature, and must refrain from taking part in any vote on any resolution of the Board where he finds himself in any such situation.

DILIGENCE

A Director must dedicate the necessary time and attention to his office, while respecting the legal requirements governing the accumulation of several appointments. He must be diligent and take part, unless impeded from doing so for any serious reason, in all meetings of the Board and, where necessary, in any Committee to which he may belong.

INFORMATION – CONFIDENTIALITY

A Director is bound by obligation to keep himself informed to be able to contribute in a useful manner to the issues under discussion on the Board agenda.

With regard to information outside of the public domain and which he has acquired while in office, a Director must consider himself bound by a duty of confidentiality, which goes beyond the simple obligation to maintain discretion as provided for by law.

TRAINING

Every Director may, in particular at the time of his election to the Board and where he deems it necessary, take advantage of training on specific aspects of the Company and the Group, its business activities, field of activity, organization and particular financial circumstances.

LOYALTY

A Director is bound by an obligation of loyalty. He must not, under any circumstances, do anything liable to damage the interests of the Company or those of any of the other companies in the Group. He may not personally take on any responsibilities, within any undertakings or businesses having any activity competing with those of Lafarge without first notifying the Board of Directors thereof.

PRIVILEGED INFORMATION – TRADING IN SHARES

A Director must not carry out any transactions involving Company shares except within the framework of the rules determined by the Company. He must make a statement to Lafarge concerning any transactions involving Lafarge shares carried out by him within five days of any such transaction.

INDEPENDENCE

A Director undertakes, in all circumstances, to maintain his independence of thought, judgement, decision and action and will resist all pressure, whatever the nature or origin.

A Director undertakes to refrain from seeking or accepting from the Company, or any other company linked to it, either directly or indirectly, any personal benefits likely to be deemed to be of such a nature as might compromise his freedom of judgement.

AGREEMENTS IN WHICH DIRECTORS HAVE AN INTEREST

The Directors are required to inform the Chairman promptly of any relations that may exist between the companies in which they have a direct interest and the Company. The Directors must also, in particular, notify the Chairman of any agreement covered by article L. 225-38 *et seq.* of the French Commercial Code that either they themselves, or any company of which they are Directors or in which they either directly or indirectly hold a significant number of shares, have entered into with the Company or any of its subsidiaries. These provisions do not apply to agreements made in the ordinary course of business.

INFORMATION OF DIRECTORS

The Chairman ensures that the Directors receive in a timely manner, the information and documents needed to perform the full extent of their duties. Similarly, the Chairman of each of the said Committees ensures that every member of his Committee has the information needed to perform his duties.

Prior to every meeting of the Board (or of every Committee), the Directors must thus receive in a timely manner a file setting out all the items on the agenda. Any Director who was unable to vote because he was not fully apprised of the issue has to inform the Board and insist on receiving the critical information. Generally, every Director receives all the information necessary to perform his duties and may arrange to have all the relevant documents delivered to him by the Chairman. Similarly, the Committee Chairmen must supply the members of the Board, in a timely manner, with the reports they have prepared within the scope of their duties.

The Chairman ensures that members of the Board are apprised of all the principal relevant items of information, including any criticism concerning the Company, in particular, any articles of press or financial research reports.

Meetings, during which any Director may make presentations and discuss with the Directors his field of activity, are held on a regular basis by the Chairman during or outside Board meetings.

Every Director is entitled to request from the Chairman the possibility of special meetings with Group management in the fields of interest to them, without his presence.

3.2 BOARD AND COMMITTEES RULES AND PRACTICES

3.2.1 BOARD OF DIRECTORS

a) Indicators

	2013	2012
Number of meetings	7	7
Average attendance rate	89%	94%
Number of Directors	15 [(1)]	16
Percentage of independent Directors	60% (9 out of 15) [(1)]	62.5% (10 out of 16)

(1) *Information as of the date of filing of this Registration Document.*

b) Duties and responsibilities

LEGAL FRAMEWORK:

In accordance with law and the Company's articles of association, the Board of Directors determines the strategic direction of the Company's operations and supervises the implementation of such strategy. Subject to the powers expressly granted by law to Shareholders' Meetings and within the scope of the Company's corporate purpose, the Board is vested with the power to deliberate and take decisions on any matter relating to the operations and business of the Company. The Board can conduct any audits and investigations as it deems appropriate.

The Board of Directors is also granted specific powers by law, such as the calling of Shareholders' Meetings, the approval of statutory and consolidated financial statements, the approval of management reports, the authorization of "regulated agreements and commitments" (between the Company and related parties), the appointment of Directors in case of vacancy, the appointment of the Chairman and Chief Executive Officer and the power to set the Chief Executive Officer's and the Directors' compensation.

It is a collegial body representing all the shareholders collectively, and is required to act at all times in the interests of the Company.

The Board of Directors is responsible for the performance of its duties to the General Meeting.

c) Board's internal regulations

The Board's internal regulations define the respective roles and duties of the Chairman and Chief Executive Officer and of the Vice-Chairman of the Board of Directors, the restrictions to the powers of the Chairman and Chief Executive Officer, the composition of the Board of Directors and its Committees, as well as the responsibilities of the various Board Committees. The internal regulations also specify the applicable rules for the evaluation of the Chairman and Chief Executive Officer, of the Board of Directors and of the Board Committees. They are amended on a regular basis to take into account changes to the Company's organization and to keep in line with the best governance practices.

The main provisions of the Board's internal regulations are presented or inserted in this Chapter 3 of the Registration Document.

The Board's internal regulations were last amended by the Board on February 18, 2014, in particular to take into account the main changes to the Afep-Medef Code published in June 2013, including Say on Pay.

As regards the information presented to the Board, the Board's internal regulations state that "at each meeting of the Board, the Chairman and Chief Executive Officer will give a summary of the Company's business during the previous period and of its financial situation, cash flow position and commitments. In addition, the Chairman and Chief Executive Officer will make a presentation of the main development projects in progress, and, depending on their state of advancement, of the principal industrial and financial data relating to such projects." In addition, the Director's Charter presented in Section 3.1.5 describes in its article 11 the terms for the information for Directors. In particular, it provides that Directors are apprised of the financial research reports.

See Section 3.1 (Board of Directors-Corporate Officers).

Cases where prior approval of the Board is required for significant investments, divestments or financial transactions are described in the Board's internal regulations. They are presented in Section 3.1.2 relating to the limitations of the Chairman and Chief Executive Officer's powers.

See Section 3.1.2 (Powers of the Chairman and Chief Executive Officer).

d) Main activities

Approximately one week prior to every Board meeting, every Director receives a file containing the agenda for the meeting, the minutes of the previous meeting and documentation relating to each topic on the agenda.

In accordance with the Board's internal regulations, certain topics, depending on their nature, are first discussed within the relevant Committees before being submitted to the Board for approval. These mainly relate to: the review of financial statements, internal control procedures, auditor assignments and financial transactions for the

Audit Committee; the election of new Directors, the appointment of senior managers and the composition of the Committees as regards the Corporate Governance and Nominations Committee; Directors and senior managers' compensation as regards the Remunerations Committee and general strategic priorities of the Company and the Group for the Strategy, Investment and Sustainable Development Committee. The Committees carry out their duties under the supervision of the Board of Directors.

In 2013, in addition to the approval of the quarterly, interim and annual financial statements, the composition of the Board and its Committees, the assessment of the independence of the Directors, the preparation of the General Meeting, determination of the fixed and variable compensation of the Chairman and Chief Executive and of the Directors' fees and other decisions in the ordinary course of business, the Board notably worked on the following:

- follow up of developments and divestments and of the Group's financial situation;
- follow up of the Group's strategic plan;
- self-assessment of the Board and of its Committees;
- grants of performance shares and multi-annual variable compensation; reappointment of Mr Bruno Lafont as Chairman and Chief Executive Officer;
- review of the provisions of the articles of association relating to the age limit of Directors;
- review and analysis of various laws and reports on corporate governance topics, including representation of employees on the Board; and
- review of insider dealing rules applicable to Lafarge shares.

For further information on developments and divestments, please refer to Section 1.2.8 (Recent acquisitions, partnerships and divestures).

The compensation and benefits of the Chairman and Chief Executive Officer is described in Section 3.4.3 (Compensation and benefits paid to the Chairman and Chief Executive Officer).

Grants of performance shares in 2013 are described in Section 3.4.3 (Compensation and benefits paid to the Chairman and Chief Executive Officer) and in Section 3.5 (Long-term incentives).

Internal insider dealing rules applicable to Lafarge shares are described in Section 3.6 (Share ownership). Proposed amendments to the articles of association may be found in Section 3.1 on page 63.

3.2.2 BOARD OF DIRECTORS' COMMITTEES

LEGAL FRAMEWORK:

The Board of Directors may set up specialized Committees as it sees fit and appoint its members. These Committees have no decision-making power but make recommendations to prepare Board decisions. Only the setting up of an Audit Committee is compulsory for listed companies.

The Board of Directors of Lafarge S.A. has defined, in its internal regulations, the duties and responsibilities of its various Standing Committees, which are:

- the Audit Committee;
- the Corporate Governance and Nominations Committee;
- the Remunerations Committee;
- the Strategy, Investment and Sustainable Development Committee.

The Committees are composed of a minimum of three members and a maximum of ten members nominated by the Board of Directors from among its Directors.

The term of office of the Committee members is aligned with their Director office. These positions can be renewed simultaneously.

The Committees are convened by their Chairmen or at the request of the Chairman and Chief Executive Officer by any means possible, including orally. The Committees may meet anywhere and using whatever means, including videoconference or teleconference. A quorum consists of at least one-half of members being present. At least two meetings are held per year.

The agenda for Committee meetings is drawn up by its Chairman. Minutes of the Committee meetings are drafted after each meeting.

For the purpose of their work, the Committees may interview members of Executive Officers of the Group or any other Group manager. The Committees may also engage any expert and interview him about his report.

The Committees report on their work to the next meeting of the Board, by way of verbal statement, opinion, proposals, recommendations or written reports.

The Committees may not handle on their own initiative any issue outside of their terms of reference, as defined below. They have no decision-making powers, but only the power to make recommendations to the Board of Directors.

a) Audit Committee

INDICATORS

	2013	2012
Number of meetings	5	5
Average attendance rate	91%	97%
Number of members	7 (1)	7
Percentage of independent Directors	71% (5 out of 7) (1)	71% (5 out of 7)

(1) *Information as of the date of filing of this Registration Document.*

3

COMPOSITION

The Audit Committee was chaired by Mrs Hélène Ploix until February 18, 2014 (included). It has been chaired by Mr Michel Rollier since that date. It is composed of the following members:

- Michel Rollier, Chairman (independent Director);
- Oscar Fanjul (independent Director);
- Juan Gallardo (independent Director);
- Jérôme Guiraud;
- Gérard Lamarche;
- Véronique Weill (independent Director).

Mr Michel Bon was a member of the Audit Committee until the term of his office, which ended at the General Meeting of May 7, 2013.

Mr Oscar Fanjul became a member of the Audit Committee further to his appointment by the Board of Directors on May 7, 2013.

In accordance with the Board's internal regulations, the Audit Committee must be composed of a least two thirds of Directors qualifying as independent and must not include any executive Director. In addition, the Chairman of the Audit Committee, who must be an independent Director, is appointed by the Board on a recommendation from the Corporate Governance and Nominations Committee.

LEGAL FRAMEWORK:

Boards of Directors of listed company must set up a specialized Committee monitoring issues relating to the preparation and control of accounting and financial information. The Board of Directors must qualify at least one member of the Committee as having special expertise in finance or accounting and being independent (Article L. 823-19 of the French Commercial Code).

The Board's internal regulations provide that all Audit Committee members must be competent in finance or accounting. Upon the Audit Committee's proposal, the Board of Directors resolved on February 18, 2014, in line with its previous resolutions, that each member of the Audit Committee had the required level of expertise in finance or accounting with regards to their education and professional experience, as described in the biographies set out in Section 3.1.3 (Information on Directors).

DUTIES AND RESPONSIBILITIES

The Audit Committee has the following duties:

Financial statements

- to ensure that the statutory auditors assess the relevance and consistency of accounting methods adopted for the preparation of the consolidated or statutory financial statements, as well as appropriate treatment of the major transactions at Group level;
- when the financial statements are prepared, to carry out a preliminary review and give an opinion on the draft statutory and consolidated financial statements, including quarterly, semi-annual and annual statements prepared by management, prior to their presentation to the Board; for those purposes, the draft financial statements and all other useful documents and information must be provided to the Audit Committee at least three days before the review of the financial statements by the Board. In addition, the review of the financial statements by the Audit Committee must be accompanied by (i) a memorandum from the statutory auditors highlighting the key points resulting from the audit and the accounting options adopted; and (ii) a memorandum from the Finance Director describing the Company's exposure to risk and the major off-balance sheet commitments. The Audit Committee interviews the statutory auditors, the Chairman and Chief Executive Officer and financial management, in particular concerning depreciation, reserves, the treatment of goodwill and consolidation principles;
- to review the draft interim financial statements, the draft half-year report and the draft report on results of operations prior to publication, together with all the accounts prepared for specific transactions (asset purchases, mergers, market operations, prepayments of dividends, etc.);
- to review, where necessary, the reasons given by the Chairman and Chief Executive Officer for not consolidating certain companies;
- to review the risks and the major off-balance sheet commitments.

INTERNAL CONTROL AND INTERNAL AUDIT

- to be informed by the Chairman and Chief Executive Officer of the definition of internal procedures for the gathering and monitoring of financial information, ensuring the reliability of such information;
- to be informed of procedures and action plans in place in terms of internal control over financial reporting, to interview the persons in charge of internal control every half-year and at the end of each financial year, to examine the terms of engagement of the statutory auditors and to hear from the statutory auditors concerning internal control significant matters;
- to examine the Group's internal audit plan and interview the persons in charge of internal audit for the purposes of taking note of their programs of work and to receive the internal audit reports of the Company and Group or an outline of those reports, and provided the Chairman and Chief Executive Officer has been informed in advance, these hearings may take place, if necessary, without the Chairman and Chief Executive Officer being in attendance.

STATUTORY AUDITORS

- to listen regularly to the statutory auditors' reports on their work, the methods used to carry out their work and their conclusions;
- to propose to the Board, where necessary, a decision on the points of disagreement between the statutory auditors and the Chairman and Chief Executive Officer, likely to arise when the work in question is performed, or because of its contents;
- to assist the Board in ensuring that the rules, principles and recommendations safeguarding the independence of the statutory auditors are applied and, for such purposes, the members of the Committee have, by way of delegation by the Board of Directors, the following duties:
  - supervising the selection or renewal procedure (by invitation to tender) of statutory auditors, while taking care to select the "best bidder" as opposed to the "lowest bidder", formulating an opinion on the amount of the fees sought for carrying out the statutory audit assignments, formulating an opinion stating the reasons for the selection of statutory auditors and notifying the Board of its recommendation in this respect,
  - supervising the questions concerning the independence, fees and duties of the statutory auditors.

FINANCIAL POLICY

- to be informed by the Chairman and Chief Executive Officer of the financial standing of the Group, the methods and techniques used to lay down financial policy, and to be regularly informed of the Group's financial strategy guidelines in particular with regard to debt and the hedging of currency risks;

- to be informed of the contents of official financial statements prior to their release;
- to be informed in advance of the conditions of the financial transactions performed by the Group; if a meeting of the Committee cannot be held owing to an emergency, the Audit Committee is informed of such reasons;
- to review any financial or accounting issue submitted to it by the Board, the Chairman and Chief Executive Officer or the statutory auditors;
- to be informed by the Chairman and Chief Executive Officer of all third party complaints and of any internal information criticizing accounting documents or the Company's internal control procedures, as well as of procedures put in place for this purpose, and of the remedies for such complaints and criticism.

FRAUD

- to ensure that procedures are put in place for the receipt, retention and treatment of accounting and financial related complaints received by the Company;
- to be informed of possible cases of fraud involving management or employees who have a significant role in internal controls concerning financial reporting.

RISK MANAGEMENT

- to ensure that appropriate means and measures are put in place by, or at the initiative of, the general management to enable identification, analysis and continuous improvement in the management of risks to which the Group may be exposed as a result of its operations;
- to review risks and the material off-balance sheet commitments, assess the importance of any deficiencies or weaknesses which are communicated to it and, if necessary, inform the Board;
- every year, to dedicate one of its meetings to Internal Control, Internal Audit and risk management.

For practical reasons, in particular as a majority of Audit Committee members reside abroad, Audit Committee meetings usually take place on the day preceding the Board meeting. Taking into account this constraint and to enable the Audit Committee to carry out the full extent of its duties, the Board's internal rules state that all pertinent documents and information must be provided to it by the Chairman and Chief Executive Officer on a timely basis. Committee papers are therefore sent to Audit Committee members sufficiently ahead of Board and Committee meetings and at least three days before such meetings, giving them sufficient time to review the accounts before meetings.

The Audit Committee is given the opportunity to listen to the statutory auditors as well as members of the financial management (control, consolidation and treasury). The Committee always has the possibility to listen to the statutory auditors without the Chairman and Chief Executive Officer or members of the management being in attendance.

MAIN ACTIVITIES

In 2013, the Audit Committee focused mainly on:

- a preliminary review of the 2012 statutory and consolidated annual financial statements, the statutory interim financial statements and of the quarterly financial consolidated statements for the first three quarters of 2013;
- a review of the press releases and analyst slides concerning the publication of these financial statements;
- the auditors' budget for 2013;
- the Group's financing, liquidity and debt situation, with a specific focus on the Company's credit ratings;
- the review of particular accounting and financial aspects of some of the Group's strategic projects;
- supervision of the Group's internal control, risk management and internal audit. In particular, the Audit Committee reviewed the management's update of the Group's risk mapping and followed up on the different action plans relating to the Group's priority risks;
- regular updates on fraud, the Group's fraud prevention program and the annual certification process;
- the qualification of its members as experts in finance;
- an assessment of its practices, as further described in Section 3.2.3 (Self-assessment by the Board, Committees, Chairman and Chief Executive Officer).

As part of its preliminary review of the 2013 statutory and consolidated financial statements in February 2014, and on the basis of presentations made by finance management and external auditors, the Audit Committee reviewed the principal items of the closing, with a special focus on other operating income and expense, finance costs, tax, goodwill impairment tests, as well as major off-balance sheet commitments and exposure to risks. It also reviewed the management's assessment on internal controls over financial reporting which are described in detail in the Chairman's report on internal control procedures and considered the description of the Group's risk factors in the Registration Document. It also examined the auditors' assessment on accounting options selected at closing, fairness of our financial statements and on our internal control over financial reporting. Finally, the Audit Committee reviewed the draft dividend payout plan for 2013 and issued recommendations to the Board.

See Section 5.2 (Internal controls procedures).

b) Corporate Governance and Nominations Committee

INDICATORS

	2013	2012
Number of meetings	4	4
Average attendance rate	96%	96%
Number of members	7 (1)	7
Percentage of independent Directors	71% (5 out of 7) (1)	71% (5 out of 7)

(1) *Information as of the date of filing of this Registration Document.*

3

COMPOSITION

The Corporate Governance and Nominations Committee is chaired by Mr Oscar Fanjul. It is composed of the following members:

- Oscar Fanjul, Chairman (Vice-Chairman – independent Director);
- Philippe Dauman (independent Director);
- Juan Gallardo (independent Director);
- Ian Gallienne;
- Baudouin Prot (independent Director);
- Michel Rollier (independent Director);
- Nassef Sawiris.

There was no change to the Committee's composition during the 2013 financial year.

In accordance with the Board's internal regulations, the Corporate Governance and Nominations Committee must be composed of a majority of Directors qualifying as independent. In addition, the Chairman of the Corporate Governance and Nominations Committee, who must be an independent Director, is appointed by the Board on a recommendation from the Chairman and Chief Executive Officer.

DUTIES AND RESPONSIBILITIES

The Corporate Governance and Nominations Committee is responsible, in cooperation with the Chairman and Chief Executive Officer, for ensuring compliance with the Company's corporate governance rules. In particular, it is responsible for:

- monitoring governance practices in the market, submitting to the Board the corporate governance rules applicable by the Company and ensuring that the Company's governance rules remain among the best in the market;
- reviewing proposals to amend the internal regulations or the Director's Charter to be submitted to the Board;
- submitting to the Board the criteria to be applied to assess the independence of its Directors;
- submitting to the Board, every year before publication of the Registration Document, a list of Directors qualifying as independent;
- preparing assessment of the work of the Board provided for by the Board's Internal Regulations;
- preparing changes in the composition of the Company's management;
- giving its prior approval before the Corporate Executive Officer accepts a corporate office of a listed company that does not belong to the Group.

The Committee has special responsibility for examining the succession plans for senior management members and the selection of new Directors. It also makes recommendations to the Board for the appointment of the Vice-Chairman and the Chairmen of other Standing Committees.

The choices made by the Corporate Governance and Nominations Committee on the appointments of the candidates to the office of Director are guided by the interests of the Company and all its shareholders. They take into account the balance of the Board's composition, in accordance with the relevant rules laid down in its internal regulations. They ensure that each Director possesses the necessary qualities and availability, and that the Directors represent a range of experience and competence, thereby enabling the Board to perform its duties effectively, while maintaining the requisite objectivity and independence with regard to the Chairman and Chief Executive Officer and any shareholder or any particular group of shareholders.

MAIN ACTIVITIES

In 2013, the Corporate Governance and Nominations Committee focused mainly on:

- composition of the Board and its Committees;
- assessment of the independence of the Directors and materiality tests;
- evaluation of the Chairman and Chief Executive Officer's performance;
- reappointment of Mr Bruno Lafont as Chairman and Chief Executive Officer;
- reappointment of the Vice-Chairman of the Board;
- amendments to the internal rules on insider dealing relating to Lafarge shares;
- review of the provisions of the articles of association relating to the age of Directors;
- review of the Group's succession plan for general management;
- review of related-party agreements and commitments;
- assessment of the Board and of its Committees (2013 and beginning of 2014);
- review of the Corporate Governance section in the 2013 Registration Document (beginning of 2014); and
- review and analysis of various laws and reports on topics falling within the scope of its duties (new Afep-Medef Code, law providing for the representation of employees on the Board, AMF report on corporate governance and compensation of corporate officers etc.).

c) Remunerations Committee

INDICATORS

	2013	2012
Number of meetings	5	3
Average attendance rate	97%	89%
Number of members	6 (1)	6
Percentage of independent Directors	**67% (4 out of 6) (1)**	**67% (4 out of 6)**

(1) *Information as of the date of filing of this Registration Document.*

COMPOSITION

The Remunerations Committee is chaired by Mr Oscar Fanjul. It is composed of the following members:

- Oscar Fanjul, Chairman (Vice-Chairman – independent Director);
- Philippe Charrier (independent Director);
- Juan Gallardo (independent Director);
- Ian Gallienne;
- Nassef Sawiris;
- Véronique Weill (independent Director).

There was no change to the Committee's composition during the 2013 financial year.

In accordance with the Board's internal regulations, the Remunerations Committee must not include any executive Director and must be composed of a majority of Directors qualifying as independent. In addition, the Chairman of the Remunerations Committee, who must be an independent Director, is appointed by the Board on a recommendation from the Corporate Governance and Nominations Committee.

There is no Director representing either employee shareholders or employees on the Board of Directors (nor consequently on the Remunerations Committee) as of the date of publication of this Registration Document.

DUTIES AND RESPONSIBILITIES

The Remunerations Committee is responsible for examining the compensation and benefits paid to Directors and members of senior management, and providing the Board with comparisons and benchmarking with market practices, in particular:

- to review and make proposals in relation to the remuneration of senior management members, with regard to (i) the fixed portion and the variable portion of said annual remuneration and all benefits in kind, (ii) all long-term incentives ("LTI" = stock options, performance shares and other long-term multi-annual compensation), (iii) exceptional compensation, (iv) provisions relating to their retirements, (v) signing bonuses and severance pay and (vi) and all other benefits of whatever kind;
- to define and implement the rules for the determination of the variable portion while taking care to ensure these rules are compatible with the annual evaluation of the Company officers' performances and with the medium-term strategy of the Company and the Group;
- to deliver to the Board an opinion on the general allocation policy for LTIs and on the different plans set up by the Chairman and Chief Executive Officer, and to propose to the Board what awards should be made;
- to be informed of the remuneration policy concerning the principal management personnel (aside from senior management) of the Company and other Group companies and to examine the coherence of this policy;
- to suggest to the Board the total amount of Directors' fees for proposal to the Company's shareholders' meeting;
- to make proposals to the Board on the allocation rules for Directors' fees and the individual payments to be made to the Directors, taking into account the attendance rate of the Directors at Board and Committee meetings and making sure that the variable portion is the greater in the allocation of directors' fees;
- to examine every matter submitted to it by the Chairman and Chief Executive Officer, relating to the above questions, as well as plans for increases in the number of shares outstanding owing to the implementation of employee stock ownership;
- to approve the information disclosed to shareholders in the Registration Report on the remuneration of senior management members and the principles and methods determining the remuneration of said persons, as well as that presented to the Annual General Meeting for consultation of the shareholders ("Say on Pay"). To make recommendations to the Board in the event of negative opinion expressed by the shareholders.

MAIN ACTIVITIES

During the course of 2013, the work of the Remunerations Committee was primarily focused on:

- a review of the Group's long term incentives policy;
- performance shares and multi-annual variable compensation (2013 grants);
- validation of the achievement of the performance conditions applicable to the 2010, 2011 and 2012 stock option and performance shares grants;
- a review of the Directors' fees budget and distribution for 2013;
- the Chairman and Chief Executive Officer's annual compensation (fixed compensation and the criteria for the variable part of his compensation);
- a review of related-party commitments in favor of Mr Bruno Lafont put to the vote of the Shareholders' Meeting of May 7, 2013;
- a review of the Group's pension plans;
- an assessment of its practices; and
- the review of the Compensation and benefits section in the 2013 Registration Document (beginning of 2014).

d) Strategy, Investment and Sustainable Development Committee

INDICATORS

	2013	2012
Number of meetings	5	7
Average attendance rate	94%	94%
Number of members	7 (1)	7
Percentage of independent Directors	**71% (5 out of 7) (1)**	**71% (5 out of 7)**

(1) *Information as of the date of filing of this Registration Document.*

COMPOSITION

The Strategy, Investment and Sustainable Development Committee is chaired by Mr Philippe Dauman. It is composed of the following members:

- Philippe Dauman, Chairman (independent Director);
- Philippe Charrier (independent Director);
- Paul Desmarais, Jr;
- Colette Lewiner (independent Director);
- Hélène Ploix (independent Director);
- Baudouin Prot (independent Director);
- Nassef Sawiris.

Mr Michel Bon chaired the Strategy, Investment and Sustainable Development Committee until the term of his office, which ended at the General Meeting of May 7, 2013.

Mr Philippe Dauman was appointed as Chairman of the Strategy, Investment and Sustainable Development Committee by the Board of Directors on May 7, 2013.

Mrs Hélène Ploix became a member of the Audit Committee further to her appointment by the Board of Directors on May 7, 2013.

In accordance with the Board's internal regulations, the Chairman of the Strategy, Investment and Sustainable Development Committee is appointed by the Board on a recommendation from the Corporate Governance and Nominations Committee.

DUTIES AND RESPONSIBILITIES

The Strategy, Investment and Sustainable Development Committee is responsible for:

- advising the Board on the main strategic priorities of the Company and Group and on the investment policy and important strategic issues put before the Board;
- reviewing in detail and giving the Board its opinion on the issues submitted to it relating to major investments, the creation and upgrading of equipment, external growth, or divestments and asset or share sales;
- ensuring that sustainable development and societal responsibility are a component of Lafarge's long-term strategy and constitute one of the aspects of its economic development.

MAIN ACTIVITIES

Since 2004, the Strategy, Investment and Sustainable Development Committee has been open to all Directors wishing to attend its meetings.

In 2013, the Strategy, Investment and Sustainable Development Committee focused on the following:

- results already achieved and objectives to be set in relation to action plans relating to innovation, commercial development as well as sustainable development, in line with the Group's 2020 Ambitions;
- mid term evolution of the Group's portfolio of assets and various scenarios for extracting the full value of those assets for the benefit of the Group's shareholders. Lafarge decided to exit from certain geographies by divesting assets in these countries (Ukraine and Honduras in particular), to reposition its network of assets in North America and to accelerate its development on growing markets (Africa and Asia);
- short term to mid term financial objectives relating to reduction of the debt, financial flexibility, earnings per share and return on capital employed.

3.2.3 SELF-ASSESSMENT OF THE BOARD, ITS COMMITTEES AND OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

a) Self-assessment of the Board, its Committees and of the Chairman and Chief Executive Officer

The Board's internal regulations provide that the Board is to hold a discussion at least once a year about its practices with a view to assessing and improving their efficiency and to proceed with the evaluation of the Chairman and Chief Executive Officer. A formal assessment of its operations, the verification that important issues are properly prepared and debated within the Board, and the effective participation and involvement of each Director in the deliberation, is to take place at least every two years using a questionnaire approved by the Board.

In 2013, the Board initiated a formal debate on its organization and practices in accordance with its internal regulations. This debate was led by the Vice-Chairman of the Board, first within the Corporate Governance and Nominations Committee and then within the Board of Directors, following interviews with each of the Directors. This review also included an assessment of each of the Committees.

The outcome of the comments and discussions resulting from this assessment was that the Directors considered that the organization and practices of the Board and its Committees were globally very satisfactory. The principal findings and recommendations for potential optimization were as follows:

- the Directors confirmed the sufficient diversity of background of the different members of the Board and how the necessary balance between Directors qualifying as independent and shareholder representatives had been successfully achieved;
- the Directors noted their appreciation of the organization of the Board and of how discussions were chaired by the Chairman and Chief Executive Officer, both regarding the direction of debates as well as the quality of his contributions. The Directors also noted that the governance structure of the Company allowed for a balanced functioning of the Board in compliance with corporate governance best practices, in particular as a result of the Vice-Chairman's (Lead Independent Director) specific role and powers;
- the operation of the Board was considered very satisfactory and the Directors noted the relevance of the topics covered and the efficient allocation of work between the Board and its Committees. The quality of the work of the Board of Directors was perceived as very satisfactory, in particular in relation to financial management, budgeting and results;
- in terms of perspective, an interest was shown to continue the focus on strategy by the Board and for additional discussions on the Group's risks;
- in relation to the findings resulting from the previous formal assessment of the Board in 2010, the Board noted that the role of the Strategy, Investment and Sustainable Development Committee had since been reinforced in defining and following-up the Group's strategy. In addition, in line with the recommendations for potential optimization resulting from the 2010 assessment, the Directors also noted a reduction in the overall number of Directors and an improved representation of women on the Board.

Based on a formal presentation of the Board's and Committees' activities as well as on the attendance rate of Directors, a discussion on the Board's practices and on the effective contribution of its members during the year 2013 took place during the Board of Directors meeting held on February 18, 2014, led by the Vice-Chairman of the Board.The principal findings and recommendations made in 2013 were upheld, while noting however that an increase in the overall number of Directors would be necessary on a transitory basis, in particular to achieve the Board's objective of reinforcing the number of women on the Board.

b) Activity report of the Vice-Chairman (Lead Independent Director)

In 2013, the Vice-Chairman of the Board (Lead Independent Director) attended all Board meetings as well as all meetings of the Corporate Governance and Nominations Committee and of the Remunerations Committee, which he both chairs. As part of his role as Chairman of these Committees, the Vice-Chairman conducted the Committees' review and analysis of various laws and reports on topics falling within the scope of his duties (new Afep-Medef Code, law providing for the representation of employees on the Board, AMF report on corporate governance and compensation of corporate officers etc.).

In accordance with the Board's internal regulations, the Vice-Chairman chaired the Board's discussions on the performance and setting of the Chairman and Chief Executive Officer, both the compensation of discussions taking place in the absence of the latter.

The Vice-Chairman was consulted by the Chairman and Chief Executive Officer on the agenda for all Board meetings, thus permitting the addition of further items on the agenda, if appropriate.

Regarding the self-assessment of the Board and of its Committees, the Vice-Chairman led the discussions of the Board on its practices and on the effective contribution of its members in 2013 during the Board of Directors meeting held on February 18, 2014.

The Corporate Governance and Nominations Committee, chaired by the Vice-Chairman, also reviewed the corporate governance aspects of the report on internal control procedures and corporate governance prepared by the Chairman and Chief Executive Officer in accordance with article L. 225-37 of the French Commercial Code.

The activity report of the Vice-Chairman for 2013 was presented to the Board of Directors in early 2014 and its main findings on corporate governance are in line with the principal findings resulting from the Board's assessment presented above.

3.2.4 SUMMARY TABLE ON THE ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the number of Board and Committee meetings during financial year 2013, as well as Director membership and attendance at these various meetings.

	Board of Directors	Attendance rate (%)	Audit Committee	Attendance rate (%)	Corporate Governance and Nominations Committee	Attendance rate (%)	Remunerations Committee	Attendance rate (%)	Strategy, Investment and Sustainable Development Committee	Attendance rate (%)
Number of meetings in 2013	**7**	**89**	**5**	**91**	**4**	**96**	**5**	**97**	**5**	**94**
Bruno Lafont	7	100								
Oscar Fanjul [(1)]	7	100	3/3	100	4	100	5	100		
Michel Bon [(2)]	3/3	100	2/2	100					2/2	100
Philippe Charrier	7	100					5	100	5	100
Philippe Dauman	5	71			4	100			5	100
Paul Desmarais Jr.	5	71							4	80
Juan Gallardo	7	100	5	100	4	100	5	100		
Ian Gallienne	7	100			4	100	5	100		
Jérôme Guiraud	6	86	5	100						
Gérard Lamarche	7	100	5	100						
Colette Lewiner	6	86							5	100
Hélène Ploix [(3)]	7	100	5	100					3/3	100
Baudouin Prot	4	57			3	75			4	80
Michel Rollier	6	86	4	80	4	100				
Nassef Sawiris	5	71			4	100	4	80	5	100
Véronique Weill	7	100	3	60			5	100		

(1) *Director appointed to the Audit Committee by the Board of Directors on May 7, 2013.*

(2) *Director whose term of office ended on May 7, 2013.*

(3) *Director appointed to the Strategy, Investment and Sustainable Development Committee by the Board of Directors on May 7, 2013.*

3.3 EXECUTIVE OFFICERS

The Executive Committee includes Bruno Lafont, our Chairman and Chief Executive Officer, and the following members:

Sonia Artinian: Executive Vice-President Organization and Human Resources, 61, rue des Belles Feuilles, 75116 Paris, France.

Sonia Artinian (born in 1966) graduated from École Normale Supérieure (section biology), École Nationale du Génie Rural et des Eaux et Forêts and Collège des Ingénieurs. She joined Lafarge in 2008. She started her career with Capgemini Consulting in the Strategy and Transformation Department for companies in the construction, environment and industry sectors. She was appointed Associate Director for the Transformation University in 2007.
She joined Lafarge as Senior Vice-President Development, Organization & Learning. She was appointed Deputy General Manager of Lafarge Cement Romania in September 2011, then, further to the Group new organization Country CEO for Lafarge in Romania as of January 1, 2012. As of September 1, 2013, she was appointed Executive Vice-President Organization and Human Resources and became a member of the Executive Committee.

Jean Desazars de Montgailhard: Executive Vice-President Strategy and Development, 61, rue des Belles Feuilles, 75116 Paris, France.

Jean Desazars de Montgailhard (born in 1952) graduated from the Institut d'études politiques de Paris and the École Nationale d'Administration (ENA) with a Master's degree in economics. He joined the Group in 1989. He began his career at the French Ministry of Foreign Affairs in Madrid, Stockholm, Washington DC and Paris as head of arms control, before joining Lafarge Ciments as Strategy Director in Paris and then Lafarge Asland in Spain as Sales and Marketing Director. From 1996 to 1999, he acted as Regional President for Asia in Singapore, then in Paris until 2006 for Africa. He was appointed as Executive Vice-President, Strategy and Development for the Group in 2006. He has been Executive Vice-President Strategy, Development & Public Affairs and a member of the Executive Committee since January 1, 2008. As of September 1, 2013, he is appointed Executive Vice-President Strategy and Development. He is a Director of COE Rexecode (France).

Thomas Farrell: Executive Vice-President Operations, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate from Brown University and with a law degree from Georgetown University (JD), Thomas Farrell (born in 1956) began his career as a lawyer with Shearman & Sterling. He joined Lafarge in 1990 as Director of Strategic Studies for the Group. From 1992 to 1994, he managed an operating unit of Lafarge Aggregates & Concrete in France. In 1996, he became Vice-President/General Manager of Aggregates, Concrete & Asphalt Division's operations in South Alberta (Canada). In 1998, he was appointed Chief Executive Officer of Lafarge in India. From 2002 to 2006, he was Executive Vice-President of Lafarge North America Inc. and President of the Aggregates, Concrete & Asphalt Division's operations for Western North America. From 2006 to August 2007, he was President of the Aggregates, Concrete & Asphalt Division in North America. On September 1, 2007, he was appointed Executive Vice-President, Co-President of the Aggregates & Concrete business, and a member of the Executive Committee. On January 1, 2012, he became Executive Vice-President Operations. He is a Director of Rexel S.A.

Jean-Jacques Gauthier: Chief Financial Officer and Executive Vice-President, 61, rue des Belles Feuilles, 75116 Paris, France.

Graduated in law and economics, Jean-Jacques Gauthier (born in 1959) joined the Group in February 2001. He began his career with Ernst & Young in 1983 as senior auditor. In 1986, he joins the Finance department of the Matra group. From 1988 to 1981, he is the Chief Financial Officer of Matra Datavision in the United States and in 1988 joins the General Management of group Lagardère as Director of Audit of the Matra and Hachette groups. In 1993, he becomes the Chief Financial Officer of Matra Espace and in 1996, Deputy General Manager and Chief Financial Officer of the Franco-British company Matra Marconi Space. When Astrium was created in 2000 through the merger of the space activities of the Matra, GEC and Deutsche Aerospace groups, he becomes Deputy General Manager and Chief Financial Officer. He is Chief Financial Officer and a member of the Executive Committee of Lafarge S.A. since 2001.

Christian Herrault: Executive Vice-President Operations, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate of the École Polytechnique (1972) and the École des mines de Paris, Christian Herrault (born in 1951) joined the Group in 1985, taking over responsibility for strategy and development at the Bioactivities Unit. Between 1987 and 1992, he acted as Chief Operating Officer for the Seeds Unit, initially in the United States, then in France, and managed the Glutamates business from 1992 to 1994. In 1995, he was appointed Chief Executive Officer of the Aluminates & Admixtures Unit (no longer part of the Group). In 1998, he was appointed Executive Vice-President Organization and Human Resources and joined the Executive Committee. On September 1, 2007, he became President of the Gypsum business. Still a member of the Executive Committee, he is Executive Vice-President Operations since January 1, 2012. He is the Chairman of the Board of Directors of the École des mines de Nantes since 2007.

Peter Hoddinott: Executive Vice-President Performance, 61, rue des Belles Feuilles, 75116 Paris, France.

Peter Hoddinott (born in 1957) is a graduate of Imperial College and holds a Master of Business Administration from London University.
Peter Hoddinott joined Lafarge in 2001 with the acquisition of Blue Circle by Lafarge. Peter Hoddinott worked for the mining industry before joining Blue Circle in 1995, where he held several operational positions in the United Kingdom, before being appointed Managing Director for the Philippines in 1999. He remained Managing Director for the Philippines with Lafarge until 2003.
In 2003, he was appointed Regional President for Latin America, and then became Regional President for Western Europe. In 2012, he was appointed Executive Vice-President Energy and Strategic Sourcing in the Performance department.
In September 2013, he was appointed Executive Vice-President Performance and a member of the Executive Committee. He is Chairman of the Board of Cembureau.

Gérard Kuperfarb: Executive Vice-President in charge of the Innovation function, 61 rue des Belles Feuilles, 75116 Paris, France.

Gérard Kuperfarb (born in 1961) graduated from the École des Mines de Nancy (France). He also holds a Master's degree in Materials Science from the École des Mines de Paris and a MBA from the École des Hautes Études Commerciales (HEC). He has been with the Group since 1992. He began his career in 1983 as an engineer at the Centre de Mise en Forme des Matériaux (CEMEF) of the École des Mines de Paris, before joining the Composite materials Division at Ciba group in 1986, where he held sales and marketing functions. In 1989, he joined a strategy consulting firm in Brussels and Paris. He joined Lafarge in 1992 as Marketing Director for the Refractories business then became Vice-President for strategy at Lafarge Specialty Materials. In 1996, he became Vice-President Ready-mix concrete strategy in Paris. In 1998, he was appointed Vice-President/General manager for the Aggregates & Concrete business in Southwest Ontario (Canada) before heading the Performance group at Lafarge Construction Materials in North America in 2001. He joined the Aggregates & Concrete Division in Paris as Senior Vice-President Performance in 2002. From 2005 to August 2007, he was President of the Aggregates & Concrete business for Eastern Canada. On September 1, 2007, he became Executive Vice-President, Co-President of the Aggregates & Concrete business and a member of the Executive Committee. Since January 1, 2012, he is Executive Vice-President Innovation.

Eric Olsen: Executive Vice-President Operations, 61, rue des Belles Feuilles, 75116 Paris, France.

Eric Olsen (born in 1964) is a graduate in finance and accounting from University of Colorado and holds a Master's of Business administration degree awarded by the école des Hautes Études Commerciales (HEC). He has been with the Group since 1999. He began his career as a Senior Accountant with Deloitte & Touche in New York. From 1992, he worked as senior associate at Paribas bank in Paris and then was partner at the consulting firm Trinity Associates in Greenwich, Connecticut, from 1993 to 1999. He joined Lafarge North America Inc. in 1999 as Senior Vice-President Strategy and Development. In 2001, he was appointed President of the Cement Division for the Northeast Region of North America and Senior Vice-President Purchasing for Lafarge North America Inc. He was appointed Chief Finance Officer of Lafarge North America Inc. in 2004. He was appointed Executive Vice-President for Organization and Human Resources and became a member of the Executive Committee on September 1, 2007. As of September 1, 2013, he was appointed Executive Vice-President Operations. He is a Member of the Supervisory Board of Vistaprint N.V. (The Netherlands), Chairman of the board of the American School of Paris and Board Member of the French-American Chamber of Commerce in France.

Alexandra Rocca: Executive Vice-President Communications, Public Affairs and Sustainable Development of Lafarge, 61, rue des Belles Feuilles, 75116 Paris, France.

Alexandra Rocca (born in 1962) is a graduate of the École des Hautes Études Commerciales (HEC), the Institut d'études politiques in Paris and has a degree in French language and literature. She began her career with the Printemps group from 1986 to 1990, and then joined Air Liquide where, from 1990 to 2001, she was notably in charge of client communications and international brand management, before being appointed Deputy Communications Director of the group. Alexandra Rocca was then Communications Director for Galeries Lafayette from 2001 to 2005. She then joined the Crédit Agricole S.A. group in 2005 to work as Communications Director for LCL (formerly Crédit Lyonnais) before being appointed Head of Communications for the Crédit Agricole S.A. group.
Alexandra Rocca has been appointed as Senior Vice-President, Communications of Lafarge, in September 2010. She joined the Executive Committee on January 1, 2012. As of September 1, 2013, she is appointed Executive Vice-President Communications, Public Affairs and Sustainable Development. She is a Director of Groupe Etam.

Guillaume Roux: Executive Vice-President Operations, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate of the Institut d'études politiques in Paris, Guillaume Roux (born in 1959) joined the Group in 1980 as an internal auditor with Lafarge Ciment, France. He was Chief Financial Officer of the Biochemicals Unit in the United States from 1989 to 1992, before returning to Lafarge headquarters as Project Manager for the Finance department. In 1996, he returned to the United States as Vice-President of Marketing for Lafarge North America Inc. In 1999, he was appointed Chief Executive Officer of Lafarge's operations in Turkey and then in 2001, Executive Vice-President of the Cement Division's operations in South-East Asia. Guillaume Roux joined the Executive Committee when he was appointed Executive Vice-President, Co-President of the Cement business in January 2006. On January 1, 2012, he became Executive Vice-President, in charge of the Performance function. As of September 1, 2013, he is appointed Executive Vice-President Operations.

For information, **Jean-Carlos Angulo** was a member of the Executive committee until August 31, 2013.

There are no conflicts of interest affecting members of the Executive Committee between any duties owed to us and their private interests.

To our knowledge, during the previous five years, no member of the Executive Committee has been convicted of fraudulent offences, involved in a bankruptcy, receivership or liquidation, subject to official public incrimination and/or sanctions or disqualified by a court from acting as a Director or from acting in the management or conduct of the affairs of any issuer.

3.4 COMPENSATION AND BENEFITS

3.4.1 COMPENSATION PAID TO DIRECTORS – DIRECTORS' FEES

The only compensation paid to Directors in 2013 corresponded to Directors' fees (with the exception of the Chairman and Chief Executive Officer).

a) Maximum amount

The General Meeting held on May 6, 2010 set the maximum aggregate amount of Directors' fees at 700,000 euros.

b) Allocation rules 2013

In addition, the Board of Directors adopted on March 24, 2010 allocation rules, which remain applicable to the allocation of Directors' fees for the 2013 fiscal year. These rules are the following:

- each Director is currently entitled to receive a fixed fee of 17,000 euros per year (increased by 5,000 euros for the Committee Chairmen and by 15,000 for the 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;
- a variable fee of 1,200 euros is payable to each Director for every Board of Directors or Committees Meeting attended. Some Directors who must travel from distant locations are eligible for a double variable fee. In 2013, Philippe Dauman, Paul Desmarais Jr., Juan Gallardo and Nassef Sawiris received double variable fees for this reason.

c) 2013 Directors' Fees

The total amount of Directors' fees paid in 2014 (with respect to the 2013 financial year) was 633,300 euros. In 2013 (with respect to the 2012 financial year) it amounted to 671,900 euros, while the total amount paid in 2012 (with respect to the 2011 financial year) was 656,500 euros.

Directors	Directors' fees for 2013 paid in 2014 (euros)	Directors' fees for 2012 paid in 2013 (euros)	Directors' fees for 2011 paid in 2012 (euros)
Bruno Lafont	25,400	25,400	25,400
Oscar Fanjul	64,800	58,800	62,400
Michel Bon (1)	19,400	44,800	36,300
Philippe Charrier	37,400	37,400	33,800
Philippe Dauman	53,100	55,400	48,200
Paul Desmarais, Jr.	38,600	43,400	33,800
Juan Gallardo	67,400	62,600	62,600
Ian Gallienne (2)	36,200	31,400	-
Jérôme Guiraud	30,200	31,400	31,400
Gérard Lamarche (3)	31,400	14,500	-
Colette Lewiner	30,200	31,400	27,800
Hélène Ploix	40,000	36,400	35,200
Baudouin Prot	30,200	37,400	14,500
Michel Rollier	33,800	35,000	32,600
Nassef Sawiris	60,200	62,600	55,400
Véronique Weill	35,000	32,600	30,200
TOTAL	**633,300**	**671,900**	**656,500 (4)**

(1) *Directors whose term of office expired on May 7, 2013.*
(2) *Director co-opted by the Board of Directors on November 3, 2011.*
(3) *Director appointed on May 15, 2012.*
(4) *Including fees paid to Directors whose term of office expired before 2013.*

In accordance with the Group's policy, no Directors' fees have been paid with respect to the 2013 financial year either to Lafarge S.A. Senior Officers or to Group Executive members for offices they may hold in any Group subsidiary.

d) 2014 new allocation rules for Directors' fees

The allocation rules for Directors' fees were amended by the Board of Directors on February 18, 2014 to ensure that the variable portion of fees is greater than the fixed part, in line with the new recommendations of the Afep-Medef Code of June 2013. These new rules will apply starting in 2014, as follows:

- each Director is entitled to receive a fixed fee of 10,000 euros per year. This is capped at 50% for any Director appointed, or whose office ends, during the course of the year;
- a variable fee of 2,500 euros is payable to each Director for every Board of Directors meeting attended, increased to 5,000 euros for the Vice-Chairman of the Board;
- a variable fee of 1 250 euros is payable to each Director for every Committee meeting attended, increased to 2,500 euros for the Committee Chairmen;
- Directors who must travel from distant locations are eligible for a supplemental variable fee of 1,250 euros per meeting physically attended.

3.4.2 GENERAL PRINCIPLES ON THE COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As a world leader in its industry, Lafarge gives great recognition to performance.

Lafarge's remuneration principles are:

- to attract, motivate and retain talented and qualified people;
- to be competitive against the comparable market;
- to be fair, transparent and performance-related;
- to be aligned with shareholders' interest; and
- consistently applicable throughout the Group.

The remuneration is benchmarked annually against the practice of other global companies using data of consulting firms to ensure fairness and competitiveness.

The Remunerations Committee reviews on behalf of and recommends to the Board of Directors the principles of the remuneration policy applicable to Corporate Officers. The Board determines the remuneration policy applicable to the Chairman and Chief Executive Officer taking into account the principles of comprehensiveness, balance, benchmarking, consistency, readability and measurement as recommended by the Afep-Medef Code of Corporate Governance. These Board of Directors decisions are taken with the Chairman and Chief Executive Officer not attending the discussion. This policy is based on the relevance and stability of performance criteria, in order to develop a long-term vision securing the best interests of the Group and of the shareholders.

The compensation paid to the Chairman and Chief Executive Officer comprises a fixed portion and a variable short-term and long-term performance-related portion:

- a fixed portion: the annual base salary is driven by the reward market value of the position and is systematically compared with the market practices;
- a variable short-term performance-related portion which rewards annual performance based on achievement of the Group business and financial objectives set every year (such as Earning per share (EPS) variation, Free Cash-Flow (FCF), ROCE, Group performance compared to competitors, etc.) as well as individual performance compared to pre-defined objectives. The general policy of the Company is to set the performance-related portion at a maximum of 160% of fixed compensation, except in exceptional circumstances. The Board of Directors, upon recommendation of the Remunerations Committee may, in exceptional circumstances, grant an additional variable short-term performance-related portion;
- a long-term variable reward comprising Long-term Incentive plans (such as stock options, performance shares or any other long term incentives) which reward the achievement of long-term operational profit measured through cumulative internal and external performance criteria.

Furthermore, Mr Bruno Lafont, in his capacity as Chairman and Chief Executive Officer, benefits from a supplementary defined benefits pension 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 age 55 on the initiative of the Company. In February 2009, the Board of Directors, following the recommendations of the Afep-Medef Code, decided that the estimated pension amount paid to the Chairman and Chief Executive Officer related to these two plans would not exceed 40% of his last total cash compensation (fixed and variable compensation of the reference period). This cap will be applied as the rule adopted by the Board of Directors for any future Corporate Officer.

In accordance with the aforementioned Code, the remuneration components of the Chief Executive Officer are made public after the Board's meeting during which they are approved.

	Compensation elements	Main drivers	Performance criteria
Base compensation	Annual base salary	Position, experience, sustained performance	Market practices, individual performance
Variable compensation	Annual	Achievement of Group business and financial yearly objectives and reward of individual performance (except exceptional circumstances)	Financial part (62.5% of Target short-term annual incentive): achievement of criteria such as EPS, FCF, Ebitda, ROCE, change in Lafarge's performance compared to competitors.
			Individual bonus (37.5% of Target short-term annual incentive): achievement of annual individual objectives
	Multi-annual	A) Financial external conditions measured by comparing Lafarge's annual improvement relative to a peer group of companies or based on a criteria linked to the Lafarge S.A. share price, and B) Internal financial conditions	Achievement of external and internal conditions over several years

3.4.3 TOTAL COMPENSATION AND BENEFITS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

TABLE SUMMARIZING THE COMPENSATION, OPTIONS AND SHARES AWARDED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

(thousands of euros)	2013	2012
Compensation due in respect of the financial year (detailed in the table below)	1,890	2,948
Valuation of the multi-annual variable compensation due for the financial year (detailed in Section 3.4.3 D.1) (1)	368	-
Valuation of the stock options awarded during the financial year (detailed in Section 3.4.3 H.2) (1)	-	412
Valuation of the performance shares awarded during the financial year (detailed Section 3.4.3 I.2) (1)	952	361
TOTAL	**3,210**	**3,721**

(1) *The Company considers that these items must not be aggregated with the compensation detailed in the table below because the amount of multi-annual compensation, stock options and performance shares' valuation at fair value at the grant date is not a compensation paid to the beneficiary.*

TABLE SUMMARIZING THE COMPENSATION AWARDED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	2013		2012	
(thousands of euros)	Amounts earned	Amounts paid	Amounts earned	Amounts paid
Base compensation	975	975	950	950
Annual variable compensation	887	1,168	1,168	648
Multi-annual variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	800	800	N/A
Director's fees	25	25	25	25
Fringe benefits	3	3	5	5
TOTAL	**1,890**	**2,971**	**2,948**	**1,628**

a) Fixed compensation paid to the Chairman and Chief Executive Officer in 2013

In 2013, fixed annual compensation paid to the Chairman and Chief Executive Officer was fixed at 975,000 euros, which represents an increase of 2.6% compared to his previous fixed remuneration which had not evolved since 2010 (Decision of the Board of Directors of February 19, 2013, upon the recommendation of the Remunerations Committee).

b) 2013 Variable part of the compensation (to be paid in 2014)

The policy of the Company is to fix the annual variable part of the Chairman and Chief Executive Officer, except if exceptional circumstances exist, to a maximum of 160% of the fixed remuneration. It is determined based on the achievement of financial objectives for 62.5% and on the realization of qualitative objectives for 37.5%.

The Board of Directors decided the amount of the 2013 annual variable part for the Chairman and Chief Executive Officer at 887,250 euros, which represents 57% of his maximum bonus.

The 2013 financial objectives set for the variable part related to:

- evolution in earnings per share;
- free cash flow generation;
- Ebitda level;
- ROCE (return on capital employed);
- Change in Lafarge's performance compared to competitors.

The level of realization of these financial objectives was validated by the Remuneration Committee and the Board of Directors. They are not made public because of the confidentiality linked to the strategy of the Group .

The 2013 individual objectives related to the following areas:

- health and safety and sustainable development action plan for 2020;
- balance sheet optimization; and financial performance;
- Strategic plan for the Group;
- financial communication;
- the development of the management team.

3

c) Deferred variable compensation

The principle of a deferred variable compensation is not planned to date.

d) Multi-annual variable compensation

D.1) VALUE ENHANCEMENT BONUS:

2013 GRANT TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	2013 grant (number)	Valuation (euros) (1)
Bruno Lafont	50,000	368,000 euros

(1) *Value Enhancement Bonus fair value is calculated at grant date using the Black & Scholes model. See Note 21 (Share-based payments) to the consolidated financial statements*

During the meeting held on March 13, 2013, the Board of Directors instituted a long-term incentive program in the form of the allocation of a Value Enhancement Bonus designed to recognize strong growth in Lafarge's share price over the long term. The Board of Directors has decided to grant 50,000 Value Enhancement Bonus units to Mr Bruno Lafont.

At the end of a four-year period (2013 to 2017), and only if 100% of the internal and external performance conditions attached to the program have been achieved, this program allows for the payment of a Value Enhancement Bonus. This will be calculated on the basis of the difference between Lafarge's share price at the end of the program [(2)] and a stock price target set at 70 euros (which represents an increase of over 40% compared to the stock price on December 31, 2012); this difference will be multiplied by the number of bonus units granted.

This program is subject to the achievement of the following performance conditions:

- The external performance condition is achieved if the share price target set at 70 euros is reached, which represents an increase of over 40% compared to the stock price on December 31, 2012;
- The internal performance condition requires that the average return on capital employed for 2013 to 2016 is greater than or equal to a predetermined target level; [(3)]
- The program also provides:
  - a continued presence condition, with a pro rata adjustment for length of service in case of disability, death, retirement or loss of rights in other circumstances;
  - a commitment to reinvest a significant proportion of the amounts received in Lafarge shares;
  - a payment in 2017.

At date of grant, the valuation of this multi- annual variable remuneration is 368,000 euros. It is reassessed every year.

In 2013, no amount is due related to this multi-annual variable remuneration.

D.2) 2009 LONG-TERM INCENTIVE BASED ON THE COMPANY'S PERFORMANCE

Presentation of the plan

On November 5, 2009, the Board of Directors decided to grant a long-term incentive to the Chairman and Chief Executive Officer 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).

(2) *Average first quoted prices of Lafarge shares during the twenty trading days preceding March 13, 2017.*

(3) *The level of ROCE over the period 2013 to 2016 has been precisely determined. It is not published for reasons of confidentiality.*

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 and such objectives correspond 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 (*Total Shareholder Return*, percentage calculated by taking into account dividend and share price evolution).

In 2013, no amount is due related to this multi-annual variable remuneration for which the payment is planned in 2016 and 2017.

Performance tests

On March 15, 2012, the Board of Directors stated the achievement of the external performance condition only based on the results of the first test. Consequently, 50% of this 2009 long-term remuneration is definitively vested.

On March 11, 2014, the Board of Directors made a second test on the internal performance conditions (based on the adjusted objectives of free cash-flow and ROCE). The result of this test shows that these conditions were not achieved. A last test is planned in 2016.

A provision of 750,000 euros is recorded in the accounts for this multi-annual variable remuneration. It is reassessed every year.

e) Exceptional compensation

No exceptional compensation was granted to Mr Bruno Lafont for the financial year 2013.

f) Directors' fees

Directos' fees paid to Mr Bruno Lafont in 2014 (with respect to the 2013 financial year) amounted to 25,400 euros.

The rules applicable to the allocation of Directors' fees adopted on March 24, 2010 by the Board of Directors and used for the calculation of this total are detailed in the above Section 3.4.1 b).

g) Fringe benefits

Mr Bruno Lafont benefits from a company car.

h) Stock Option Plans

H.1) 2013 STOCK OPTIONS GRANT

In 2013, no stock options were granted to Mr Bruno Lafont.

H.2) SUMMARY TABLES ON THE STOCK OPTIONS GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The tables below set forth the following information related to Mr Bruno Lafont, Chairman and Chief Executive Officer:

- options granted by Lafarge S.A. and Group subsidiaries in 2013;
- options exercised in 2013;
- total number of options outstanding at December 31, 2013.

OPTIONS GRANTED IN 2013 TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	Plan No. and date of grant	Type of options	Valuation of options per accounting treatment used in the consolidated accounts (euros)	Total number of options	Exercise price (euros)	Exercise period
Bruno Lafont						No grant in 2013

OPTIONS EXERCISED BY THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	Plan No. and date of grant	Total number of options exercised	Exercise price (euros)
Bruno Lafont		The Chairman and Chief Executive Officer did not exercise any option in 2013	

OPTIONS GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER OUTSTANDING AT DECEMBER 31, 2013

	Options exercisable at December 31, 2013	Options not exercisable at December 31, 2013	Total
Bruno Lafont	381,797	190,000 (1)	571,797 (1)

(1) *Including options, exercisability of which is conditional upon performance conditions.*

H.3) GENERAL INFORMATION ON THE PRIOR GRANTS TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Information on grant policy, prior grants and performance conditions related to these grants including to the Chairman and Chief Executive Officer are detailed in Sections 3.5.1 and 3.5.2.

PROPORTION OF STOCK OPTIONS SUBJECT TO PERFORMANCE CONDITIONS (HISTORY)

In line with the Afep-Medef Code, the Group's policy is that all stock options granted to the Chairman and Chief Executive Officer must be conditional upon performance requirements.

	2003 and 2004	2005 to 2008	2009	2010	2011	2012	2013
Bruno Lafont	43%	50%	No grant	100%	100%	100%	No grant

As the case with other beneficiaries, in case of retirement, of death or of disability, Mr Bruno Lafont will keep his current or future rights related to the grants of stock options. In case of death, the heirs of Mr Bruno Lafont will keep the benefit of his rights. The shareholders agreed on this subject during the General Meeting of May 7, 2013 (Resolution 5).

H.4) HOLDING RULE – HEDGING INSTRUMENTS APPLICABLE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR THE STOCK OPTIONS

The Chairman and Chief Executive Officer is required to hold 50% of shares resulting from the exercise of stock options for each allocation until the shares held by the Chairman and Chief Executive Officer (whatever their origin) represent an aggregate amount equivalent to 3 years of his last fixed pay (based on a calculation taking into account the share price at the time of each exercise of stock options). This rule is applicable to all exercises of options carried out for options awarded that have not yet been exercised until the end of the Chairman and Chief Executive Officer's mandate.

The Chairman and Chief Executive Officer must not use hedging instruments in relation to options granted.

i) Performance share plans

I.1) 2013 PERFORMANCE SHARES GRANT

At its meeting on March 13, 2013, the Board of Directors decided to grant 33,500 Performance Shares to Mr Bruno Lafont, Chairman and Chief Executive Officer, which represents less than 10% of the total grant and 0.01% of issued capital.

The total amount (100%) of Performance Shares granted to Bruno Lafont is subject to the achievement of external and internal performance conditions. The number of shares to be delivered at the end of a three-year period will depend on the level of achievement of these conditions over the period 2013-2015.

- The external performance condition is based on Lafarge's relative performance in terms of Total Shareholder Returns (TSR) and level of Return on Capital Employed (ROCE) compared to a panel of reference companies including Lafarge's main competitors for the period from 2013 to 2015. 75% of the grant will be subject to this performance condition, with each of the two criteria (TSR and ROCE) accounting for half of this percentage. The number of Performance Shares to be delivered will be determined depending on Lafarge's ranking in this panel.
- The internal performance condition is based on growth in the Group's Ebitda resulting from innovation and performance actions. Target levels have been defined both for the 2013 financial year and for the period from 2013 to 2014. The level of achievement of these targets will determine the number of Performance Shares to be delivered under this part, up to a maximum of 25% of the grant.

The book value at grant date of that award of performance shares was 952,497 euros.

This grant was decided on the basis of Resolution 17 ("authorization to the Board of Directors to grant free existing shares or shares to be issued") passed at the General Meeting of May 12, 2011.

I.2) SUMMARY TABLES ON THE PERFORMANCE SHARES GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The tables below set forth the following information related to Mr Bruno Lafont, Chairman and Chief Executive Officer:

- Performance shares granted by Lafarge S.A. and Group subsidiaries in 2013;
- Performance shares definitively allotted in 2013;
- Total number of Performance shares granted at December 31, 2013.

PERFORMANCE SHARES GRANTED IN 2013 TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	Plan N° and date of grant	Number of shares granted	Valuation of shares per accounting treatment used in the consolidated accounts [(1)] (euros)	Date of definitive allotment	Date performance shares can be transferred	Performance conditions
Bruno Lafont	AGA 2013 of 03/13/2013	33,500	952,497	03/15/2016	03/16/2018	100% of the shares granted are subject to the performance conditions, as described in Section i.1 above

(1) *Performance shares fair value is calculated at grant date using the Black & Scholes model. See Note 21 (Share-based payments) to the consolidated statements.*

PERFORMANCE SHARES DEFINITIVELY ALLOTTED IN 2013 TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	Plan N° and date of grant	Total number of performance shares definitively alloted
Bruno Lafont	No performance shares were definitively allotted to the Chairman and Chief Executive Officer in 2013	

TOTAL NUMBER OF PERFORMANCE SHARES GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER SINCE 2011

	Total
Bruno Lafont	73,500 (1)

(1) *100% of the performance shares allotment is conditional upon performance conditions.*

I.3) GENERAL INFORMATION ON THE PRIOR GRANTS TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Performance shares was granted for the first time to the Chairman and Chief Executive Officer in 2011.

Information on grant policy, prior grants and performance conditions related to these grants including to the Chairman and Chief Executive Officer is detailed in Sections 3.5.1 and 3.5.3.

PROPORTION OF PERFORMANCE SHARES SUBJECT TO PERFORMANCE CONDITIONS (HISTORY)

In line with the Afep-Medef Code, the Group's policy is that all performance shares granted to the Chairman and Chief Executive Officer must be conditional upon performance requirements.

	2011	2012	2013
Bruno Lafont	100%	100%	100%

As is the case for the other beneficiaries, in case of retirement, of death or of disability, Mr Bruno Lafont will keep his current or future rights related to the grants of performance shares. In case of death, the heirs of Mr Bruno Lafont will keep the benefit of his rights. The shareholders passed a resolution on this subject during the General Meeting of May 7, 2013 (resolution 5).

I.4) HOLDING RULE – HEDGING INSTRUMENTS APPLICABLE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR THE PERFORMANCE SHARES

The Chairman and Chief Executive Officer is required to hold 50% of shares resulting from the exercise of performance shares for each allocation and 50% of performance shares acquired at the end of the holding period for each allocation, until the shares held by the Chairman and Chief Executive Officer (whatever their origin) represent an aggregate amount equivalent to three years of his last fixed pay (based on a calculation taking into account the share price at the time of each exercise of stock options or at the end of the holding period for performance shares). This rule is applicable to all exercises of performance shares carried out for performance shares granted but not allotted and to all performance shares granted yet to be acquired, until the end of the Chairman and Chief Executive Officer's mandate.

The Afep-Medef Code recommends that Executive officers must buy a defined quantity of shares when the shares granted become available. The Board of Directors of Lafarge S.A. considers that the holding rule outlined above achieves the same objective as recommended by the Afep-Medef Code, making it unnecessary to impose a further obligation on corporate officers regarding the purchase of a defined quantity of shares upon definitive allotment of performance shares. This is particularly the case for Mr Bruno Lafont given the number of shares already held by the Chairman and Chief Executive Officer further to past acquisitions and amounting to 27,506 shares as at December 31, 2013.

The Chairman and Chief Executive Officer must not use hedging instruments in relation to performance shares granted.

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

J.1) EMPLOYMENT CONTRACT OF MR BRUNO LAFONT

At their Meeting on July 27, 2011, further to a recommendation by the Corporate Governance and Nominations Committee, the Board of Directors decided to maintain Mr Bruno Lafont's suspended employment contract and amend said employment contract in order to remove Mr Bruno Lafont's commitment not to leave the Company before June 30, 2011 in consideration for which the dismissal notice period may run up until this date.

The Board considers that its decision to maintain Mr Bruno Lafont's employment contract initially entered into on January 1, 1983 is warranted:

- in view of his 31 years' service with the Group (and 24 years' performance of his employment contract until it was suspended in 2006 when he was appointed Chief Executive Officer);
- as it encourages an internal promotion policy allowing for the appointment of Corporate Officers (*mandataires sociaux*) from among experienced senior executives (*cadres dirigeants*) with in-depth knowledge of the industry and markets on which Lafarge operates and for whom the loss of rights deriving from their employment contracts and length of service (*e.g.*, severance compensation under the collective bargaining agreement) would act as a drawback.

This amendment to the employment contract was approved by the Company's General Meeting of May 15, 2012.

These decisions have not changed Mr Bruno Lafont's position in particular with regard to his pension plan or severance compensation entitlement.

J.2) SEVERANCE COMPENSATION RELATED TO MR BRUNO LAFONT SUSPENDED EMPLOYMENT CONTRACT

In compliance with the procedure on related-party agreements and commitments, the shareholders have voted on this subject at the Combined General Meeting of May 7, 2013 (Resolution 5) for the last time.

The employment agreement of Mr Bruno Lafont was suspended upon his appointment to serve as a corporate officer in 2006. That agreement includes contractual severance compensation payable subject to certain conditions, including a performance condition.

Following the automatic resumption of his employment agreement in the event Mr Bruno Lafont were to cease serving in his corporate offices (Chairman and Chief Executive Officer), the contractual severance compensation in case of dismissal (other than for gross negligence or serious misconduct) would only be owed to Mr Bruno Lafont if a series of conditions are met:

- Condition related to the event triggering the right to contractual severance compensation: The dismissal must take place after a change of control (meaning (i) a change in the Company's capital characterized by the holding by Groupe Bruxelles Lambert and NNS Holding Sàrl, not acting in concert, of more than 50% in total 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;
- Performance condition: This condition will be satisfied and the contractual 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 contractual severance compensation would be paid. If none of the criteria are satisfied, the condition would not be satisfied and no contractual 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 maximum amount of this contractual severance compensation would be equal to two years of total gross compensation received by Mr Bruno Lafont for the most favorable of the three years preceding the date of his dismissal notice. This calculation basis is the same as for the dismissal compensation under the Collective Bargaining Agreement. In addition, so as to ensure that the total amount of the compensation due to Mr Bruno Lafont in case of departure remains within this limit, such contractual severance compensation would be reduced by the amount of the dismissal compensation due to Mr Bruno Lafont pursuant to and in compliance with the terms of the Collective Bargaining Agreement applicable to engineers and executives in the cement production industry, which apply to his employment agreement in view of his length of service within the Group (31 years). In application of mandatory French labor laws, the dismissal compensation is subject to the conditions set forth under the Collective Bargaining Agreement.

A job elimination or decrease in level of responsibilities would also constitute a case of dismissal providing entitlement to such compensations.

k) Non-compete clause payments

There is non non-compete clause.

l) Supplementary Pensions Schemes

In compliance with the procedure on related-party agreements and commitments, the shareholders have voted on this subject at the General Meetings of May 24, 2006 (Resolution 4) and May 6, 2009 (Resolution 4).

According to the Company's general principles of compensation, Bruno Lafont is eligible for a supplementary defined benefits plan defined through two group plans applicable, under certain conditions, to certain senior executives. There is no specific pension plan for Corporate Officers.

Due to his 31 years of service within the Group, this plan would provide him with a pension equal to 26% of his reference salary[1] 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.

As an example, if the calculation was made on the basis of the last three years (2011-2013), the annual pension paid to Mr Bruno Lafont would represent approximately 33% of his annual fixed and variable compensation due for the reference period (versus 45% maximum recommended).

The two plans of this pension scheme remain open and potentially benefit, under certain conditions, for one plan to all executives of Lafarge and its French subsidiaries, and for the other plan to all the members of the Group Executive Committee.

The other key features of this scheme and of the two collective plans composing it are as follows :

- This scheme applies only if, at the time of payment of the pension, the beneficiary is still employed by the Company or if he ended his career at the initiative of the Company after the age 55.
- These plans, among other conditions, respectively include a condition of a minimum seniority of 5 and 3 years in various positions within the Group in order to benefit from these plans (versus 2 years recommended). These conditions are met for Mr Bruno Lafont.
- The calculation of the amounts to be paid according to these plans is capped at respectively 20 and 10 years of service in various positions within the Group. These ceilings are reached concerning Mr Bruno Lafont.
- As recommended, the possible cumulative annual growth of the potential benefits under these two plans is less than 5 % of the reference salary.

(1) *Reference salary is the average of the last three annual fixed and variable compensation (excluding multi-annual compensation).*

SUMMARY

Corporate officer	EMPLOYMENT CONTRACT		SUPPLEMENTARY PENSION PLAN		SEVERANCE ARRANGEMENTS PAID OR TO BE PAID IN CASE OF TERMINATION OR CHANGE OF POSITION		NON-COMPETE CLAUSE PAYMENTS	
	Yes	No	Yes	No	Yes	No	Yes	No
Bruno Lafont [(1)] Chairman and Chief Executive Officer	◆ *(see Section j.1)*		◆ *(see Section l)*		◆ *(see Section j.2)*			◆ *(see Section k)*

(1) *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.*

3.4.4 COMPENSATION ELEMENTS DUE OR GRANTED IN 2013 TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER SUBMITTED FOR NOTICE TO SHAREHOLDERS AT THE GENERAL MEETING ON MAY 7, 2014 ("SAY ON PAY")

Compensation elements due or granted during the financial year	Amounts or book value submitted to vote	Presentation
Fixed compensation	**975,000 euros** (amount paid)	Increase of 2.6% compared to his 2012 fixed remuneration – first evolution since 2010.
Annual variable compensation	**887,250 euros** (amount due, to be paid in 2014)	The 2013 annual variable part represents 57 % of the maximum bonus. The 2013 financial objectives set for the variable part related to: the evolution in earnings per share, the free cash flow generation, the level of Ebitda, the ROCE (return on capital employed) and the change in Lafarge's performance compared to competitors. The level of realization of these financial objectives were validated by the Remunerations Committee and the Board of Directors. The 2013 qualitative objectives were related to the following areas: health and safety and sustainable development action plan for 2020, balance sheet optimization and financial performance, strategic plan for the Group, financial communications and the development of the management team. The policy of the Company is to set the annual variable part of the Chairman and Chief Executive Officer, except if exceptional circuvmstances, to a maximum of 160 % of the fixed remuneration. It is determined based on the achievement of financial objectives for 62,5% and on the realization of qualitative objectives for 37,5 %.
Deferred variable compensation	**NA**	The principle of a deferred variable compensation is not planned.
Multi-annual variable compensation	**0 euro** No amount is due	**2013 Value Enhancement Bonus:** ◆ Grant of 50,000 Value Enhancement Bonus units (Board of Directors of March 13, 2013). ◆ At the end of a four-year period (2013 to 2017), and only if 100% of the internal and external performance conditions attached to the program have been achieved, payment of a bonus amounting to the number of units granted (50,000) multiplied by the difference between (i) Lafarge's share price at the end of the program* and (ii) a stock price target set at € 70. ◆ Performance conditions: – The external performance condition is achieved if the share price target set at € 70 is reached; – The internal performance condition: average return on capital employed for 2013 to 2016 being greater than or equal to a predetermined target level. ◆ The program provides a payment in 2017. No amount is due related to this compensation for 2013. At the date of grant, the valuation of this multi-annual variable remuneration is estimated at 368,000 euros. It is reassessed every year. **Average first quoted prices of Lafarge shares during the twenty trading days preceding March 13, 2017.*
Exceptional compensation	**NA**	No exceptional compensation was granted to the Chairman and Chief Executive Officer for the 2013 financial year.

Compensation elements due or granted during the financial year	Amounts or book value submitted to vote	Presentation
Stock options, performance shares	**Performance shares = 952,497 euros** (book value)	**2013 Performance shares grant:** - Grant of 33,500 performance shares, representing less than 10 % of the total of performance shares granted and 0,01 % of the current share capital of the Company. - 100 % of the grant is subject to the achievement of external and internal performance conditions. The number of shares to be delivered at the end of a three-year period will depend on the level of achievement of these conditions over the period 2013-2015. – external performance condition (related to 75% of the grant): Lafarge's relative performance in terms of (i) Total Shareholder Returns (TSR) and (ii) level of Return on Capital Employed (ROCE), compared to a panel of reference companies including Lafarge's main competitors for the period from 2013 to 2015. The number of performance shares to be delivered will be determined depending on Lafarge's ranking in this panel. – internal performance condition (related to 25% of the grant): growth in the Group's Ebitda resulting from innovation and performance actions (target levels have been defined both for the 2013 financial year and for the period from 2013 to 2014). - This grant was decided by the Board of Directors on March 13, 2013 on the basis of Resolution 17 ("Authorization to the Board of Directors to grant free existing shares or shares to be issued") passed at the General Meeting of May 12, 2011.
	Stock Options = NA	No grant of stock options
Directors' fees	**25,400 euros** (amount due, to be paid in 2014)	Computation of Directors fees paid to Bruno Lafont in application of the allocation rules adopted by the Board of Directors on March 24, 2010 (25,400€ = 17,000 € (fixed fee) + 8,400€ (variable fee : 7 meetings x 1,200 euros for every Board of Directors)).
Valuation of the fringe benefits	**3,428 euros** (book value)	Mr Bruno Lafont benefits from a company car.

Compensation elements due or granted in 2013 submitted to the vote of the General meeting according to the procedure on related-party agreements and commitments	Amounts submitted to the vote	Presentation
Severance compensation	**0 euro** No amount is due	**Severance compensation related to the suspended employment contract of Bruno Lafont:** In compliance with the procedure on related-party agreements and commitments, the shareholders have voted on this subject at the Combined General Meeting of May 7, 2013 (Resolution 5) for the last time. The description of the severance compensation related to the suspended employment agreement of Mr Bruno Lafont is detailed in Section 3.4.3-j.2 (page 105) of the present Registration Document.
Non-compete clause payments	**N/A**	There is no non-compete clause.
Supplementary Pensions Schemes	**0 euro** No amount is due	**Supplementary Benefits Plan:** In compliance with the procedure on related-party agreements and commitments, the shareholders have voted on this subject at the General Meetings of May 24, 2006 (Resolution 4) and May 6, 2009 (Resolution 4). The description of the supplementary defined pensions benefits under the two collective plan applicable to Mr Bruno Lafont are detailed in Section 3.4.3-l (page 105) of the present Registration Document.

3.4.5 COMPENSATION OF THE EXECUTIVE OFFICERS

a) General information on compensation of the Executive Officers and retirement benefits

The Executive Officers include Mr Bruno Lafont, Chairman and Chief Executive Officer, and the members of the Executive Committee.

	2013 Financial year	2012 Financial year
Average number of persons (1)	10.3	10.0
Amount paid (million euros) (2)	12.0	8.1
Pension commitment (million euros) (3)	47.5	46.6

(1) *All those who were Executive Officers for the period of the year during which they were Executive Officers (for the evolution of the number of members of the Group Executive Committee, please see Section 3.3).*
(2) *This amount includes:*
– the fixed compensation of Executive Officers for the related year;
– a qualitative performance component, a financial performance component and a collective performance component as the variable portion paid for the preceding year (and if applicable the exceptional variable compensation);
– Directors' fees paid by Lafarge S.A. to Mr Bruno Lafont;
– if applicable, the amounts related to the multi-annual variable compensation.
(3) *The evolution of the global commitment between 2012 and 2013 is explained essentially as a result of changes in the composition of the Executive Committee.*

b) Stock options granted to the Executive Officers

The Chairman and Chief Executive Officer and the Executives officers of the Company as detailed in Section 3.3 (Executive Officers) hold 22.26% of unexercised options on December 31, 2013, with 8.17% held by the Chairman and Chief Executive Officer.

Information on the grant policy, prior grants and performance criteria attached to these grants is mentioned in Sections 3.5.1 and 3.5.2.

c) Performance shares granted to the Executive Officers

The Chairman and Chief Executive Officer and the Executives officers of the Company as detailed in Section 3.3 (Executive Officers) hold 12.65% of the performance shares (not definitively acquired) on December 31, 2013, with 5.15% held by the Chairman and Chief Executive Officer.

Information on the grant policy, prior grants and performance criteria attached to these grants is mentioned in Sections 3.5.1 and 3.5.3.

d) Holding rule – hedging instruments applicable to Executive Officers for the stock options and performance shares

Each member of the Executive Committee has (i) the obligation to reinvest in Lafarge S.A. shares one third of the potential gain (net of tax) realized upon the exercise of stock options or purchase and (ii) has the obligation to keep at the end of the retention period one third of the performance shares awarded at each grant, and hold Lafarge S.A. shares of a value up to the equivalent of its total fixed annual remuneration until his termination as a member of the Group Executive Committee.

They must not use hedging instruments in relation to stock options and performance shares granted

The specific rules for the Chairman and Chief Executive Officer are stated in Sections 3.4.3 H.4 and 3.4.3 I.4.

3.5 LONG-TERM INCENTIVES (STOCK OPTIONS AND PERFORMANCE SHARE PLANS)

3.5.1 GRANT POLICY – PERFORMANCE CONDITIONS AND HOLDING RULE

a) Grant policy

The objective of the Group's remuneration policy is to reward and retain key talent while providing managers and employees with an opportunity to share in the success of the Group's business including through the grant of stock options and performance shares (free allotment of shares), which are connected to the Group's long-term strategy. Stock options and/or performance shares are granted to the Chairman and Chief Executive Officer, senior management, middle management and some key performers in recognition of their commitment and achievements for the Group.

Stock options and performance shares are granted by the Board of Directors upon a recommendation of the Remunerations Committee. Grants are made annually, usually during a Board of Directors meeting held in March.

Regarding stock options, the Group's practice since 2002 is to allocate share subscription options. No discount is applied to the exercise price.

Following the Afep-Medef Code recommendations, the Board of Directors decided to limit the number of stock options or performance shares attributable to Corporate Officers. Under this rule, the proportion of options and performance shares attributable to Corporate Officers may not exceed respectively 10% of the total amount of options and 10% of the total amount of performance shares granted during any given financial year.

b) Performance conditions applicable to the grants of stock options and performance shares

PROPORTION OF OPTIONS OR PERFORMANCE SHARES SUBJECT TO PERFORMANCE CONDITIONS

Corporate Officers and Group's Executive Committee Members
In line with the Afep-Medef Code, the current Group's policy is that all stock options and performance shares granted to the Chairman and Chief Executive Officer and the Group's Executive Committee Members must be conditional upon performance requirements.

A history of the proportion of the grants subject to performance condition and applicable to the Chairman and Chief Executive Officer and Executive Committee Members is set out below.

	2003 and 2004	2005 to 2007	2008	2009	2010	2011	2012	2013
Bruno Lafont	43%	50%	50%	No grant	100%	100%	100%	100%
Executive Committee members	30%	50%	63%	70%	70%	80%	100%	100%

Other employees

Stock options and performance shares granted to other employees are also fully conditional upon performance requirements since 2013.

APPLICABLE PERFORMANCE CONDITIONS

Since 2011, stock options and performance shares granted are conditional upon several performance criteria which have been set in advance, and this applies to all beneficiaries.

2013 Grant
The performance criteria applicable to the 2013 grant are based on external and internal conditions. External conditions must be met over a period of three years. The level of achievement of external conditions will be evaluated by averaging the results obtained at the end of each year. Internal conditions must be met over a period of two years.

Regarding the Executive Committee Members and the Chairman and Chief Executive Officer:

- The achievement of the external condition determines the acquisition of 75% of the award subject to performance conditions. The external condition is based on Lafarge relative performance compared to its main competitors for each of the following two criteria: return on capital employed (ROCE) and total shareholder return (TSR). Five levels of achievement have been identified for these objectives, in line with the Group's strategic plan. These levels of achievement define the percentage of acquisition. For both external conditions, these thresholds are: 30% if the first level is reached, 45% if the second level is reached, 52.5% if the third level is reached, 60% if the fourth level is reached and 75% if the fifth level is reached.

- The achievement of the internal conditions determines the acquisition of 25% of the award subject to performance conditions. The internal conditions are based on the increase in Ebitda related to action plans aiming at costs reduction, innovation and performance in 2013 and 2014. Three levels of achievement have been identified for these objectives in line with the Group's strategic plan. These levels of achievement define the percentage of acquisition. For internal conditions, these thresholds are as follows: 6.25% if the first level is reached, 9.37% if the second level is reached and 12.5% if the third level is reached.

  The level set to achieve 100% of internal performance conditions is ambitious and can represent up to 150% of the annual objectives of the Group's strategic plan.

Regarding the other beneficiaries, all grants are subject to performance conditions although for most of them, only internal performance conditions are applicable. Internal performance targets also vary depending on to the level of responsibility of the beneficiaries.

SUMMARY OF THE PERFORMANCE CONDITIONS APPLICABLE TO THE GRANTS OF THE CORPORATE OFFICERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

		Corporate Officers	Executive Committee Members
2007 and 2008	Internal Conditions	"Excellence 2008" cost reduction targets	
2009	External Condition	No grant	Lafarge's relative performance compared to peers (2009, 2010 and 2011 average). If the external condition is not met in 2012, a new test will be implemented in 2013 and 2015.
	Internal Conditions		FCF and ROCE targets (2009, 2010 and 2011 average).
2010	External Condition	Lafarge's relative performance compared to peers (2010, 2011 and 2012 average).	
	Internal Conditions	FCF and ROCE targets (2010, 2011 and 2012 average).	
2011	External Condition	Lafarge's relative performance compared to peers (2011, 2012 and 2013 average).	
	Internal Conditions	FCF and ROCE targets (2011, 2012 and 2013 average). The vested portion depends on the level of performance achievement (there are 3 levels of performance conditions for each of the FCF and ROCE targets).	
2012	External Condition	Lafarge's relative performance compared to peers (2012, 2013 and 2014 average).	
	Internal Conditions	FCF and ROCE targets (2012, 2013 and 2014 average). The vested portion depends on the level of performance achievement (there are 3 levels of performance conditions for each of the FCF and ROCE targets). For members of the Executive Committee part of the internal performance condition is linked to 2012 cost reduction targets.	
2013	External Condition	Lafarge's relative performance compared to peers (2013, 2014 and 2015 average).	
	Internal Conditions	Ebitda growth resulting from cost reduction, innovation and performance targets for 2013 and 2014.	
2014	External Condition	Lafarge's relative performance compared to peers (2014, 2015, 2016 average).	
	Internal Conditions	Ebitda growth resulting from cost reduction and innovation targets for 2014 and 2015.	

2011 and 2012 grants

The performance conditions for 2011 and 2012 grants are both external and internal. These conditions must be met over a three year period. The level of achievement of each condition is to be measured at the end of each year and achievement is calculated as an average of these three years.

The external condition is based on the Group's relative performance compared to its competitors in relation to the following: return on capital employed (ROCE), total shareholder return (TSR) and free cash flow (FCF). The Group's relative performance on these three criteria must be within the top tier of the benchmark for the performance condition to be met. If not, entitlement to half of the grant submitted to performance conditions is cancelled.

The internal performance conditions, which apply to the other half of the grant subject to performance conditions, are based on free cash flow (FCF) and return on capital employed (ROCE) targets. Three levels have been set for each of these two targets, in line with the Group's strategic plan. The percentage of entitlement to the grant which is subject to performance conditions depends on the level of achievement of each target. The percentages are as follows, for each target: 12.5% if the first level is achieved, 18.75% if the second level is achieved and 25% if the third level is achieved.

The levels set to achieve 100% of the internal performance conditions are ambitious and may represent up to 150% of annual objectives set in the Group's strategic plan.

The proportion of performance shares and stock options subject to these performance criteria depends on the level of responsibility of the eligible population.

Part of the performance conditions applicable to the 2011 grants were not met and the corresponding stock options and performance shares were cancelled.

2012 additional performance shares plan

Based on cost reduction targets at Group level, additional performance shares have been granted to Senior and Middle management of the Group. Cost reduction performance applies to 100% of this additional grant and to all beneficiaries.

The performance condition is based on the Group cost reduction results. The vested portion depends on the level of achievement of the target. Three levels have been set: 50% if the first level is achieved, 75% if the second level is achieved and 100% if the third level is achieved. The third level of this performance condition has been achieved for 2012.

The Chairman and Chief Executive Officer was not eligible to this additional grant.

Prior grants

In 2009 and 2010, stock options granted to members of the Executive Committee and some senior executives were also conditional upon several performance criteria, which were external based on the Group's performance compared to competitors and internal based on free cash flow, return on capital employed, Ebitda or cost reduction targets. These criteria were alternate or combined in part, depending on the grant year and on the level of responsibility of the eligible population. These criteria also applied to stock options granted to the Chairman and Chief Executive Officer in 2010 (as the Chairman and Chief Executive Officer did not receive any stock options in 2009). Part of the performance conditions applicable to the grants made in 2009 and 2010 were not met and the corresponding stock options have been cancelled.

In 2007 and 2008, stock options granted to the Chairman and Chief Executive Officer, members of the Executive Committee and some senior executives had for sole performance condition cost reduction targets as part of the Excellence 2008 program.

From 2007 until 2010, the performance condition applicable to stock options and performance shares granted to employees (other than members of the Executive Committee and some senior executives) was the achievement of cost reduction targets as part of the Excellence 2008 program (for 2007 and 2008 grants) and the Excellence 2010 program (for 2009 and 2010 grants).

All performance conditions based on the cost reduction targets set out in the Excellence programs have been met.

SUMMARY OF THE ACHIEVEMENT OF THE PERFORMANCE CONDITIONS APPLICABLE TO THE GRANTS OF THE CORPORATE OFFICERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

	Corporate Officers	Executive Committee Members	Performance conditions achievement
2007 and 2008	"Excellence 2008" cost reduction targets		Conditions achieved
2009	No grant	Lafarge's relative performance compared to peers (2009, 2010 and 2011 average). If the external condition is not met in 2012, a new test will be implemented in 2013 and 2015. FCF and ROCE targets (2009, 2010 and 2011 average).	External condition achieved. Internal conditions not achieved.
2010	Lafarge's relative performance compared to peers (2010, 2011 and 2012 average). FCF and ROCE targets (2010, 2011 and 2012 average).		External condition achieved. Internal conditions not achieved.
2011	Lafarge's relative performance compared to peers (2011, 2012 and 2013 average). FCF and ROCE targets (2011, 2012 and 2013 average).		External condition achieved. Internal conditions not achieved.
2012	Lafarge's relative performance compared to peers (2012, 2013 and 2014 average). FCF and ROCE targets (2012, 2013 and 2014 average).		Conditions' achievement to be evaluated in 2014
2013	Lafarge's relative performance compared to peers (2013, 2014 and 2015 average). Ebitda growth resulting from cost reduction, innovation and performance targets for 2013 and 2014.		Conditions' achievement to be evaluated in 2014 and 2015

c) Holding rule – hedging instruments

The holding rules and hedging instruments relative to:

- the Chairman and Chief Executive Officer are available in Sections 3.4.3 H.4 and 3.4.3 I.4.
- the Members of the Executive Committee are available in Section 3.4.5 D.

d) Insider dealing rules relating to the sale of shares resulting from stock option and performance share plans

Specific insider dealing rules apply to the sale of performance shares and to the sale of shares obtained through the exercise of stock options, when the sale and the exercise are simultaneous. In these cases, Group Executives (including Directors and members of the Executive Committee) are prohibited from trading in the Company's securities during non authorized periods.

These periods start thirty days prior to the date of publication of quarterly, half-yearly or annual results and end ten trading days after such publication for sales of performance shares or for the sale of shares obtained through the exercise of stock options, when the sale and the exercise are simultaneous.

3.5.2 STOCK OPTION PLANS

Total stock options outstanding at the end of December 2013 were 7,000,955 representing approximately 2.44% of our outstanding shares on that date.

a) Main terms of the stock options plans

STOCK OPTION TERMS

All stock options are valid for a period of 10 years.

The exercise price of options is set as the average of the share price during the twenty trading days preceding the date of grant by the Board of Directors. No discount is applied to the exercise price.

TERMS OF EXERCISE

Since December 2001, the stock options granted are subject to a four-year vesting period.

For stock options granted since 2007, this restriction on availability of the stock options will automatically cease to apply if, within this 4 year period, there is a public offering for Lafarge S.A.'s shares or Lafarge S.A. merges with or is absorbed by another company.

CANCELLATION OF OPTIONS

Stock options not exercised within 10 years of their date of grant are cancelled.

Since 2007, stock options are also cancelled in specific circumstances, such as resignation or termination of employment. The right to stock options may be maintained if the beneficiary's employing company is sold outside the Group.

b) Financial year 2013: information on grants and exercise

No stock options were granted during the financial year 2013.

TOTAL OF THE TEN LARGEST OPTION GRANTS MADE TO THE GROUP'S EMPLOYEES OTHER THAN THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, AND THE TOTAL OF THE TEN LARGEST OPTION EXERCISES

	Total number of options granted/ shares subscribed or purchased	Exercise price (euros)	Plan No.
Options granted during the 2013 financial year by the issuer and its consolidated subsidiaries for stock option grant purposes to the ten employees of the issuer and its subsidiaries having received the largest grants (global information)			
Lafarge S.A.	No stock options were granted during the financial year 2013		
Shares [(1)] subscribed or purchased during the 2013 financial year as a result of the exercise of stock options of the issuer and its consolidated subsidiaries for stock option grant purposes, by the ten employees of the issuer and its subsidiaries having subscribed or purchased the largest number of shares (global information)			
Lafarge S.A.	47,765	30.74	OSA 2009 – 25/03/2009

(1) *One share per option.*

c) Information on outstanding stock options outstanding in 2013

The total number of shares that could be subscribed or purchased upon exercise of the options, and the exercise price set forth in the following tables have been readjusted since the date of grant to reflect transactions that have affected option value, such as certain increases in the share capital or the issue of performance shares to existing shareholders, to maintain a constant total option value for each beneficiary as provided by law.

OPTIONS TO SUBSCRIBE FOR SHARES GRANTED FROM DECEMBER 10, 2003 TO MAY 24, 2006

	OSA 2003 12/10/2003	OSA 2004 12/14/2004	OSA 2005 12/16/2005	OSA 2006-1 05/24/2006
Allotment authorized by the Shareholders' Meeting of	05/20/2003	05/20/2003	05/25/2005	05/25/2005
Date of allotment by the Board of Directors	12/10/2003	12/14/2004	12/16/2005	05/24/2006
Type of options	subscription	subscription	subscription	subscription
The total number of shares that could be subscribed upon exercise of the options	1,427,604	791,575	1,466,294	768,626
Of which by Directors and Chairman and Chief Executive Officer				
Bruno Lafont	*28,925*	*34,709*	*69,418*	*69,418*
Bertrand Collomb	*92,556*	*46,279*	*46,278*	-
Initial beneficiaries (total)	1,732	479	1,916	536
Available for exercise from	12/10/2007	12/14/2008	12/16/2009	05/24/2010
Option exercise period lapses	12/10/2013	12/14/2014	12/16/2015	05/24/2016
Exercise price (euros)	57.00	61.19	62.78	84.42
Total number of options subscribed as at December 31, 2013	**263,473**	**9,134**	**45,975**	**3,050**
Total number of options cancelled or that have lapsed [(1)]	**1,164,131**	**40,900**	**106,062**	**44,425**
OPTIONS OUTSTANDING AT DECEMBER 31, 2013	**0**	**741,541**	**1,314,257**	**721,151**

(1) *In accordance with the terms of the plan.*

OPTIONS TO SUBSCRIBE FOR SHARES GRANTED FROM MAY 24, 2006 TO MARCH 15, 2012

	OSA 2006-2 05/24/2006	OSA 2007 06/15/2007	OSA 2008 03/26/2008	OSA 2009 03/25/2009	OSA 2010 03/24/2010	OSA 2011 03/15/2011	OSA 2012 03/15/2012
Allotment authorized by the Shareholders' Meeting of	05/25/2005	05/03/2007	05/03/2007	05/03/2007	05/06/2009	05/06/2009	05/12/2011
Date of allotment by the Board of Directors	05/24/2006	06/15/2007	03/26/2008	03/25/2009	03/24/2010	03/15/2011	03/15/2012
Type of options	subscription	subscription	subscription	subscription	subscription	subscription	subscription
The total number of shares that could be subscribed upon exercise of the options	171,980	621,865	819,487	744,045	1,203,500	781,980	789,920
Of which by Directors and the Chairman and Chief Executive Officer							
Bruno Lafont	-	*69,418*	*138,834*	-	*100,000*	*70,000*	*70,000*
Bertrand Collomb	-	-	-	-	-	-	-
Initial beneficiaries (total)	33	169	184	197	596	206	214
Available for exercise from	05/24/2010	06/15/2011	03/26/2012	03/25/2013	03/24/2014	03/15/2015	03/15/2016
Option exercise period lapses	05/24/2016	06/15/2017	03/26/2018	03/25/2019	03/24/2020	03/15/2021	03/15/2022
Exercise price (euros)	84.42	110.77	96.18	30.74	51.30	44.50	36.00
Total number of options subscribed as at December 31, 2013	**0**	**0**	**0**	**117,879**	**0**	**0**	**0**
Total number of options cancelled or that have lapsed (1)	**15,785**	**65,705**	**68,246**	**51,498**	**511,713**	**47,645**	**30,300**
OPTIONS OUTSTANDING AT DECEMBER 31, 2013	**156,195**	**556,160**	**751,241**	**574,668**	**691,787**	**734,335**	**759,620**

(1) *In accordance with the terms of the plan.*

d) Financial year 2014: Information on grants

On the date of this Registration Document, no options to subscribe for or acquire shares had been granted in fiscal year 2014.

3.5.3 PERFORMANCE SHARE PLANS

The total number of outstanding performance shares at the end of December 2013 was 1,427,847, representing approximately 0.50% of the Company's share capital on December 31, 2013.

a) Main terms of the performance shares plans

PERFORMANCE SHARE TERMS

Performance shares are definitively allotted to beneficiaries upon expiry of a two-year or three-year vesting period for French tax residents or upon expiry of a four-year vesting period for non-French tax residents. In addition, French tax residents must also hold the performance shares for a further period of 2 years following definitive allotment.

LOSS OF RIGHTS TO THE PERFORMANCE SHARES

Under certain circumstances, such as resignation or termination of employment, the right to performance shares will be lost during the vesting period.

The right to performance shares may be maintained if the beneficiary's employer company is sold outside the Group.

b) Financial year 2013: Information about performance shares granted

At its Meeting on March 13, 2013, the Board of Directors decided to grant 636,920 performance shares, including 33,500 to the Chairman and Chief Executive and 70,200 to the ten largest grants made to the Group's employees other than the Chairman and Chief Executive Officer.

The detail of the Chairman and Chief Executive Officer's grant is available in Section 3.4.3 i.

The applicable performance conditions are presented in Section 3.5.1 b.

TOTAL OF THE TEN LARGEST PERFORMANCE SHARES GRANTS MADE TO THE GROUP'S EMPLOYEES OTHER THAN THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	Total number of performance shares granted	Plan
Performance shares granted during the 2013 financial year to the ten Group's employees having received the largest grants (global information)		
Lafarge S.A.	70,200	AGA 2013-13/03/2013

c) Information on 2013 outstanding plans

PERFORMANCE SHARES GRANTED FROM MARCH 25, 2009 TO MARCH 13, 2013

	AGA 2009 03/25/2009	AGA 2010 03/24/2010	AGA 2011 03/15/2011	AGA 2011 05/12/2011	AGA 2012 03/15/2012	AGA 2013 03/13/2013
Allotment authorized by the Shareholders' Meeting of	05/03/2007	05/06/2009	05/06/2009	05/12/2011	05/12/2011	05/12/2011
Date of allotment by the Board of Directors	03/25/2009	03/24/2010	03/15/2011	05/12/2011	03/15/2012	03/13/2013
Performance shares initially granted (total)	230,758	169,605	328,755	20,000	483,967	636,920
Of which to Directors and Chairman and Chief Executive Officer						
Bruno Lafont	-	-	-	*20,000*	*20,000*	*33,500*
Initial beneficiaries (total)	2,461	2,032	2,257	1	1,950	1,733
French tax residents	*693*	*547*	*516*	*1*	*630*	*454*
Non-French tax residents	*1,768*	*1,485*	*1,741*	*0*	*1,320*	*1,279*
Date of definitive allotment						
French tax residents	*03/25/2011*	*03/24/2012*	*03/15/2014*	*05/12/2014*	*03/17/2015*	*03/15/2016*
Non-French tax residents	*03/25/2013*	*03/24/2014*	*03/15/2015*	*N/A*	*03/15/2016*	*03/14/2017*
Date performance shares can be transferred						
French tax residents	*03/25/2013*	*03/24/2014*	*03/15/2016*	*05/12/2016*	*03/17/2017*	*03/16/2018*
Non-French tax residents	*03/25/2013*	*03/24/2014*	*03/15/2015*	*N/A*	*03/15/2016*	*03/14/2017*
Performance shares cancelled (1)	**31,756**	**32,345**	**44,995**	**0**	**43,594**	**44,150**
Performance shares definitively allotted at December 31, 2013 (1)	**199,002**	**45,170**	**955**	**0**	**191**	**0**
PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2013	**0**	**92,090**	**282,805**	**20,000**	**440,182**	**592,770**

(1) *According to the plan rules.*

d) Financial year 2014: Performance shares grant

On March 11, 2014, the Board of Directors granted 331,745 performance shares, of which 23,000 were granted to the Chairman and Chief Executive Officer.

3.5.4 MULTI-YEAR VARIABLE COMPENSATION

In March 2013, the Board of Directors instituted a long-term incentive program in the form of the allocation of a "Value Enhancement Bonus" designed to recognize strong growth in Lafarge's share price over the long term.

Information on the terms of the "Value Enhancement Bonus" granted to the Chairman and Chief Executive Officer is available in Section 3.4.1 paragraph d.1.

3.6 SHARE OWNERSHIP

3.6.1 DIRECTORS, CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND EXECUTIVE OFFICERS SHARE OWNERSHIP

Based on our knowledge, the Directors, Chairman and Chief Executive Officer and Executive Officers listed in Section 3.3 (Executive officers) held together 0.03% of our share capital and 0.04% of voting rights at December 31, 2013.

3.6.2 TRADING IN LAFARGE SHARES BY DIRECTORS, CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND EXECUTIVE OFFICERS

The following transactions in Lafarge shares were carried out by our Directors, Chairman and Chief Executive Officer and Executive Officers in 2013:

Name	Nature of transaction	Unit price (euros)	Total amount of transaction (euros)	Type of financial instrument	Place of transaction	Date of transaction
Thomas Farrell	Acquisition	USD70.20	USD84,240.00	Lafarge shares	Euronext Paris	March 21, 2013
Bruno Lafont	Acquisition	53.8809	188,583.15	Lafarge shares	Euronext Paris	May 17, 2013
Jean-Carlos Angulo	Acquisition	53.65	9,657.00	Lafarge shares	Euronext Paris	May 17, 2013
Jean-Jacques Gauthier	Souscription	30.74	160,063.18	Lafarge shares	Euronext Paris	May 22, 2013
Jean-Jacques Gauthier	Sale	54.32	255,684.24	Lafarge shares	Euronext Paris	May 22, 2013
Jean-Carlos Angulo	Acquisition	53.35	9,869.75	Lafarge shares	Euronext Paris	June 10, 2013
Guillaume Roux	Acquisition	48.305	24,152.50	Lafarge shares	Euronext Paris	June 25, 2013
Jean-Carlos Angulo	Souscription	30.74	186,714.76	Lafarge shares	Euronext Paris	September 13, 2013
Jean-Carlos Angulo	Sale	51	309,774.00	Lafarge shares	Euronext Paris	September 13, 2013

Group Executives (including Directors and members of the Executive Committee) are prohibited from trading in the Company's securities during non-authorized periods according to internal insider dealing rules.

These periods start thirty days prior to the date of publication of quarterly, half-yearly or annual results and end the day following publication (or ten trading days after such publication for sales of performance shares or the sale of shares obtained through the exercise of stock options, when the sale and the exercise are simultaneous).

3.7 IMPLEMENTATION OF THE PRINCIPLE "COMPLY OR EXPLAIN" OF THE AFEP-MEDEF CODE

The summary table below lists the exceptions to implementation of the recommendations of the Afep-Medef Code.

Afep – Medef recommendations which are not applied	Lafarge's Position – Explanation	Reference
Independence criteria of the Directors Article 9.4 of the Code: *"The criteria to be reviewed by the Committee and the Board in order for a Director to qualify as independent […] are the following: […] not to have been a Director of the corporation for more than 12 years".*	**The Board of Directors did not apply the recommended 12-year limitation on length of service.** The Board considers that in a long-term business, where management is stable, serving as Director for a long period of time can bring more experience and authority, increasing the Directors' independence. To date Mrs Hélène Ploix has been a director of Lafarge S.A. for over 12 years. The Board however considers that, particularly in light of the effective contribution of Mrs Ploix to the work of the Board, of her extremely rigorous approach and great professionalism in particular demonstrated as Chairman of the Audit Committee, Mrs Ploix classifies as an independent Director. It is specified that in addition to Mrs Ploix the Board of Directors is composed of 8 independent Directors out of 15 members and that the Board of Directors remains composed of a majority of independent Directors whatever the position on the 12-year lenght of service criteria. In addition, Mrs Ploix no longer chairs the Audit Committee since the Board of February 18, 2014.	Section 3.1.4 – paragraph "Independence Criteria"
Audit Committee Article 16.2.1 of the Code: *"The time available for reviewing the accounts should be sufficient (no less than two days before review by the Board)."*	**Audit Committee meetings are held on the day preceding Board meetings** For practical reasons, in particular as a majority of Audit Committee members reside abroad, Audit Committee meetings usually take place on the day preceding the Board meeting. Taking into account this constraint and to enable the Audit Committee to carry out the full extent of its duties, the Board's internal rules state that all pertinent documents and information must be provided to it by the Chairman and Chief Executive Officer on a timely basis. Committee papers are therefore sent to Audit Committee members sufficiently ahead of Board and Committee meetings and at least three days before such meetings, giving them sufficient time to review the accounts before meetings.	Section 3.2.2 – paragraph "Audit Committee"

Afep – Medef recommendations which are not applied	Lafarge's Position – Explanation	Reference
Employment contract of the Executive Director Article 22 of the Code: *"When an employee is appointed as executive Director, it is recommended to terminate his or her employment contract with the company or with a company affiliated to the group, whether through contractual termination or resignation."*	**The employment contract of the CEO is maintained given his length of service** The Board considers that its decision to maintain Bruno Lafont's employment contract initially entered into on January 1, 1983 is warranted: • in view of his 31 years' service with the Group (and 24 years' performance of his employment contract until it was suspended in 2006 when he was appointed Chief Executive Officer); • as it encourages an internal promotion policy allowing for the appointment of Corporate Officers (mandataires sociaux) from among experienced senior executives (cadres dirigeants) with in-depth knowledge of the industry and markets on which Lafarge operates and for whom the loss of rights deriving from their employment contracts and length of service (e.g., contractual severance compensation under the collective bargaining agreement) would act as a drawback.	Section 3.4.3 – paragraph j "Employment contract and Severance arrangements for the Chairman and Chief Executive Officer"
Reinvestment of performance shares in shares upon allotment Article 23.2.4 of the Code: *"Furthermore, it is necessary to ensure that: […] in accordance with terms determined by the Board and announced upon the award, the performance shares awarded to executive Directors are conditional upon the acquisition of a defined quantity of shares once the awarded shares are available."*	**There is an alternate obligation to hold 50% of the performance shares** The Chairman and Chief Executive Officer is required to hold 50% of shares resulting from the exercise of stock options for each allocation and 50% of performance shares acquired at the end of the holding period for each allocation, until the shares held by the Chairman and Chief Executive Officer (whatever their origin) represent an aggregate amount equivalent to three years of their last fixed pay (based on a calculation taking into account the share price (i) at the time of each exercise of stock options or (ii) at the end of the holding period for performance shares). This rule is applicable to all exercises of options carried out for options awarded that have not yet been exercised and to all performance shares granted yet to be acquired, until the end of the Chairman and Chief Executive Officer's mandate. The Board of Directors of Lafarge S.A. considers that the demanding holding rule described above achieves the same objective as the recommendation of the Afep-Medef Code, making it unnecessary to impose a further obligation on Corporate Officers regarding the purchase of a defined quantity of shares upon definitive allotment of performance shares. This is particularly the case for Mr Bruno Lafont given the number of shares already held by the Chairman and Chief Executive Officer further to past acquisitions and amounting to 27,506 shares as at December 31, 2013.	Section 3.4.3 I.4 – paragraph "Holding rule – hedging instruments"

4

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

4.1 Introduction **120**

4.2 Building communities **121**
4.2.1 Health and safety: our first priority 121
4.2.2 Employment, employee diversity and skills 122
4.2.3 Community development and outreach 126
4.2.4 Sustainable supply chain 127

4.3 Building sustainably **128**
4.3.1 Sustainable construction and cities 128
4.3.2 Access to housing 129

4.4 Building the circular economy **130**
4.4.1 CO_2 and air emissions 130
4.4.2 Natural resources – biodiversity and water 132
4.4.3 Energy consumption and resource management 134

4.5 Key Performance Indicators **136**
4.5.1 Table of Key Performance Indicators 136
4.5.2 Reporting methodology 141
4.5.3 Verification report on the sincerity of the information relative to the requirements of transparency of companies on the disclosure of environmental and social topics 142

4.1 INTRODUCTION

This year we present for the third time our material sustainable development indicators together with our financial results. This type of integrated reporting reflects the inseparability of sustainable development and business. Lafarge will continue to publish a separate Sustainability Report to address the specific needs of all its stakeholders, especially communities and extra-financial rating agencies.

Lafarge is committed to transparent reporting and disclosure for the benefit of all its stakeholders. Lafarge reports publicly on over 100 indicators related to the environment, employees, society and socio-economic development. These indicators cover both the positive contribution and negative impacts of our business on sustainability issues and the means used to manage their related outcomes. Consistent with its GRI 4-checked reporting practices, Lafarge's reporting focuses on material issues. Material issues are those issues that are important both to the success of our business and to our stakeholders (employees, local communities, clients, architects, investors, etc.). Material issues are assessed yearly by Group senior executives and informed through input from our Stakeholder Panel.

Based on this materiality assessment, we have defined three main priorities at Group level, where Lafarge aims for world-class performance: health & safety, climate change and ethics & governance. In addition, we have developed a methodology to allow country units' management teams to yearly perform their own materiality assessment to guide the development of their strategic plan. This ensures the integration and coherence of sustainable development issues into business strategy and the relevance of our sustainability actions locally.

The health and safety of our employees and contractors is our number one priority. In 2013 we made progress on embedding health & safety into our operations and by 2020 we want to attain world-class performance: zero fatalities and virtually no lost time incidents for our employees and contractors. We recorded a strong reduction in our lost-time injury frequency rate (LTIFR) in 2013, from 0.62 in 2012 to 0.49. We have increased our efforts toward road safety, although the results of these actions are not yet apparent (19 fatalities occurred on roads in 2013), and occupational health, putting systems in place to establish the medical fitness of our employees and contractors to perform their jobs and to ensure that the environment they work in is healthy.

Lafarge continued to reduce its CO_2 emissions in 2013, with a 26% reduction per tonne of cement compared to 1990. This result was achieved thanks to intensified performance efforts to improve kiln energy efficiency, increase the use of alternative fuels and develop new blended cements for a range of applications, using carbon-neutral additives. In particular, we made significant progress in replacing fossil fuel with alternative fuels such as municipal waste and biomass. In 2013 non-traditional fuels represented 17.2% of our overall fuel mix, 39% of which was carbon neutral biomass.

In terms of ethics and governance, Lafarge respects the major frameworks on business ethics formulated by the United Nations: the Universal Declaration on Human Rights, the Declaration on the Rights of Indigenous People and the Guiding Principles on Business and Human Rights (also known as the 'Ruggie principles'). In 2013 Lafarge became a Lead member of the UN Global Compact. The Group also launched an assessment of all its critical suppliers on their sustainability practices, working with EcoVadis, a company specialized in supplier assessment. Three hundred critical suppliers were assessed in 2013 and the Group's objective is to evaluate 80% of its total spend by 2020.

2013 saw the first year of implementation of our Sustainability Ambitions 2020, an ambitious program of objectives organized around three main pillars: Building Communities, Building Sustainably and Building the Circular Economy. Under the Building Communities pillar, we made progress towards achieving our objective of having 35% of senior management positions held by women by 2020, reaching 18.6% by year-end. We launched our volunteering program, registering over 57,000 volunteering hours at more than 250 operational sites, with programs in areas such as affordable housing, education and nature conservation. We also recorded local job creation plans and education programs in 37% of our countries. With regard to our objectives under the Building Sustainably Pillar, we continued to expand our Affordable Housing Program, enabling over 120,000 people to access decent housing in 2013. Our sales of sustainable products and services represented a total of 1.8 billion euros. Under the third pillar, Building the Circular Economy, we made significant progress towards our objectives for CO_2 reduction and the use of alternative fuels, as detailed above. Finally, in terms of recycling, for which we have set very ambitious targets, we increased our sales of recycled aggregates by 88% year-on-year. We also launched our concrete recycling project, carrying out our first client pours and starting commercialization of our new Stabilia™ low-strength recycled concrete.

In 2013 Lafarge was recognized as a sustainability leader by Robeco SAM and was included in the Carbon Disclosure Leadership Index France, with a score of 96/100. Lafarge Chairman and Chief Executive Officer Mr Bruno Lafont currently chairs the Energy & Climate Change Working Group of the European Round Table of Industrialists and the Sustainable Development Commission of the Medef (Mouvement des entreprises de France). He has also joined the Executive Committee of the World Business Council for Sustainable Development (WBCSD), where he co-chairs the Energy Efficiency in Buildings project.

4.2 BUILDING COMMUNITIES

4.2.1 HEALTH AND SAFETY: OUR FIRST PRIORITY

We are strongly committed to promoting health and safety among our employees and contractors. Our overall safety performance has improved significantly over the last ten years as we have put into place more comprehensive policies and standards. However, we still need to do more to strengthen our health and safety culture and fully embed it into our business.

We recorded a strong reduction in our Lost-Time Injury Frequency rate (LTIFR), from 0.62 in 2012 to 0.49 in 2013. We saw improvements in on-site safety compared to previous years. However, the overall number of fatalities in 2013 did not decrease, with 26 in total.

Lost time injuries and fatalities	2013	2012	2011
Number of lost time injuries among Lafarge employees	72	105	93
Number of lost time injuries among contractors employees - on site	51	51	63
Lafarge employee fatalities – on site	2	4	8
Lafarge employee fatalities – transport	1	1	-
Lafarge employee fatalities – customer job sites	-	-	-
Contractors employee fatalities – on site	3	5	5
Contractors employee fatalities – transport	8	6	10
Contractors employee fatalities – customer job sites	-	-	-
Contractors employee fatalities – project sites	-	1	2
Third-Parties fatalities (customer job sites, transport)	12	8	9
Lost-Time Injury Frequency rate (including fatalities) employees and contractors (number of incidents per million hours worked)	0.49	0.62	0.61

a) Our priorities: road safety and occupational health

Road safety remains the biggest health and safety issue in the Group: 19 fatalities occurred on roads in 2013, largely among contract transporters delivering product. As part of our Sustainability Ambitions 2020, we are committed to improving transport safety, with a 60% reduction in the number of road accidents per million km against a 2012 baseline. In 2013 we started rolling out road safety workshops in our countries, involving all relevant stakeholders: Country CEO and senior management, Country Supply Chain managers and road contractors. These workshops are aimed at engaging all key players and creating solid action plans to address this topic. Other specialized programs are running in our countries. For example, our business in Greece developed the People Transport Development Program, targeting Lafarge employees and their families, with the objective of creating a safe driving culture throughout the company. 53 sessions were held in 2013, covering employees of all Lafarge sites in the country.

In terms of health, we focused in 2013 on occupational health: putting systems in place to establish the medical fitness of our employees and contractors to perform their jobs and to ensure that the environment they work in is healthy. We are focusing on three specific areas of risk: noise, dust and ergonomics, setting objectives in these areas as part of our Sustainability Ambitions 2020. In 2013 health assessment systems were developed in 60% of our countries. Going forward we will follow up on the assessments performed.

b) Progressing towards a world-class H&S culture

We are convinced that our performance in health and safety is linked to better operational efficiency: a safe plant is a more efficient plant and a healthy employee is a more productive employee. This is why we are seeking to embed health and safety more strongly into our business, ensuring, for example that it is fully integrated into POM 2.0, the new operating model for our cement business, designed to improve plant mastery and competitiveness. We also maintain a database concerning the safety of our products and communicate this information to customers through "material safety data sheets."

Our commitment to health and safety must be renewed every day by each one of our employees, starting from the highest level of responsibility. Indeed, health and safety is first and foremost a leadership issue and this is why part of our Group Bonus Plan depends on our managers' individual performance and results in health and safety. Each country has decided on a targeted program to fit their safety maturity. For example, our business in the Philippines decided to bolster the country's health and safety culture by engaging a US Occupational Safety and Health (OSHA) outreach trainer to provide advanced industry safety training to more than 40 members of its leadership team.

4.2.2 EMPLOYMENT, EMPLOYEE DIVERSITY AND SKILLS

a) Overview of our workforce

HEADCOUNT

At the end of 2013, the Group had 63,687 employees, representing a net decrease of 650 employees (or 1.0%) compared to December 2012.

This evolution takes into account the integration of the employees from the Lafarge-Tarmac joint venture in the United Kingdom (3,701 employees) and divestments in the United States, Ukraine and Honduras (concerning 1,762 employees).

Like for like, there is a net decrease of 2,072 employees (3.2%) due to reorganizations in many countries (e.g. China and Canada) (-4.4%), partially offset by increased workforce in emerging markets (+1.2%) such as Brazil, India and the Philippines.

The tables below present the changes in employee headcount in 2013, 2012 and 2011 by geographical area and by activity. Figures include 100% of the headcounts of our fully and proportionately consolidated subsidiaries.

EMPLOYEES BY GEOGRAPHICAL AREA

	2013			2012			2011	
	Headcount	%	13 vs 12	Headcount	%	12 vs 11	Headcount	%
Western Europe	14,431	22.7%	26.1%	11,448	17.8%	(6.2%)	12,202	18.0%
North America	7,752	12.2%	(12.1%)	8,821	13.7%	(8.2%)	9,604	14.1%
Central and Eastern Europe	6,086	9.6%	(13.6%)	7,041	10.9%	(5.7%)	7,464	11.0%
Middle East and Africa	19,055	29.8%	(3.0%)	19,644	30.5%	(3.6%)	20,376	30.0%
Latin America	2,269	3.6%	(13.1%)	2,609	4.1%	2.9%	2,535	3.7%
Asia	14,094	22.1%	(4.6%)	14,774	23.0%	(6.1%)	15,742	23.2%
TOTAL	**63,687**	**100%**	**(1.0%)**	**64,337**	**100%**	**(5.3%)**	**67,923**	**100%**

EMPLOYEES BY ACTIVITY

	2013			2012			2011	
	Headcount	%	13 vs 12	Headcount	%	12 vs 11	Headcount	%
Cement	37,948	59.6%	(8.0%)	41,249	64.1%	(4.9%)	43,392	63.9%
Aggregates & Concrete	25,009	39.3%	14.8%	21,780	33.9%	(6.3%)	23,242	34.2%
Others	730	1.1%	(44.2%)	1,308	2.0%	1.4%	1,289	1.9%
TOTAL	**63,687**	**100%**	**(1.0%)**	**64,337**	**100%**	**(5.3%)**	**67,923**	**100%**

EMPLOYMENT

Our employment policy aims to develop our people and improve our efficiency. Job reduction is the option of last resort. The principles of our employment policy include:

- Stakeholder dialogue: involving employees, employee and union representatives, local and national public authorities;
- Solidarity and support to facilitate internal mobility, adapted measures for departing employees, internal job placement and outplacement;
- Support to entrepreneurship and vocational training outside the Group. Our objective is to have 75% of Lafarge operations implementing a local job creation & education plan by 2020.

EMPLOYMENT

	2013	2012	2011
Percentage of full-time employees	99%	99%	99%
Percentage of part-time employees	1%	1%	1%
Percentage of permanent employees	97%	96%	97%
Percentage of fixed-term contract employees	3%	4%	3%

JOB EVOLUTION

	2013	2012	2011
Number of hirings	6,991	5,544	7,400
Number of resignations	3,354	2,996	3,770
Number of retirements	993	910	776
Number of redundancies	2,025	3,298	4,308
Number of deaths	114	98	125

MEASURES TO MITIGATE JOB CHANGES

	2013	2012	2011
Percentage of country units having implemented significant headcount reduction impacting more than 5% of workforce	21%	26%	20%
Of which % of country units having set up an employment channel for employees	65%	71%	38%
Of which % of country units having set up a local economic development channel for local communities	29%	21%	14%
Number of Lafarge employees re-employed outside the Group (in another company or in their own business)	1,562	851	305

LABOR ORGANIZATION

In 2013 Lafarge worked with 32,571 out-sourced contractors (3.1% more than 2012), accounting for some 34% of the workforce (as in 2012). These figures do not take into account subcontractors from the Lafarge-Tarmac joint venture.

Lafarge extended its health & safety practices to contractors, contributing to a reduction in occupational accidents. Furthermore, several pilot actions were conducted in emerging countries. They aim at:

- Improving working conditions for contractor employees;
- Professionalizing business relationships with contracting parties;
- Increasing Lafarge efficiency.

OUTSOURCING BY FIELD OF ACTIVITY

(%)	2013	2012	2011
Production	36%	36%	36%
Maintenance and cleaning	26%	27%	27%
Transport	21%	18%	20%
Security and guarding	9%	9%	11%
Others (IT, accounting, etc.)	8%	10%	6%

WORKING HOURS

	2013	2012	2011
% of employees working on (3) 8h shifts	14.1%	15.9%	15.0%
% of employees working on (2) 8h shifts	8.7%	8.2%	9.4%

COMPENSATION & BENEFITS

Our compensation and benefits system is predominantly handled directly in each country where the Group operates. However, some core principles apply everywhere. These include a pay package consisting of a fixed portion and a variable portion dependent on the completion of objectives (which include health and safety). Furthermore, employees are associated with the Group's performance through the various profit-sharing mechanisms which exist in countries where we operate.

For instance, in France, profit-sharing agreements cover 98% of the employees. Employees can choose to make payments into the various existing company saving and retirement plans, with an employer matching contribution as the case may be. These savings benefit from a preferential tax regime in consideration for a five year holding period, save for early unblocking events as defined in the plans.

In 2013, under the Profit-sharing Bonus French Law which applied for the first time to Lafarge, a specific additional bonus of 200 euros was paid in almost all companies in France to employees present in 2012.

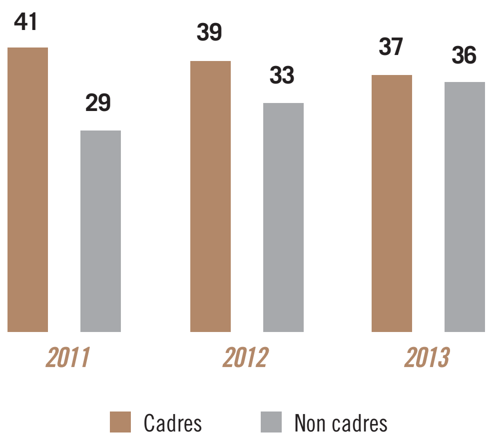
(For further information, see also Sections 3.5 on Long Term Incentives and 6.1.4 on Employee Share Ownership).

b) Leading business acceleration

SKILLS DEVELOPMENT

Developing our people is a vital investment and an important lever to ensure continued growth for Lafarge. As part of our Sustainability Ambitions 2020, we have set objectives to have 75% of our key positions covered by certification programs and for 75% of our employees to complete the program for their position.

AVERAGE NUMBER OF HOURS OF TRAINING (HOURS PER PERSON)



Sustainability issues, including social, environmental and societal issues are included in our training programs and in a dedicated e-learning.

Our strategic orientation towards performance and innovation relies on our people to lead business acceleration. In 2013 the Group launched skill development initiatives targeted at specific groups spearheading our performance, innovation and commercial efforts. For example, 2013 saw the launch of our new Plant Operating Model "POM 2.0" designed to improve the mastery of the basics at our plants and make them more productive and competitive. By the end of 2014 all our plant managers throughout the world will have been trained on POM 2.0.

To support the commercial orientation of the Group, the Sales Force Effectiveness program was specifically designed for marketing and sales teams in Lafarge countries. In 2013, 1,400 marketing managers were trained throughout the world. Benefits of improved sales force effectiveness have been estimated at 105 million euros additional Ebitda in 2015 compared to 2011.

In addition, in order to evaluate each employee's own success, annual performance is assessed annually for non-managers and managers alike. This is part of tailored career development plans for each of our employees. In 2013, 92% of managers and 75% of non-managers had an annual performance review, representing a slight improvement from 2012 figures.

STAFF PERFORMANCE ASSESSMENT

	2013	2012	2011
Percentage of managerial staff having an annual performance review	91.9% (M) / 92.4% (F) (1)	88%	91%
Percentage of non-managerial staff having an annual performance review	73.7% (M) / 80.4% (F) (1)	63%	62%

(1) *M: Male / F: Female*

DIVERSITY AND INCLUSION

Through diversity and inclusion, we aim to create an organization where our employees feel involved, respected and connected, so that more people with a wider range of backgrounds succeed. This will make our decision-making more effective, stimulate creativity and generate new business, contributing to our Group for years to come. The strong commitment to increasing Group performance and innovation thanks to diversity and inclusion is reflected in our Sustainability Ambitions 2020 objectives of having 35% of senior management positions held by women and 75% of our countries with a high level of diversity and an inclusive work environment. In order to progress on our ambitions, we designed and implemented in all countries in 2013 the Diversity & Inclusion Maturity Level, which assesses the following criteria: gender diversity at senior management level; diversity of pipeline for senior management positions and the extent to which work environments are inclusive.

INCREASING NUMBER OF WOMEN IN SENIOR MANAGEMENT

	2013	2012	2011
Boards of Directors	20.0%	18.8%	17.6%
Senior executives and managers (Lafarge grades 18+) [(1)]	18.6%	16.4%	15.8%
Senior executives (Lafarge grades 23+)	12.1%	11.2%	10.8%
Senior managers (Lafarge grades 18-22) [(1)]	19.1%	16.7%	16.2%
Managers (all categories)	20.3%	19.7%	18.8%
Non-managers employees	14.7%	14.9%	15.0%

(1) *Employees from the joint venture Lafarge -Tarmac in the United Kingdom are not accounted for due to a difference in categories for seniority levels.*

COUNTRY MATURITY LEVEL ON DIVERSITY AND INCLUSION

1.Excellent (A)	7.5%
2.Good (B)	45.0%
3.Average (C)	17.5%
4.Below average (D)	5.0%
5.No answer	25.0%

c) People engagement

Well-being at work is an essential factor for employee motivation and in turn for Group performance, through for instance a reduction in employee turnover.

LAFARGE EMPLOYER OF CHOICE

As part of its Sustainability Ambitions 2020 Lafarge aims to be recognized as an "Employer of choice" in at least 20 countries. In 2013 our businesses in Morocco, Brazil and France were recognized as Employer of choice. Moreover 18 countries, including Poland, India, and Nigeria, implemented surveys dedicated to well-being at work or employee satisfaction. While the 2013 global turnover resulting from all Company departures (including divestments, redundancies, retirements, etc.) was 16.1%, Lafarge continues to attract and retain talents, since the employee turnover rate for those employees choosing to leave the Group (also included in the global turnover) was only 5.3%.

SOCIAL DIALOGUE FOR A GLOBAL AND SHARED STRATEGY

Lafarge values the involvement of employee representatives, especially in a rapidly changing business environment. In May 2013, Lafarge signed with the Building and Wood Workers'International (BWI) and IndustriALL Global Union a new Global Framework Agreement on corporate social responsibility and international industrial relations. This agreement was signed in the presence of the ILO Director General.

At country level, employees and management have regular exchanges on Group strategy. In 2013, 82.8% of countries informed their employees on business and strategy. In addition, health & safety and well-being at work remain the most discussed topics as part of our social dialogue. At the European level, Lafarge signed a declaration in May 2013 with its European Works Council and the EFBWW on well-being at work which aims to enshrine key principles and promote Group best practices. Today 97.5% of our employees benefit from a Health & Safety Committee, allowing us to improve our safety results (see Section 4.2.1 of the report).

EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS

	2013	2012	2011
Health and safety	62%	62%	59%
Restructuring	58%	58%	57%
Compensation and benefits	64%	62%	58%
Others	36%	28%	35%
Staff employees represented by staff representatives or trade union organizations	64%	70%	70%
Entities with collective agreements	75%	78%	74%
Entities having informed their employees on strategy	83 %		

4.2.3 COMMUNITY DEVELOPMENT AND OUTREACH

We are a local business. Our products and solutions - manufactured and sold locally - are essential to the economic growth of the regions in which we operate. In turn, our development is closely linked to that of the communities around our sites: for Lafarge to thrive over the long term so must our communities. We have therefore set ourselves ambitious objectives to promote local socio-economic development, covering volunteering, local job creation and structuring engagement with stakeholders. In 2013 we focused on putting the organization into place to help our countries achieve these ambitions, in line with the Groups' integrated approach.

a) Integrated approach to stakeholder engagement

Stakeholder engagement facilitates the delivery of our business objectives and supports the achievement of our Sustainability Ambitions 2020. This is why we believe that we must have an integrated approach to this topic. Whether we are promoting more sustainable water management, introducing a new alternative fuel or working with our transport contractors on road safety, there is an impact on the communities around our sites. Therefore, it is necessary to dialog and involve our stakeholders as part of the project. Our engagement with communities is guided by our recently updated Group methodology and toolkit, which help sites structure their engagement and evaluate their actions.

Hence, in 2013 52% of sites met regularly with stakeholders. Over 3,300 meetings took place (a 30% increase over 2012). 28% of these meetings were formal settings, with the remainder in more informal settings. Around 1,900 community programs were undertaken. 25% of these programs concentrated on promoting education and skills development, 16% focused on health issues and 14% were dedicated to job creation. This increased level of engagement can be contrasted with a reduced number of managers having participated in training on the topic (46% in total) and the reduced number of sites with action plans in place (29%).

The benefit of increased engagement can perhaps be seen in the reduction of site managers experiencing difficult relations with stakeholders (38%, down from 45% in 2012). Of those experiencing difficulties, 59% classified the issue as minor, with the remainder seeing them as more serious issues impacting on the site's image or business. Examples of sites where difficult relations are evident can be found on the Lafarge website.

	Total	Cement	Aggregates and Concrete
Sites managers mapping their stakeholders	54%	69%	39%
Sites managers developing action plans	30%	48%	10%
Sites managers meeting regularly with their local stakeholders/representatives of local communities	63%	86%	40%
Sites managers running corporate social responsibility actions	70%	83%	57%

b) Launching our Group volunteering program

The community-related objectives that we set as part of our Sustainability Ambitions 2020 program are bold. Volunteering is a relatively new initiative at Group level and in 2013 we worked on implementing the necessary infrastructure to support its roll-out, identifying sponsors in each country and preparing tools to assist with deployment. In 2013 a total of over 57,000 hours were recorded, with volunteering schemes in place at over 250 operational sites and programs in areas such as affordable housing, education and nature conservation. Our operations in the United States recorded 15,000 volunteering hours, for example, working with Wildlife Habitat Council on education initiatives close to our operations. In Ecuador, employees are encouraged to propose community-based volunteering activities, ensuring strong mobilization and more effective, targeted actions.

c) Managing our socio-economic footprint

In 2013 we continued to deploy the tool developed in partnership with CARE France to measure the socio-economic footprint of our operational sites, running key missions at Arasmeta plant in India and Kanthan plant in Malaysia. Quantitative and qualitative data collected in Malaysia, for example, provided useful input for the plant's local stakeholder action plan. The plant today supports over 12,000 people in the surrounding area and runs over 30 community programs, focusing mainly on education initiatives. The plant is using this information and feedback from face to face interviews to strengthen its stakeholder engagement. This is particularly important at the current time, in the face of some local concerns about the site's quarry development program.

An area in which we can clearly contribute to local socio-economic development is in programs to support local employment, provide vocational training or basic education. 37 % of our countries had such a plan in place by the end of 2013; our aim is to increase this to 75% by 2020. In Algeria, for example, we set up the Hirfati ('My profession' in arabic) program to train local unemployed builders in masonry finishing skills, also helping them to find employment with local customers after their training is completed. Our cement business in Bangladesh organized free training courses in solar panel installation and mobile servicing, areas identified as offering significant job opportunities in the region. More than 120 trainees completed the courses in the first two years, all of whom subsequently found employment. Finally, the Beoçin Business Park project initiated by our team in Serbia in 2012 continued to thrive, with the arrival of a fourth investor in 2013, bringing the total number of jobs created since the start of the project up to 350.

4.2.4 SUSTAINABLE SUPPLY CHAIN

The United Nations Principles on Human Rights and business (also known as the Ruggie principles) state that as part of their responsibility to respect Human Rights, companies must carry out due diligence to ensure that their commercial partners also respect these rights. Over the past four years, Lafarge has worked towards the integration of sustainability assessment into the sourcing process. Ensuring the sustainability of our supply chain contributes to our operational performance and helps us deliver on other key business objectives such as the use of 50% of alternative fuels, which requires reliable and sustainable strategic sourcing.

a) Ensuring respect of United Nations Global Compact principles

As part of our Sustainability Ambitions 2020, we have set an objective for all purchase orders to include a requirement to adhere to the United Nations Global Compact (UNGC) principles. Third party assessment must also be carried out for critical suppliers. In 2013 we focused mostly on the first objective, which resulted in 99% of our purchase orders including the requirement to adhere to UNGC principles. This result is in line with the objective announced in our 2012 Sustainability Report.

b) Evaluating our Suppliers' sustainability practices

We also continued our efforts to assess critical suppliers based on their sustainability practices. We engaged EcoVadis, a company that specializes in supplier assessments, to carry out a category risk mapping of our suppliers to assess their sustainability risk. As part of this assessment, we are evaluating suppliers on potential risks linked to social, environmental and ethical practices. In 2013, 300 critical suppliers were assessed by a third party in the United States, Canada, France, Algeria, Germany, Greece, Pakistan, India, Bangladesh, China, Malaysia, Philippines, Morocco, and South Africa. Because this is a new field of endeavor for Lafarge, we chose to start implementing this ambition in very diverse countries in terms of Human Rights risks, quality of suppliers' base and size of our business.

In 2014 we aim to extend the roll-out of this objective to all countries. We have also revised our initial target upwards, with the aim of assessing another 300+ critical suppliers in 2014 and 80% of our total spend by 2020.

In 2013 to help our suppliers go through the assessment process, we held several webinars to train our in-country purchasing teams and we developed a brochure translated into the Group's main languages. We also identified key success factors for implementation, including inclusion of this ambition in purchasing teams' annual objectives, awareness raising and capacity building for both purchasing teams and suppliers.

c) Contributing to raising the bar in sustainability practices

Once suppliers have been evaluated, this information will provide the country purchasing teams with an accurate mapping of their suppliers' practices and will be used to establish corrective action plans when required. The benefit for the suppliers is that they will receive feedback on their practices, which will allow them to work with Lafarge on improving performance. They will also be able to use a successful assessment with other potential clients to grow their business.

In 2013 we decided to include sustainability criteria in our tender processes. This commitment has been emphasized in the new Code Of Business Conduct that Lafarge requires its suppliers to endorse before doing business with them. This action will be implemented in 2014.

Finally, Lafarge is active through the World Business Council for Sustainable Development Cement Sustainability Initiative (CSI) working group devoted to supply chain sustainability. In 2013 the CSI agreed on key principles referring to United Nations Global Compact principles to include in supplier's due diligence processes.

4.3 BUILDING SUSTAINABLY

4.3.1 SUSTAINABLE CONSTRUCTION AND CITIES

Increasing urbanization brings many social and environmental challenges. The construction sector as a whole must develop solutions to meet the needs of the world's populations in terms of decent housing and infrastructure, contributing to an improvement in the quality of life in towns and cities, while ensuring that this is not to the detriment of the natural environment. With this in mind, we are harnessing our innovation to contribute to building better cities and climate change adaptation, developing high value-added products and solutions and devising new building systems in partnership with players all along the construction chain.

a) Innovating throughout the value chain

With our new Innovation organization in place, we focused in 2013 on helping our countries to develop segmented offers to meet the specific needs of their local markets. In Morocco, for example, we developed an offer for the mid-range collective housing segment, preparing nine construction solutions such as insulating roofs, fast-placing screed and a lost-framework solution to allow more efficient, faster construction. In the Philippines, we developed a complete solution for green roof construction in partnership with Sika, a manufacturer of waterproofing membranes, using Lafarge lightweight aggregates. Aesthetically pleasing, green roofs can also contribute to more efficient water management, help reduce the 'heat island effect' in towns and cities and improve energy efficiency. In France, we went a step further, licensing the ABCD+ positive-energy house concept developed in partnership with French home builder Cécile Robin to other individual home builders across the country. This concrete detached house combines traditional techniques with innovative materials such as pumice-stone concrete blocks for optimal energy efficiency.

b) Developing specialized in-house expertise

Our innovation strategy is supported by our research center near Lyon, France. The world's leading building materials research facility, its research projects are closely aligned with the needs of our businesses. For example, our research teams are working on solutions for energy efficiency, renovation – particularly in developed countries – and affordable housing; but also binders, recycled asphalt and aggregates. They work in close partnership with our global network of local development laboratories. A fourth laboratory was inaugurated in Algeria in November 2013, adding to existing facilities in France, India and China. Further laboratories are planned in Brazil and Malaysia in the short term and by 2015, the Group should boast around ten of these facilities, allowing us to adapt our solutions to meet local needs, constraints and market opportunities.

Our dedicated team of in-house specialists continued to develop the Efficient Building™ catalog of cement-based construction systems, now numbering over 50. This catalog includes information on technical and environmental performance, aesthetics, cost, along with commercialization guides, calculation tools and guides for local adaptation. An example of a construction system from the Efficient Building™ catalog is the double-skin concrete wall, developed by Lafarge experts working in partnership with French construction company GBE Innovation. Consisting of a high-performance insulating panel placed between two layers of concrete, this system eliminates thermal bridges, a major case of energy loss in buildings. Furthermore, since interior walls can be left exposed, the thermal inertia of concrete can be used to regulate interior temperature.

c) Partnering with other players in the construction chain

In 2013 we continued to reinforce our high-level specialized sales functions: Construction Specialists, deployed in each country, and International Key Account Managers. Liaising with specifiers and decision-makers at a very early stage in construction projects, their role is to analyze particular needs and offer appropriate products and solutions. We also continued to develop partnerships with other players in the construction chain in 2013 through global programs such as WBCSD's Energy Efficiency in Building (EEB 2.0) initiative and at country level. In Morocco, for example, we developed a partnership with Reichen & Robert and Novec, respectively the urban planning agency and engineering design firm in charge of the Zenata new 'eco-city' project.

4.3.2 ACCESS TO HOUSING

We have developed our affordable housing project to help meet the enormous challenge of providing the world's population with decent, sustainable housing. Over the past two years we have developed a unique portfolio of affordable housing projects across a range of geographies, including Northern and Sub-Saharan Africa, Asia and Eastern Europe. By the end of 2013, projects had been launched in 15 countries, benefiting over 120,000 people. While contributing considerable social benefits, this is not an exercise in philanthropy: five projects were already profitable in 2013 and all are expected to deliver additional Ebitda in 2014.

a) Structuring our offer

Our affordable housing offer is organized around four specific market segments:

- Microfinance, to help people in emerging markets to fund the construction, renovation or extension of their homes
- Earth and cement solutions, to improve the durability of traditional earthen homes today used by an estimated 2 billion people
- Bagged concrete for slum rehabilitation
- Social housing in emerging markets, as well as developed countries.

b) Scaling up our microfinance project

By the end of 2013 microfinance projects for affordable housing were in place and profitable in Indonesia, Serbia, the Philippines and Zambia. Other projects were also in the pipeline in Morocco, Sri Lanka and Bangladesh. In order to achieve our ambitious objectives in this area, we are working in partnership with local microfinance institutions (MFIs), banks and retailers. In the Philippines, for example, our affordable housing solutions are today available in over 200 outlets: either banks proposing microfinance loans bundled with building materials – with over 1,000 credit officers trained so far - or retailers proposing materials bundled with microfinance. In addition to products and access to finance, our microfinance offer includes technical support from architects and developers throughout construction projects.

Following the launch of a partnership with the French Development Agency (AFD), we announced in October 2013 the AFD's contribution of 5 million euros to the LAPO (Lift Above Poverty Organization) microfinance institution, our partner in Nigeria. This will enable low-income families to finance the construction, expansion and renovation of their homes, helping to improve their living conditions.

c) Construction solutions tailored to local market needs

In 2013 we continued to roll out our innovative solution to deliver ready-mix concrete in bags to slums in Mumbai, helping to improve the quality and durability of housing in these informal settlements. We also developed solutions adapted to the rural market, with the launch of DuraBric in Malawi. This new cement binder can be mixed with soil to manufacture soil stabilized blocks for individual home building. Adapted to local construction methods, these blocks do not need to be burnt on wood fires, leading to less deforestation and soil erosion. They are also more durable and water resistant than traditional burnt earth bricks.

Our affordable housing offer is not limited to emerging markets. In 2013 we continued to develop construction solutions for the social housing segment in developed markets, optimizing the use of the modular properties of concrete to develop projects such as Les Hauts Plateaux, the vertical housing estate in Bègles, France that was inaugurated in October 2013.

4.4 BUILDING THE CIRCULAR ECONOMY

4.4.1 CO_2 AND AIR EMISSIONS

As part of our Sustainability Ambitions 2020, we have set an aggressive target to reduce our net CO_2 emissions per tonne of cement by 33% in 2020 compared to 1990 levels. We are also committed to further reductions in our NOx, SO_2, dust and mercury emissions, focusing on those plants where emissions are highest. Finally, in order to reduce potential negative impacts for the communities living around our sites, we have set objectives to improve the visual impact of our operations and reduce night-time noise.

a) Continuing to reduce our carbon footprint

At the end of 2013 we recorded a 26% reduction in CO_2 emissions per tonne of cement, representing a 202kg reduction in CO_2 emitted per tonne of cement compared to 1990 (Kyoto reference year) and around 31.3 million tonnes of carbon emissions avoided in 2013. In 2013 our emissions from electricity consumption (Scope 2) were stable compared to 2012 levels, at 8.4 million tonnes, and emissions induced by our activities (Scope 3) amounted to 2.4 million tonnes. This is the first year that we are reporting on these Scope 3 emissions, focusing specifically on emissions related to the transportation of our products, where the impact is highest and where we can also ensure maximum accuracy of our reporting. Our Carbon Disclosure Project score for carbon disclosure in 2013 was 96/100 and we are included in the Carbon Disclosure Leadership Index for France.

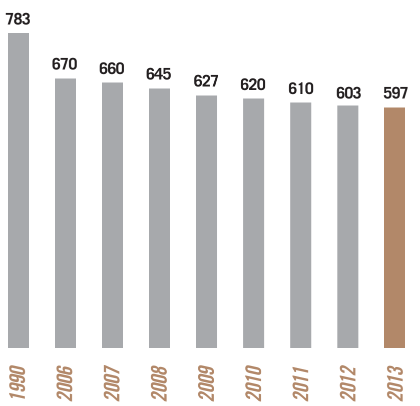
The further improvement in our CO_2 performance was achieved thanks to:

- Better kiln energy efficiency;
- An increase in our use of alternative fuels, including carbon-neutral biomass;
- The continuing reduction in the clinker intensity of our cements, as we develop blended cements for a range of different applications. Our clinker factor was 71.9% in 2013, compared to 72.6% in 2012 and 84.5% in 1990.

In addition to the ongoing industrial performance programs that have been driving these changes, our R&D teams continued to develop our new generation lower carbon Aether® cements in 2013, working on formulations for different ready-mix and precast applications.

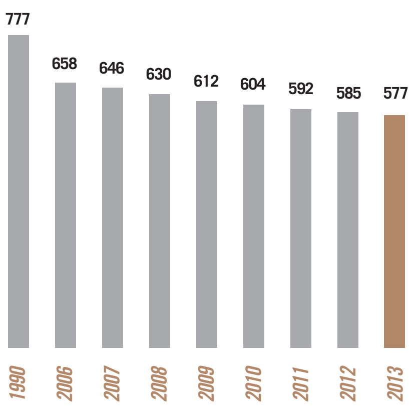
We also signed a partnership with the US start-up Solidia Technologies® to industrialize an innovative technology involving CO_2 capture to produce pre-cast concrete. Finally, we continued to develop new products and solutions to improve building energy efficiency, such as our Thermedia™ range of structural insulating concrete, or our Efficient Building™ construction systems.

GROSS CO_2 EMISSIONS (kg per tonne of cement)



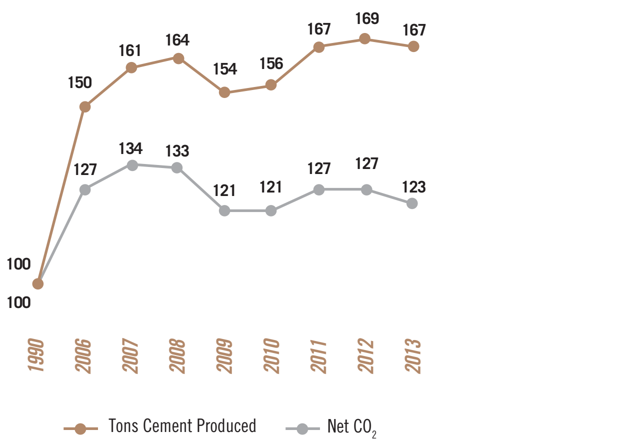
In 2013 our gross emissions per tonne were 23.9% lower than 1990 levels.

NET CO_2 EMITTED (kg per tonne of cement)



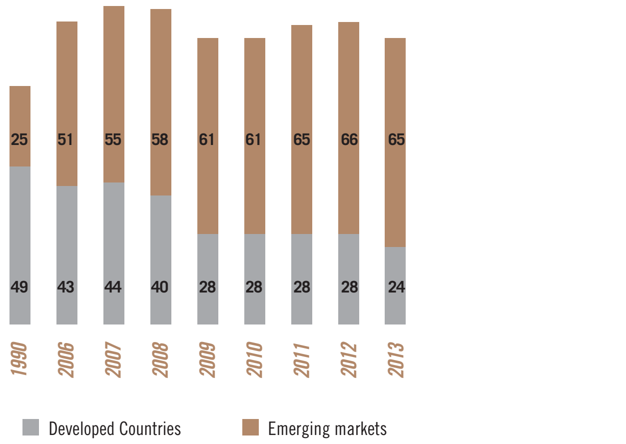
In 2013 our net emissions per tonne were 26.0% lower than 1990 levels.

CARBON EFFICIENCY IN OPERATIONS



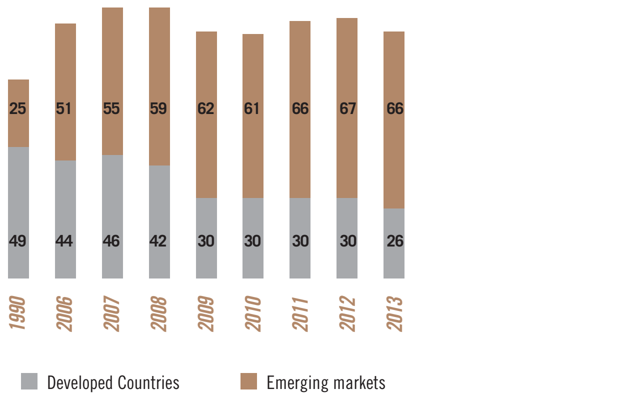
In 2013 we produced 67% more cement than in 1990 but our CO_2 emissions increased by only 23% over the same period.

NET CO_2 EMISSIONS (million tonnes)



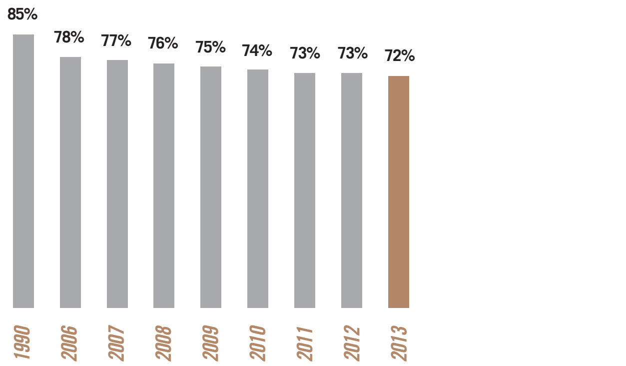
In 2013 our net emissions decreased by 4.2% compared to 2012 while our production decreased 2.4%.

GROSS CO_2 EMISSIONS (million tonnes)



In 2013 our gross emissions decreased 3.6% vs. 2012 while our production decreased 2.4%.

CLINKER FACTOR (percentage)



Clinker, the component of cement whose production is associated with CO_2 emissions has decreased 14.9% since 1990.

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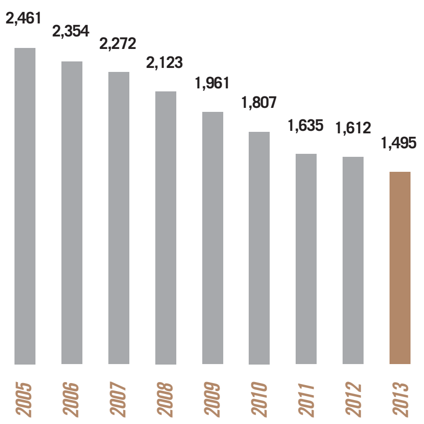
b) Managing our air emissions

Our Sustainability Ambitions 2020 program includes demanding new targets for reductions in our NOx, SO_2 and dust emissions, set against a new baseline year of 2010. In 2013 we achieved significant reductions in all emissions: -26% for dust, -6% for SO_2 and -17% for NOx. These improvements were achieved through a program focusing on those plants where emissions were highest. We installed new bag filters to reduce dust emissions at plants in Romania, Moldova, Russia, Uganda, and Tanzania, and introduced NOx and/or SO_2 abatement technologies at two of our plants in the USA. There are also nine ongoing projects to reduce NOx emissions at plants in China.

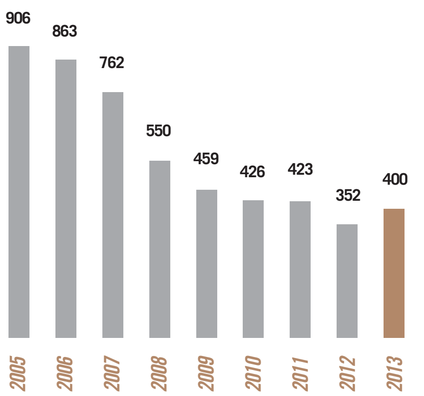
As part of our Sustainability Ambitions 2020, we also aim to reduce mercury emissions per ton of clinker by 30% compared to 2010 levels. This year we are reporting on these emissions for the first time, recording a slight reduction of 1%. In 2013 we focused on identifying the sources of mercury at those plants where emissions are highest.

NO_X EMISSIONS (g/t clinker)



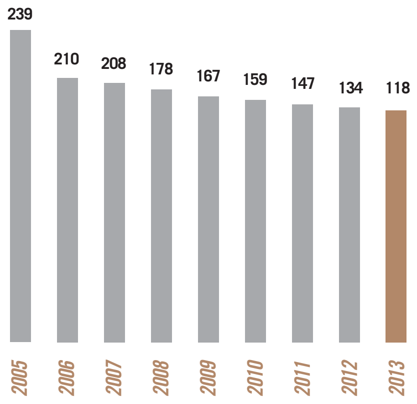
There has been a 17% reduction in NOx emissions since 2010.

SO_2 EMISSIONS (g/t clinker)



There has been a 6% reduction in SO_2 emissions since 2010.

DUST EMISSIONS (g/t clinker)



There has been a 26% reduction in dust emissions since 2010.

4.4.2 NATURAL RESOURCES – BIODIVERSITY AND WATER

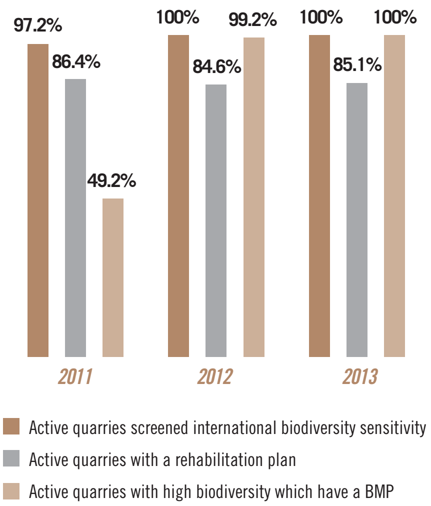
a) Biodiversity

Managing biodiversity and restoration over the long term is beneficial both for the environment and for Lafarge. Quarry restoration is essential to our license to operate. The most cost-effective way of carrying out quarry restoration at our sites is to work closely with local wildlife NGOs, universities and other local stakeholders to identify the most suitable local species. These species will have a much higher survival rate and will also help to enhance local biodiversity, for the benefit of our local communities.

OUR SUSTAINABILITY AMBITIONS OBJECTIVES

As part of our Sustainability Ambitions 2020, we have set an objective for 100% of our aggregate quarries and cement plants to implement Biodiversity Management Plans in line with Group standards. By the beginning of 2013 these were already in place at all our sites located in or near an international biodiversity sensitive area. During 2013 we identified those quarries situated in areas of local biodiversity sensitivity, using a methodology developed during our partnership with WWF International and through consultation with site personnel. In total, 22% of our quarries are situated in areas of local biodiversity sensitivity. 33% of these have already developed a Biodiversity Management Plan and our objective is for these plans to be in place at all locally sensitive quarries by the end of 2015. Our number of quarries with rehabilitation plans at the end of 2013 stayed level at 85%. Gains in some areas were offset by changes due to mergers, acquisitions and divestments. We aim to accelerate the development of rehabilitation plans in 2014.

PROGRESS TOWARDS GROUP AMBITIONS FOR REHABILITATION AND BIODIVERSITY



PROGRESS WITH AMBITIONS FOR REHABILITATION AND BIODIVERSITY

Sample of 726 quarries	2013
% of Quarries with rehabilitation plans (target 100% by 2015)	85.1%
% of Quarries screened for international biodiversity sensitivity using IBAT data (1)	100%
Quarries which operate within or adjacent to an internationally protected area (2)	21.7%
Quarries which operate within or adjacent to an international protected area with site biodiversity programs	100%
Quarries which operate within or adjacent to a locally protected area (3)	19.6%
Quarries which operate within or adjacent to a locally protected area with site biodiversity programs (target 100% by 2015)	36.6%
% of total Quarries with a biodiversity program (target 100% by 2020)	40.0%

(1) *IBAT: a world database of protected areas developed by IUCN, Birdlife, UNEP, Conservation International and WCMC*

(2) *Quarries within 0.5 km of IUCN I – VI, Ramsar, IBA, Natura 2000, Increase due to mergers and acquisitions*

(3) *Quarries within 0.5 km of local biodiversity sensitive area, quarries with protected habitats or species and quarries with naturally occurring caves.*

ACKNOWLEDGMENT FOR OUR ACHIEVEMENTS IN BIODIVERSITY

During 2013 Lafarge won several awards for biodiversity and quarry restoration. These included Sepolno Gravel Pit in Poland which won the European Aggregates Association (UEPG) award for restoration, for the development of a new restoration technique and Racos Quarry in Romania which won the UEPG special award for biodiversity for an outstanding biodiversity initiative involving sensitive landscaping and dialogue with stakeholders.

CONTINUING TO RAISE THE BAR IN BIODIVERSITY MANAGEMENT

During 2013 we developed a Group strategy for biodiversity, in close consultation with our International Biodiversity Panel. This strategy includes commitments related to opening new quarries in protected areas, as well as the development of a methodology to demonstrate net positive impact through quarry rehabilitation. This strategy will be published later in 2014.

In 2014 we will focus our efforts on driving the implementation of Biodiversity Management plans in locally sensitive areas. These should involve projects between our operations and local stakeholders, including local environmental NGOs and universities, for example, to build strong relationships between our sites and local biodiversity experts.

b) Water

As 20% of our cement production is located in areas of water scarcity, we have both a social obligation and a business interest in managing our water impact in a responsible way. As climate change and demographic growth put increasing pressure on this essential resource in certain parts of the world, our water use and discharge and relationship with our local communities on this issue matter more than ever before.

Our efforts to improve water efficiency have allowed us to reduce water consumption per tonne of cement by 10% since 2012.

We have been measuring and reporting the water footprint of our industrial sites for several years and continue to promote the reduction of water consumption through best practices such as rainwater harvesting, reuse of waste water and water recycling.

PREPARING THE GROUND FOR STAKEHOLDER ENGAGEMENT

In 2013 we focused our efforts on our cement operations in high-risk water basins, situated mainly in Northern and Sub-Saharan Africa, the Middle East, India and Pakistan. As part of our Sustainability Ambitions 2020 we are committed to continuing to reduce the water footprint of our operations in these zones, but also to promoting more responsible water stewardship in the wider water basin, working with the local stakeholders around our production sites. Understanding the water challenges within the basin and mapping existing stakeholders is the first step towards initiating any stakeholder engagement on water-related issues. In 2013 we therefore prepared a detailed "Basin ID" for each plant to analyze the basin in which it operates: physical characteristics, regulatory framework, current users and concerned parties, as well as any existing water initiatives. This work was carried out by our in-house environmental teams, working in partnership with local experts and NGOs. Based on this preparatory work, we will start working in 2014 on the development of partnerships in these priority basins, defining the appropriate type and level of local engagement for each water basin.

STRUCTURING OUR APPROACH TO MAXIMIZE SHARED VALUE

We have identified five potential areas in which we could contribute to more sustainable water management. These are as follows:

- facilitating access to water for local communities;
- helping to improve water quality;
- protecting and promoting biodiversity;
- helping to reduce the risk of flooding;
- raising awareness on water-related issues through local volunteering actions and communication campaigns.

Thus, in Algeria, pipes and water points installed by our M'sila cement plant in a very arid region of the country have helped to provide the local community with easy access to water for domestic and farming purposes. Another example is in Greece, where we have set up a partnership with a local drinks company near our Volos cement plant to reuse their waste water in our industrial process. This partnership has allowed us both to reduce freshwater consumption at Volos and eliminate discharge of wastewater into the sea by the drinks company. Going forward, the Water Steering Committee set up in 2013 will provide advice and support to countries as they develop appropriate local initiatives around their sites in 2014 and beyond.

4.4.3 ENERGY CONSUMPTION AND RESOURCE MANAGEMENT

As part of our Sustainability Ambitions 2020, we aim to use 50% non-fossil fuels in our cement plants by 2020, 30% of which should be biomass. In order to achieve these very ambitious objectives, we are increasing our direct sourcing of alternative fuel, in particular municipal and agricultural waste, where we can develop shared value projects that benefit Lafarge operations, the environment and the wider community. In 2013 we continued to increase our use of alternative fuel, achieving an average fuel substitution rate of 15.8% (17.2% on an equity consolidated basis, consistent with the reference for our Sustainability Ambitions 2020 target) over the year and more than 30% in 14 countries. 64 major capital projects to improve alternative fuel usage, plus many smaller ones, were initiated in 2013. We therefore expect further improvements in our fuel substitution rate going forward.

FUEL MIX IN THE CEMENT BUSINESS

(% of total)	1990	2011	2012	2013
Coal	55.1%	46.0%	38.9%	36.7%
Coke	8.4%	17.3%	21.1%	22.6%
Oil	15.7%	7.1%	7.7%	8.6%
Gas	18.1%	16.7%	18.4%	16.3%
Waste	2.0%	9.6%	10.0%	11.5%
Biomass (pure)	0.7%	3.3%	3.9%	4.3%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Scaling up our municipal waste and biomass projects

Municipal waste is a major issue in towns and cities in many emerging markets, where waste treatment facilities are either insufficient or non-existent. In 2013 we continued to develop our municipal waste treatment offer in a number of countries, such as Pakistan and Romania.

We also worked on scaling up our biomass projects, focusing in particular on Sub-Saharan Africa, where local farming activities generate significant amounts of agricultural waste. In 2013 our operations in Sub-Saharan Africa more than doubled their use of biomass as alternative fuel. Our cement business in Benin achieved a particularly strong increase in the use of biomass, reaching 25% in 2013 compared to 8% in 2012, complementing cotton waste – only available on a seasonable basis – with palm kernel shells.

Securing supply through strategic partnerships

Going forward, we will continue to focus on strengthening our municipal waste offer as well as securing our supplies of biomass. In this regard, we are looking to develop agroforestry projects in a number of countries. Developed with local communities, these allow the production of high value products, crops for the local population plus biomass residues for our plants. This could therefore help us to ensure the security of our energy supply, while generating significant social and environmental benefits for the communities around our plants. In 2013 we signed a Memorandum of Understanding with the Moringa Fund, sponsored by ONF International, to explore potential agroforestry projects in Nigeria, Kenya, Tanzania and Brazil. Pre-feasibility studies were carried out in Tanzania, Kenya and Nigeria at the end of 2013 and beginning of 2014.

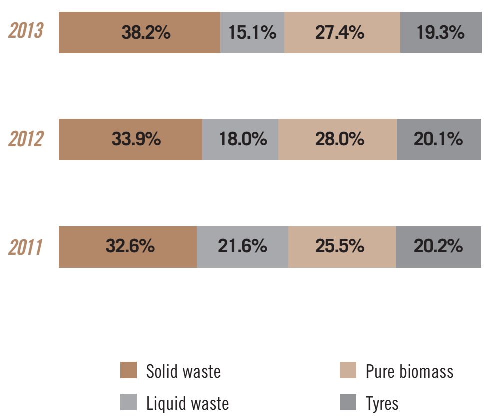
Developing our recycled products offer

As part of our ongoing efforts to optimize the use of non-renewable resources, we continued to develop our sales of recycled aggregates in 2013, increasing these by 88% compared to 2012. 18% of these sales were of our Aggneo™ brand of high-quality recycled aggregates, developed for a range of higher-value applications such as road base, road shoulders and drainage systems, and which are now available in France and Canada.

We also launched our concrete recycling project as part of our Sustainability Ambitions 2020, working first on the business case for ‘upcycling’ concrete, or Recycled Concrete Aggregate (RCA), into new concrete. At this stage, we are focusing mainly on non-structural applications, which represent around 65% of the overall world market. In 2013 in Canada we launched Stabilia™ low-strength recycled concrete that can be used as a base for paving stones or in utility trenches. Following laboratory trials and in-house pilots, we successfully carried out our first recycled concrete pour at a client site in September, using Aggneo™ Pro RCA, for a sidewalk in the City of Mississauga in Ontario, Canada.

Commercialization of our first recycled concrete products will continue in 2014, in countries such as the USA, the UK, Canada, Brazil and Qatar. We will pursue our research to allow us to incorporate all grades of recycled aggregate into concrete, including fines, looking at optimizing mix design and developing suitable admixtures to reduce water demand and shrinkage. Our researchers are also evaluating other recycled materials that could be incorporated into concrete, such as rice husks, plastics from inside computers or wood.

BREAKDOWN OF ALTERNATIVE FUELS



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4.5 KEY PERFORMANCE INDICATORS

4.5.1 TABLE OF KEY PERFORMANCE INDICATORS[(1)]

Issue	Key Performance Indicator (KPI)	2013	2012	2011	Scope	Ambitions 2020 Target[(2)]
BUILDING COMMUNITIES						
HEALTH AND SAFETY						
Fatalities	Number of fatalities (employees)	3	5	8	Group	
	Number of fatalities per 10,000 employees	0.47	0.77	1.11	Group	
	Number of fatalities (sub-contractors)	11	12	17	Group	
	Number of fatalities (third party)	12	8	9	Group	
	Total number of fatalities	26	25	34	Group	0
Lost time injuries	Number of lost time injuries (employees)	72	105	93	Group	
	Lost time injuries per 1 million man-hours (employees)	0.54	0.75	0.63	Group	
	Number of lost time injuries (sub-contractors)	51	51	62	Group	
	Lost time injuries per 1 million man-hours (sub-contractors)	0.44	0.47	0.58	Group	
	Lost time injuries per 1 million man-hours (total)	0.49	0.62	0.61	Group	0.45
	Total number of lost time injuries	123	156	155	Group	
COMMUNITY DEVELOPMENT AND OUTREACH						
Local stakeholders relationship [(3)]	Sites managers mapping their stakeholders	69% (C) 39% (A&C)	55% (C) 31% (A&C)	87% (C) 70% (A&C)	Group	
	Sites managers developing action plans	48% (C) 10% (A&C)	55% (C) 25% (A&C)	59% (C) 18% (A&C)	Group	100%
	Sites managers meeting regularly with their local stakeholders/representatives of local communities	86% (C) 40% (A&C)	67% (C) 34% (A&C)	78% (C) 55% (A&C)	Group	
	Sites managers running corporate social responsibility actions	83% (C) 57% (A&C)	72% (C) 47% (A&C)	69% (C) 56% (A&C)	Group	
	Number of hours of volunteering to locally selected projects	57,139	-	-	Group	1,000,000
	% of Countries having implemented job creation plans / education programs	37%	-	-	Group	75%
	% of Countries having measured their sites' socio-economic footprint	50%	-	-	Group	75%

Issue	Key Performance Indicator (KPI)	2013	2012	2011	Scope	Ambitions 2020 Target[(2)]
EMPLOYMENT, EMPLOYEE DIVERSITY AND SKILLS						
Workforce	Total headcount	63,687	64,337	67,923	Group	
	Percentage of full-time employees	98.7%	99.1%	99.0%	Group	
	Percentage of part-time employees	1.3%	0.9%	1.0%	Group	
	Percentage of permanent employees	97%	96.4%	97.0%	Group	
	Percentage of fixed-term contract employees	3%	3.6%	3.0%	Group	
	Percentage of employees under the age of 30	14.5%	15.0%	16.1%	Group	
	Percentage of employees between 30 and 50	63.5%	63.6%	63.0%	Group	
	Percentage of employees above 50	22%	21.4%	20.9%	Group	
Turnover	Employee turnover rate	16.1%	14.2%	N/A	Group	
	Voluntary employee turnover rate	5.3%	4.6%	N/A	Group	
	Number of hirings	6,991	5,544	7,400	Group	
	Number of resignations	3,354	2,996	3,770	Group	
	Number of retirements	993	910	776	Group	
	Number of redundancies	2,025	3,298	4,308	Group	
	Number of deaths	114	98	125	Group	
	Total number of male/female fatalities	24M/2F	24M/1F	33M/1F	Group	
Employees by business	Number of employees in cement	37,948	41,249	43,392	Group	
	Number of employees in aggregate and concrete	25,009	21,780	23,242	Group	
	Number of employees in other businesses	730	1,308	1,289	Group	
Employees by region	Number of employees in Western Europe	14,431	11,448	12,202	Group	
	Number of employees in North America	7,752	8,821	9,604	Group	
	Number of employees in Central and Eastern Europe	6,086	7,041	7,464	Group	
	Number of employees in the Middle East and Africa	19,055	19,644	20,376	Group	
	Number of employees in Latin America	2,269	2,609	2,535	Group	
	Number of employees in Asia	14,094	14,774	15,742	Group	
Employer of choice	Number of countries where Lafarge is recognized as “Employer of choice”	3	-	-	Group	20
Training and skills development	Number of hours of training	1,557,717	1,577,585	1,611,339	Group	
	Average number of hours of training for management staff	37	39	41	Group	
	Average number of hours of training for non-management staff	36	33	29	Group	
	Percentage of management staff having an annual performance review (M/F)	91.9%/ 92.4%	88.0%	91.0%	Group	
	Percentage of non-management staff having an annual performance review (M/F)	73.7%/ 80.4%	63.0%	62.0%	Group	
	% of our key positions covered by certification programs	25%	-	-	Cement	75% (Group)
	For job families with certification programs, % of employees with a completed program for their position	35%	-	-	Cement	75% (Group)

Issue	Key Performance Indicator (KPI)	2013	2012	2011	Scope	Ambitions 2020 Target[2]
Diversity	% of women in senior management positions	18.6%	16.4%	15.8%	Group	35%
	% of entities with a recruitment and/or career development plan aimed for a specific population.	37%	45%	31%	Group	
	Of which, % of entities with a specific program for women	70%	76%	75%	Group	
	Of which, % of entities with a specific program for disabled workers	37%	33%	25%	Group	
	% of countries rated at level A or B according to Lafarge diversity maturity categorization criteria	52.5%	-	-	Group	75%
Working hours	% of employees working on (3) 8h shifts	14.1%	16%	15%	Group	
	% of employees working on (2) 8h shifts	8.7%	8.2%	9.4%	Group	
Social dialogue	Number of entities having had strike actions	6	4	9	Group	
	Percentage of business units where employees are covered by collective agreements	75.3%	78%	74%	Group	
	Percentage of total workforce covered by Health & Safety Committees	97.5%	99%	98%	Group	
GOVERNANCE						
	% of countries that have implemented the Competition Compliance Program	100%	100%	96%	Group	
	% of purchases from suppliers who have agreed to respect communities and workers'human rights	99%	-	-	Group	100%
	Number of suppliers assessed by third party on ESG issues	311	-	-	Group	
BUILDING SUSTAINABLY						
	Sales of new sustainable solutions, products and services	1.8	2.2	2.3	Group	3 billion per year
BUILDING THE CIRCULAR ECONOMY[4]						
CO_2 AND AIR EMISSIONS						
Carbon emissions	Total CO_2 emissions - gross (million tonnes)	92.5	96.7	96.5	Cement	
	Total CO_2 emissions - net (million tonnes)	89.4	93.8	93.7	Cement	
	Specific CO_2 emissions - gross (kg/tonne cementitious material)	597	603	610	Cement	-33% vs 1990
	Specific CO_2 emissions - net (kg/tonne cementitious material)	577	585	592	Cement	
	GHG emissions from energy purchased and consumed (scope 2)	8.72	8.91	9.003	Group	
	GHG emissions from transportation (scope 3) [5]	2.4	-	-	Group	

Issue	Key Performance Indicator (KPI)	2013	2012	2011	Scope	Ambitions 2020 Target[2]
Air emissions	Total NO_x emissions (tonne/year)	166,562	187,554	188,828	Cement	
	Specific NO_x emissions (g/tonne clinker)	1,495	1,611	1,636	Cement	-25% vs 2010
	Total SO_2 emissions (tonne/year)	44,622	41,076	49,404	Cement	
	Specific SO_2 emissions (g/tonne clinker)	400	353	428	Cement	-30% vs 2010
	Total dust emissions (tonne/year)	13,121	15,463	16,842	Cement	
	Specific dust emissions (g/tonne clinker)	118	133	146	Cement	-50% vs 2010
	Mercury emissions - t/year	3.5	3.8	3.8	Cement	
	Mercury emissions mg/tonne clinker	31.7	32.7	33.0	Cement	-30% vs 2010
	Dioxin/furans emissions - g TEQ/year	3.1	3.3	4.7	Cement	
	Dioxin/furans emissions pg/tonne clinker	27.4	28.1	40.4	Cement	
	VOC emissions - kt/year	3.8	3.8	4.5	Cement	
	VOC emissions g/tonne clinker	34.0	32.8	39.0	Cement	
	Heavy Metals Emissions [6] ("HM1"): Cd + Tl [1] (tonne/year)	3.93	4.26	4.06	Cement	
	Heavy Metals Emissions ("HM2"): Cd + Tl [1] (mg/tonne clinker)	35.3	36.6	35.2	Cement	
	Heavy Metals Emissions ("HM2"): Pb + As + Co + Ni + Sb + Cr + Cu + Mn + V [2] (tonne/year)	110.3	115.3	124.15	Cement	
	Heavy Metals Emissions ("HM2"): Pb + As + Co + Ni + Sb + Cr + Cu + Mn + V [2] (mg/tonne clinker)	989	991	1,075	Cement	
	Clinker produced with monitoring of "HM1" emissions (%)	57%	56%	44%	Cement	
	Clinker produced with monitoring of "HM2" emissions (%)	58%	58%	45%	Cement	
	% Clinker produced with monitoring of dust, SO_2 and NO_x emissions	99%	97%	94%	Cement	
	% Clinker produced with continuous monitoring of dust, SO_2 and NO_x emissions	74%	71%	66%	Cement	
ENERGY CONSUMPTION AND RESOURCE MANAGEMENT						
Energy efficiency	Total energy consumption (PJ)	472.1	485.9	485.4	Group	
	Direct energy consumption by primary energy source (million Teo)	9.99	10.32	10.27	Group	
	Electricity purchased (GWh)	14,926	13,686	11,538	Group	
	Specific heat consumption of clinker production (MJ/tonne clinker)	3,625	3,652	3,659	Cement	
	Clinker intensity factor (%)	71.9%	72.6%	73.0%	Cement	
Alternative fuels	Alternative fuel rate (%)	15.8%	13.9%	12.8%	Cement	
	Biomass fuel fate (%)	6.3%	5.5%	4.7%	Cement	
Materials	Quantity of quarried material (million tonnes)	429.1	375.1	373.9	Group	
	Alternative raw materials rate (%)	8.36%	8.78%	8.24%	Group	
	Consumption of material (million tonnes)	468.2	420.9	415.3	Group	
Waste	Dust disposed on-site (kton)	479	557	556	Cement	
	Non hazardous waste recovered (kton)	356.3	352.9	221.4	Group	
	Non hazardous waste disposed (kton)	402.7	367.3	314.7	Group	
	Hazardous waste recovered (kton)	11.4	6.0	8.1	Group	
	Hazardous waste disposed (kton)	2.5	2.0	2.1	Group	

Issue	Key Performance Indicator (KPI)	2013	2012	2011	Scope	Ambitions 2020 Target[(2)]
NATURAL RESOURCES						
Biodiversity	Quarries with rehabilitation plans	85.1%	84.6%	86.4%	Group	100%
	Quarries screened for international biodiversity sensitivity using IBAT data	100%	100%	97.2%	Group	
	Quarries which operate within or adjacent to an internationally protected area	21.7%	18.5%	18.3%	Group	
	Quarries which operate within or adjacent to a international protected area with site biodiversity programs	100%	99.2%	49.2%	Group	
	Quarries which operate within or adjacent to a locally protected area	19.6%	-	-	Group	
	Quarries which operate within or adjacent to a locally protected area with site biodiversity programs	36.6%	-	-	Group	100% by 2015
	Total Quarries with a biodiversity program (target 100% by 2020)	40.0%	-	-	Group	100%
Materiality	Environment capital expenditure (million euros)	64.4	64.1	73.6	Group	
	Environment operating expense (million euros)	108.7	138.5	-	Group	
Water	% of production in regions with water scarcity or extreme water scarcity	20.0%	20.3%	24.7%	Group	
	Total water withdrawal from ground water (million cubic meters)	46.9	40.9	41.7	Group	
	Total water withdrawal from open water (million cubic meters)	225.1	221.5	211.6	Group	
	Total water withdrawal from municipal supply (million cubic meters)	12.9	12.5	13.6	Group	
	Rainwater harvested (million cubic meters)	7.4	16.1	15.7	Group	
	Net water withdrawal (million cubic meters)	126.9	125.6	120.8	Group	
	Quantity of water consumed (million cubic meters)[(7)]	100.30	82.56	81.78	Group	
	Sites equipped with a water recycling system	70.7%	69.7%	68.5%	Group	
Verification	Sites (in terms of revenues) audited as part of our environmental management system	94.4%	89.3%	84.6%	Group	

(1) *The following issues are addressed elsewhere in the Registration Document: (i) financial provisions for environmental risks (section 2.2.1.), (ii) actions to prevent corruption (section 5.1.2. b).*

(2) *Not all Sustainability Ambitions 2020 target are reported here. For instance, Lafarge will report the performance of its programs on visual and noise impacts in 2015.*

(3) *'Site managers' represent the target population for our stakeholder engagement program for the three years reported, although in some cases, the person fulfilling that role during the three years may have changed and results provided by area and regional managers may represent more than one site (if there are multiple sites under a manager's responsibility). Stakeholder mapping means that their local stakeholders and their needs are known. Annual engagement plans detail planned stakeholder engagement. Corporate Social Responsibility (CSR) actions represent financial or non-financial contributions towards community programmes or partnerships. The 2013 data is taken from a survey of 157 cement plant managers and 165 area and regional managers based in A&C product line (these roles represent the target population for this topic). The survey covered 1,023 sites and was completed by around 90% of respondents (147 respondents in cement and144 respondents in A&C).*

(4) *Energy conversion factors, emissions factors and global warming potential (GWP) rates are consistent with: The Greenhouse Gas Protocol (GHG) Initiative- A corporate accounting and reporting standard (Revised Edition, 2004) of the World Resource Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).*

(5) *This figure accounts for 87% of our scope. It includes business travel for managers.*

(6) *Except for mercury, heavy metals emissions are not included into the scope of verification.*

(7) *Water consumption volumes breaks down into 43.7 Mm^3 for cement and 56.6 Mm^3 for aggregates and concrete in 2013.*

4.5.2 REPORTING METHODOLOGY

a) Reporting standards

The rules for computing the KPIs are consistent with the GRI (Global Reporting Initiative) G4 reporting standard. Where detailed definitions of KPIs are defined by WBCSD - CSI (World Business Council for Sustainable Development - Cement Sustainability Initiative), the recommended CSI methodology is used for the calculation of the KPI. All elements for calculating KPIs are documented in a glossary specific to the Cement, or Aggregates and Concrete businesses. Compliance with GRI G4, details on materiality assessment and a summary of reporting standards used is documented online at http://www.lafarge.com.

Health and safety data is collected separately, taking into account our internal guidelines and external best practice. The Group's Social Policies department conducts a separate survey on social data. The KPI related to the training on stakeholder relationship is also tracked and verified. Local stakeholder relationship management training is organized around plant managers (in cement) and area/regional managers in aggregates and concrete.

b) Scope of consolidation and reporting methodologies

The reporting covers all business units and their industrial production sites under the Group's management control throughout the world.

When a new site is acquired by Lafarge, procedures and definitions for sustainability data are not necessarily in line with Lafarge standards. Accordingly we give new sites a maximum of four years to meet our standards but performance and emissions reporting are included from the start up date. This period is necessary to implement the appropriate management systems. When a plant is sold, we cease to include its performance data and we remove its data from the baseline data used for our Sustainability Ambitions, whether the reference year is 1990 or 2010. For plants divested during the year, social data is excluded for the entire year; for environmental and health and safety, data is included up until the time of divestiture.

We use the CSI Protocol V3 to calculate CO_2 emissions between the 1990 baseline and the reporting year.

In 2011 we changed our methodology for calculating air emissions to be in accordance with the March 2012 CSI guidelines for emissions monitoring and reporting in the Cement Industry (wbcsdcement.org). Previously, gas factors based on the type of kiln process were utilized whereas we now use gas factors based on the energy consumption of the specific kiln; prior years data and our baseline (2010) is restated using the this methodology for comparison.

For dust, SO_2 and NOx emissions, we use standard emission concentrations based on the site's kiln process when no measurements are available. In 2013 the standard emission concentration was applied to 1.2% of clinker production for dust emissions, 0.9% for SO_2 emissions and 1.6% for NOx emissions.

For water, dewatering of quarries and non-contact cooling water taken from surface water and returned to the same catchment is not included in net withdrawal.

For the calculation of safety KPIs that include contractors, contractor off-site hours are not included in the divisor and therefore these indicators may slightly overstate the frequency rates.

Social data and health and safety data are collected by business units and consolidated at Group level. Social data for 2013 in this report is derived from a social survey covering 89 entities representing 100% of the total Group workforce and includes majority owned entities and managed assets. Headcount data is compiled by an external consultant supervised by Corporate and Country finance departments. Absenteeism data is not consolidated due to the various national definitions under which this data is captured. We are currently working on a methodology to address this issue.

c) Control and assurance

Environmental data is collected by business line and consolidated at Group level. For cement, environmental experts in the regional technical centers (Beijing, Cairo, Montréal, Kuala Lumpur and Vienna) review and validate the performance data for the plants within their regions.

Bureau Veritas provides independent verification for sustainability data. A selection of key quantitative indicators (lost time injury frequency rate and fatality rate; total headcount, hours of training, workforce hirings, resignations, retirements, redundancies and death; women in senior and executive management; sites environmentally audited, quarries with rehabilitation plans and quarries screened for biodiversity and those having biodiversity management plans; consumption of energy, fuels used, CO_2, dust, NOx, SO_2, Mercury, VOC and Dioxins/Furans emissions, water withdrawals by sources and consumption quarried and alternative raw materials consumption) were reviewed to issue a limited assurance report.

4.5.3 VERIFICATION REPORT ON THE SINCERITY OF THE INFORMATION RELATIVE TO THE REQUIREMENTS OF TRANSPARENCY OF COMPANIES ON THE DISCLOSURE OF ENVIRONMENTAL AND SOCIAL TOPICS

The reviewed social, environmental and societal information are relative to year ended December 31, 2013

Request, Responsibilities and Independence

At the request of the Lafarge Group, and in accordance with the requirements of article L.225-102-1 of the French Commercial Code (Code de commerce), we performed, as independent third party, an independent verification of the social, environmental and societal information contained within the section 4 "social and environmental responsibility" of the 2013 Lafarge registration document.

The preparation and presentation of the qualitative and quantitative information for the publication required by the article R.225-105-1 of the French Commercial Code (Code de commerce) is the sole responsibility of Lafarge. The collection and management of this information has been coordinated by the Technical Director for Environment of the Lafarge in accordance with:

- the reporting procedure Group « group environmental standard » version V3.7.4;
- the group specific instructions and procedures, a summary of which is provided in Section 4.5.2.

This is further named « the reporting methodology », available at Lafarge's Head Office, and a summary of which is included under the form of a methodological note in the registration document section 4.2.5, which will be available on Lafarge's website.

It is our role, in accordance with the requirements of the article R.225-105-2 of the French Commercial Code (Code de commerce), to conduct the verification pursuant to the issuing of this verification report.

The conclusions of this report include:

- an attestation of completeness of the social, environmental and societal information required by the article R.225-105-1 of the French Commercial Code (Code de commerce);
- a reasoned opinion on the sincerity of the published information as well as a limited assurance opinion of the quantitative information, and if any a reasoned opinion on the explanation given in case of the omission of certain consolidated information.

This opinion is independently stated, and without partiality. Our work has been conducted according to the professional practice. Bureau Veritas has implemented its Code of Ethics which is applied by its staff.

Nature and scope of our work

During the period from October 2013 to February 2014, a team of verifiers competent in social responsibility conducted the work; they are experienced on social, environmental and societal issues.

We verified that the information covers the consolidated perimeter as defined in the articles L.233-1 and L.233-3 of the French Commercial Code (Code de commerce). The perimeter's adjustments for the social and environmental information are clarified in the methodological note of the registration document

For the attestation of completeness of the information we undertook the following work:

- taking note of the Group policy relative to sustainable development, according to its social and environmental impacts and its societal commitments;
- comparison of the information presented in the registration document with the list as provided for in Article R.225-105-1 of the French Commercial Code (Code de commerce);
- verification of the explanation in case of omission of consolidated information.

For the reasoned opinion on the sincerity of the information, we conducted our work in accordance with the legal order published on the 13th May 2013 determining the methodology according to which the independent third party conducts its mission.

We conducted the following procedures in order to provide limited assurance that nothing has come to our attention that causes us to believe that the produced Information contains any material misstatements likely to call into question its sincerity, in all material aspects according to the "reporting methodology":

- review of the « reporting methodology » with regard to relevance, reliability, completeness, neutrality, understandability of information, relating to good practice within the sector ;
- identification of the persons, within the Group, in charge of the collection, and if any, those who are responsible for the procedures of internal control and risk management;
- verification of the implementation of a process for the collection, treatment, compilation, internal control of the Information to guarantee their completeness and consistency;
- examination of the internal control and risks management procedures relative to the preparation of the Information ;
- discussions with persons in charge of the social, environmental and societal reporting;

- selection of consolidated information to be tested[(1)] and definition of the nature and the scope of the tests, taking into consideration their importance with regard to the social and environmental consequences related to the Group activities as well as to its societal commitments;
- regarding the quantitative information we recognized as to be the most important we have:
  - performed an analytical review of the information and check for a sample of information the calculations and the compilation of the information at the corporate level and the controlled entities,
  - selected a sample of sites[(2)] based on their activities, their contribution to the consolidated information, their localization, the results of the previous verification exercises and a risks analysis,
  - regarding each selected entity we performed the following work,
  - interview to check that the « the reporting methodology » is correctly implemented,
  - performance of detailed tests, checking, based on sampling, the calculation applied and reconciling the Information with supporting evidences.

  The sample of the selected sites represents around 20% of the reported data for the environmental and social information, and around 50% of the clinker production.
- Regarding the qualitative information, for the information we believe to be the most important, we have conducted interviews, examined source documents and, if any, public information.
- Regarding the explanations relative to the missing/omitted information, we assessed their relevance.

Comments on the « reporting methodology » and on the information

The procedures and process for the reporting of the group leads us to make the following comment:

- the additional verification of Technical Center is required for the information relative to water consumption in order to ensure the reliability of the data. In the aggregates quarries, the water consumption is most commonly estimated, it is necessary to strengthen the implementation of the internal reporting method of reporting and control;
- the method to account for subcontractor employee headcount differs between sites; however, at the global level the data is seen to be consistent on a year to year basis;
- although no major anomaly was detected on safety indicators, the collection of hours worked of subcontractors should be strengthened. Reinforcement to personnel of the definitions used to calculate safety indicators would increase the efficiency of the reporting process of these data.

4

Attestation of completeness of the information

Based on our work, and within the limit of the perimeter defined by the Group, we attest to the completeness of all the required information

Sincerity opinion and limited assurance

Based on our work nothing has come to our attention to suggest that the social, environmental and societal Information, communicated by Lafarge Group in its 2013 registration document, is not fairly presented in all material aspects in accordance with the reporting methodology.

The explanation in case of omission of consolidated information appears to be acceptable.

Puteaux, March 3, 2014

Bureau Veritas

Jacques Matillon

Agency Director

(1) *Information with limited assurance*

__Social Information:__ total headcount breakdown by gender, age, kind of contract of employment, status; workforce hiring; retirements; resignations; redundancies, death ; women in senior and executive management ; hours of training.

__Environmental and Health & safety Information:__ sites environmentally audited; dust; NOx; SO_2; Mercury; VOC, Dioxins /Furans emissions, water withdrawals by sources; consumption of energy, fuels used, consumption of quarried and alternative raw materials consumption, quarries with rehabilitation plans and quarries screened for biodiversity and those having biodiversity management plans, CO_2 emissions, lost time injury frequency rate and fatality rate.

(2) *For social information the contributor entities in the following countries: China, France, India, Malaysia and United States of America.*

For environmental and health & safety information: the cement and aggregates & concrete business units in China, France, India, Malaysia and United States of America, 2 regional technical centers (IPEA and China), 4 cement plants on site, 1 cement quarry, 2 aggregate quarries, 3 aggregates/concrete/asphalt centers located in the 5 countries above, moreover 7 cement plants have been verified off site.

5

RISKS AND CONTROL

5.1 Risk factor **146**

5.1.1 Presentation of the principal risks 146

5.1.2 Risk management... 154

5.1.3 Insurance and risk coverage 157

5.2 Internal control procedures **158**

5.2.1 Report of the Chairman of the Board of Directors on internal control procedures and on corporate governance (article L. 225-37 of the French Commercial Code) 158

5.2.2 Statutory Auditors' Report, prepared in accordance with Article L. 225-235 of the French Commercial Code (*Code de Commerce*), on the report prepared by the Chairman of the Board of Directors of Lafarge on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information 161

5.3 Auditing matters **162**

5.3.1 Auditors 162

5.3.2 Auditors' fees and services 162

5.3.3 Auditors' reports 163

5.1 RISK FACTOR

5.1.1 PRESENTATION OF THE PRINCIPAL RISKS

Lafarge operates in a constantly evolving environment, which exposes the Group to risk factors and uncertainties in addition to the risk factors related to its operations.

The materialization of the risks described below could have a material adverse effect on the operations, financial condition, results, and prospects of Lafarge and on the Lafarge S.A. share price on the stock exchange.

There may be other risks that have not been identified yet or whose occurrence is not considered likely to have such material adverse effect as of the date of this Registration Document.

The information given below is based on certain assumptions and hypotheses, which could, by their nature, prove to be inaccurate.

a) Risks related to the business

RISKS RELATED TO WORLDWIDE PRESENCE

Operations and cyclicality

Lafarge's products are used mainly in the construction sector (buildings and civil works). Demand for Lafarge's products in the different markets in which it operates depends on the level of activity in the construction sector. The construction sector tends to be cyclical and depends on various factors such as the level of infrastructure spending, the level of residential and commercial construction activity, interest rates, and, more generally, the level of economic activity in a given market. The cyclicality of the construction sector together with its dependence on economic activity could have a negative impact on the financial results and the profitability of the operations of Lafarge.

Lafarge manages this risk by operating in geographically diverse markets, with a portfolio of operations both in developed markets and in emerging countries, thereby minimizing its exposure to risk in a given country, although it might be significantly affected by global downturns or in individual significant markets.

See Risks relating to the global economic conditions on page 147.

See Section 2.3 (Results of operations for the years ended December 31, 2013 and 2012) on page 49 for the review of operations per geographical area.

Emerging markets

Approximately 58% of Lafarge's 2013 revenues are derived from emerging markets, defined as countries outside Western Europe and North America. Most of the Group's new production capacity projects are located in emerging markets.

Increased presence in emerging markets exposes Lafarge to risks such as gross domestic product (GDP) volatility, significant currency fluctuations, political, financial and social uncertainties and turmoil, terrorism, civil war and unrest, high inflation rates, exchange control systems, less certainty concerning legal rights and their enforcement and the possible nationalization or expropriation of privately-held assets, any of which could damage or disrupt operations in a given market.

For example, in 2013, in Syria, the activity continued to be impacted by the current environment.

See Section 5.1.2 (b) (Risk management systems – Management of the Group's assets portfolio) page 155.

While Lafarge has spread its emerging markets operations across a large number of countries, diversification efforts will not enable Lafarge to avoid risks that affect multiple emerging markets at the same time. No individual emerging country represents over 5% of its sales.

If such risks were to materialize in the future in a significant and lasting manner, this could have a negative impact on the recoverable value of a significant portion of the Group's assets.

See Risk on Acquisition-related accounting issues on page 150 and Note 10 (Goodwill) to the consolidated financial statements on page F31 for further information on main goodwill and the analysis on the sensitivity of recoverable amounts and on impairment losses.

See Section 2.3 (Results of operations for the years ended December 31, 2013 and 2012) on page 49 for the review of operations per geographical area.

Climate and natural disasters

Being present in a large number of countries increases Lafarge's exposure to meteorological and geological risks such as natural disasters, climate hazards, or earthquakes which could damage Lafarge's property or result in business interruptions, or increase the risk of litigation, and which could have a material adverse effect on the Group's operations.

The natural events modeling process put in place within the Group in the last years was updated in 2013 to take into account the latest improvements of the insurance market tools. It covers earthquake and windstorm risks.

At the same time, the program launched in 2011 to assess site by site the same natural disasters risks was continued. This program aims at classifying sites according to their risk exposure and identifying potential losses depending on their financial impact by event, country or financial year as well as the probability of occurrence.

The current outcome of the modelling process and of the assessment program is that 21% of the insured assets are classified in "significantly or highly exposed" classes for earthquake and windstorm risks.

In the future, other assets may prove to be exposed to meteorological and geological risks.

See Section 5.1.2 (b) (Risk management systems) on page 155 and Section 5.1.3 (Insurance and risk coverage) on page 157 for more information on risk management by the Group.

Seasonality and weather

Construction activity, and thus demand for Lafarge's products, decreases during periods of very cold weather, snow, or sustained rainfall. Consequently, demand for Lafarge's products is lower during the winter in temperate countries and during the rainy season in tropical countries. Sales in Europe, North America and other markets generally increase during the second and third quarters due to better weather conditions. However, high levels of rainfall or low temperatures can adversely affect operations during these periods as well. Such adverse weather conditions can materially affect operational results and profitability if they occur with unusual intensity, during abnormal periods, or last longer than usual in Lafarge's major markets, especially during peak construction periods.

See Section 2.3 Results of operations for the years ended December 31, 2013 and 2012 on page 49 for the review of operations per geographical area.

RISKS RELATED TO GLOBAL ECONOMIC CONDITIONS

Lafarge's results depend mainly on residential, commercial, and infrastructure construction activity, and spending levels.

The global economic and financial crisis that began during the second half of 2008 and the ongoing Eurozone sovereign debt crisis significantly impact the construction business in developed markets.

To varying degrees depending on the market, this has had, and may continue to have, a negative impact on product demand as well as Lafarge's business and operational results.

For example, operations in Greece and Spain have suffered from tougher economic conditions since 2009, resulting in particular from governmental austerity measures in the context of the sovereign debt crisis in the Eurozone. Together, both countries represent together approximately 2% of Lafarge's sales in 2013.

Lafarge has prepared internal analysis of potential worldwide demand for Lafarge's products for purposes of internal planning and resource allocation. Lafarge's analysis of worldwide demand for cement is described in Sections 1.3.1 (d) (Markets) on page 31 and 2.1.2 (2014 perspectives) on page 44.

Lafarge estimates that cement demand in its markets will grow between 2% and 5% in 2014 versus 2013 with an overall stabilization of Europe at low levels, a progressive recovery in North America, and continuous growth in most emerging markets.

Cost inflation should continue at a similar pace as in 2013, which should result in higher prices overall.

Lafarge pursues its strategy to extract the full value of its existing assets, notably through programs to reduce costs and increase the industrial performance, while continuing to reduce its debt level. While we believe that these actions, combined with a well-balanced geographic spread of high quality assets, should enable Lafarge to accelerate its organic growth, in particular through the development of innovative systems and solutions for its clients, tougher financial conditions could continue to negatively affect the Group's business operations and financial results.

Were the foregoing risks to materialize in the future in a significant and lasting manner, they could have a negative impact on the recoverable value of some of Lafarge's assets.

See Risk on Acquisition-related accounting issues on page 150 and Note 10 (Goodwill) to the consolidated financial statements on page F31 for further information on goodwill and on the analysis on the sensitivity of recoverable amounts and impairment losses.

See Section 2.3 page 49 for more information by geographical area.

ENERGY COSTS AND AVAILABILITY

Lafarge's operations consume significant amounts of energy (electricity, coal, petcoke, natural gas and fuel), the cost of which can fluctuate significantly, largely as a result of market conditions and other factors beyond Lafarge's control. Namely, energy prices are regulated in some countries where Lafarge operates. In addition, the availabilty of certain types of energy may change within some countries.

Energy cost inflation has been a key factor of margin erosion over the past few years, in particular in emerging markets, which have structural fixed cost inflation reflecting rapid increases in wages, production and logistics costs.

The markets in which Lafarge operates are competitive and in such environments the evolution of selling prices depends largely on supply and demand fluctuations.

In this context, Lafarge pays particular attention to the impact of energy price variations on the selling price of its products, although situations can vary greatly from one country to another or even within the same country, as markets are local and heavy products cannot easily be transported. It is therefore difficult to provide meaningful data on the impact of energy price variations on selling prices. Energy markets may be regulated in some of the countries in which Lafarge operates and the evolution of prices could have an adverse impact on the profitability of the operations of Lafarge's subsidiaries.

While Lafarge takes a number of steps to manage energy cost risk, it cannot be sure that they will be fully effective. For example:

- Lafarge occasionally enters into medium-term supply contracts. In addition, the centralized purchasing organization at Group level also gives more leverage with suppliers, enabling Lafarge to obtain the most competitive terms and conditions. Nonetheless, if supply contracts contain indexation clauses, they will not always protect Lafarge from fluctuations in energy prices. Similarly, fixed price contracts signed when prices are high prevent the purchaser from benefitting from possible subsequent price decreases;
- Lafarge also uses derivative instruments, mainly swaps and options, on organized markets or on the over-the-counter (OTC) market, to manage its exposure to risk related to energy cost fluctuations; and
- Lafarge diversifies its fuel sources, including alternative fuels such as biomass, used oil, recycled tires and other recycled materials or industrial by-products, which has resulted in less vulnerability to fossil fuel price increases and permits a reduction energy costs.

Although these measures aim to reduce negative effects, they may not be sufficient to protect Lafarge from its exposure to the volatility of energy prices or availabilty of energy. As an example, in 2013, in Egypt, cement sales volumes were affected by gas shortages.

As a result, material increases or changes in energy and fuel costs have affected, and may continue to affect, financial results.

See Sections 5.1.1 (b) (Financial and market risks) on page 150 below and Section 1.3.1 (b) (Production process) on page 31 for further information on the content and production of cement.

See also Section 2.3 Results of operations for the years ended December 31, 2013 and 2012 on page 49 for the review of operations by geographical area.

RISKS RELATED TO SOURCING AND ACCESS TO RAW MATERIALS

Quarries, permits and reserves

Access to the raw materials necessary for operations (limestone, gypsum, aggregates and other raw materials) is essential for sustainability and profitability of the Group's operations and is a key consideration in the investments.

Failure to obtain, maintain or renew these land and mining rights as well as any other permits, licenses, rights and titles necessary to carry out its operations or expropriation as a result of local legislative, regulatory or political action could have a negative impact on the Group's results or on the development of its activities.

Lafarge actively manages the quarries and production plants that it operates or expects to operate, and the related permits, licences, rights and titles, in order to secure its operations in the long-term.

Lafarge usually owns or holds long-term land and mining rights on the quarries of limestone, gypsum, aggregate and other raw materials essential to its operations. This factor is taken into account at the time of the investments.

See Section 1.3.4 (Mineral reserves and quarries) on page 39 for further information.

Other raw materials

In addition, Lafarge increasingly uses certain by-products of industrial processes, such as synthetic gypsum, slag and fly ash, produced by third parties as raw materials.

In general, Lafarge is not dependent on its raw materials suppliers and tries to secure the supply of the required materials through long-term renewable contracts and framework agreements, which ensure better management of supplies. Short-term contracts may however be entered into in certain countries.

Should existing suppliers cease operations or reduce or eliminate production of these by-products, sourcing costs for these materials could increase significantly or require Lafarge to find alternative sources for these materials.

For further information on quarries, see Sections 1.3.1 (b) (Production process) on page 31 and 1.3.4 (Mineral reserves and quarries) on page 39.

See Section 5.1.2 (b) (Risk management systems) on page 155 for more information on how Lafarge manages this risk.

RISKS RELATED TO COMPETITION AND COMPETITION LAW INVESTIGATIONS

Competition is strong in the markets in which Lafarge operates. Competition, whether from established market participants or new entrants could cause Lafarge to lose market shares, increase expenditures or reduce pricing, any one of which could have a material adverse effect on business, financial condition, results of operations or prospects.

This risk is partially compensated by certain characteristics of Lafarge's markets which are not limited to trade-off between price and volume.

The cement industry is characterized by its high capital intensity, limiting the number of potential players likely to operate in these markets due to the significant financial investments required. A greenfield cement plant represents an average investment of several hundred million euros.

Regulatory constraints for obtaining licenses to operate in some of the countries where Lafarge is present is another specificity of our markets. Marketing and innovation actions enable Lafarge to develop new products, services and solutions which are also differentiating factors.

Finally, the significant impact of transport costs, and the low technical obsolescence of industrial equipment, lead Lafarge to establish market positions which are both close to the customers and sustainable for the long term.

Given Lafarge's worldwide presence and the fact that it sometimes operates in markets in which the concentration of market participants is regarded as high by certain authorities, Lafarge is currently, and could be in the future, subject to investigations and civil or criminal proceedings by competition authorities for alleged infringement of antitrust laws or enjoying excess market power even without any finding of competition laws infringement. These investigations and proceedings can result in fines, civil or criminal liability, or forced divestments, which may have a material adverse effect on the image, financial condition and results of operations of some of the Group's entities, particularly given the level of fines imposed by European authorities in recent cases.

In November 2008, the major European cement companies, including Lafarge, were placed under investigation by the European Commission for alleged anti-competitive practices. In December 2010, the European Commission launched an official investigation, while indicating that this only meant that the Commission intends to pursue this as a matter of priority but does not imply that the Commission has conclusive evidence of any infringement. At this stage, given the fact-intensive nature of the issues involved and the inherent uncertainty of such litigation and investigation, Lafarge is still not in a position to evaluate the possible outcome of this pending and long-lasting investigation.

In the UK, the Competition Commission imposed on Lafarge-Tarmac Holdings (LT) a forced divestment of a cement plant (and some associated ready-mixed plants) in January, 2014, presumably due to oligopolistic market structure and related conduct, without any finding of infringement of competition law. LT lodged an appeal with the Competition Appeal Tribunal (CAT) on March 13, 2014 against the Competition Commission's, Final Report and its proposed remedies. The CAT decision is expected to be released by the end of 2014.

Lafarge is committed to the preservation of vigorous, healthy and fair competition as well as complying with relevant antitrust laws in countries in which it operates.

In line with this objective, Lafarge has established a competition policy and a competition compliance program (CCP) described in Section 5.1.2 (b) (Risk management systems) intended to provide the Country managements with appropriate guidance to ensure complaince with the Group CCP and the applicable competition laws. Nonetheless, these procedures cannot provide absolute assurance against the risks relating to these issues.

See Section 1.3 (Overview of operations) on page 28 for a description of competitors in each of Lafarge's markets.

See Note 29 (Legal and arbitration proceedings) to the consolidated financial statements on page F66 for further information on material legal and arbitration proceedings.

See also Section 5.1.2 (b) (Risk management systems) on page 155 for more information on the competition policy of Lafarge and management of this risk.

INDUSTRIAL RISKS RELATED TO SAFETY AND THE ENVIRONMENT

Although Lafarge's industrial processes are very well-known and are dedicated to the production of cement, Aggregates & Concrete, which are not usually considered to be hazardous materials, its operations are subject to environmental and safety laws and regulations, as interpreted by relevant agencies and courts, which impose increasingly stringent obligations, restrictions and protective measures regarding, among other things, land and product use, remediation, air emissions, noise, waste and water, health and safety.

The costs of complying with these laws and regulations could increase in some jurisdictions, particularly as a result of new or more stringent regulations or changes in their interpretation or implementation.

In addition, non-compliance with these regulations could result in sanctions, including monetary fines, against Lafarge.

The risks faced by Lafarge regarding the environment can be illustrated by the following example related to its operations in Germany. This country recently enacted legislation, effective 2018, that will require NOx emissions from the cement industry to be reduced to very low levels which typically cannot be achieved without the installation capital intensive specialized air pollution control equipment.

Another example, which is typical of the global trend to reduce anthroprogenic emissions, is the recently concluded multi-lateral Minimata Convention, a legally binding agreement to reduce releases of mercury to the environment. This agreement, negotiated under the auspices of the United Nations Environment Programme, governs the emissions of mercury and the impact of industry on the environment.

Although Lafarge is active in developing solutions in anticipation of such changes, at this stage, it is still difficult to foresee the impact of such potential changes on its results.

Lafarge has implemented internal standards at Group level whereby environmental risks are taken into account in the management cycle and have developed a unified and consistent reporting system in each Division to measure and control environmental performances. Nonetheless, these procedures cannot provide absolute assurance against risks relating to these issues.

See Section 4.4 (Building the circular economy) on page 130 for more information on the impact of environmental matters on operations, environmental policy and various environmental initiatives.

In terms of security risks, Lafarge's main objective is to reduce lost time injuries and fatalities and is implementing a risk mitigation strategy, which is further described in Section 4.2.1 (Health and Safety: our first priority) on page 121 and Section 5.1.2 (b) (Risk management systems) on page 155.

For all industrial risks, see Section 5.1.2 (b) (Risk management systems) on page 155 for more information on how the Group manages these risks.

See also Note 2.3 (Use of estimates and judgment) on page F14 and Note 24 (Provisions) to the consolidated financial statements on page F53.

RISKS RELATED TO LITIGATION

Lafarge has worldwide operations, and subsidiaries are required to comply with applicable national and local laws and regulations, which vary from one country to another. As part of its operations, Lafarge is, or could be in the future, involved in various claims, as well as legal, administrative and arbitration proceedings and class action suits. New proceedings may be initiated against the Group's entities in the future.

In connection with acquisitions made in past years, Lafarge or its subsidiaries are or may be faced with various demands or complaints, including those from minority shareholders.

In connection with disposals made in the past years, Lafarge and its subsidiaries provided customary warranties notably related to accounting, tax, employees, product quality, litigation, competition, and environmental matters.

Lafarge and its subsidiaries received, or may receive in the future, notice of claims arising from said warranties.

For example, an arbitration was ongoing between Lafarge's subsidiaries and the buyer of one of our businesses which was claiming a total of 59 million US dollars. By a final and binding decision delivered in August 2013, the arbitration tribunal accepted part of the plaintiffs' claims, ordering our subsidiaries to pay 16.6 million US dollars in damages (plus 2 million US dollars in costs) and rejecting the remaining claims in the amount of 43 million US dollars.

See Note 29 (Legal and arbitration proceedings) to the consolidated financial statements on page F66 for more information on Lafarge's material legal and arbitration proceedings.

RISKS RELATED TO THE GROUP STRUCTURE

Financial and tax issues

Lafarge S.A. is a holding company with no significant assets other than direct and indirect interests in its numerous subsidiaries.

A number of subsidiaries are located in countries that may impose regulations restricting the payment of dividends outside the country through exchange control regulations.

To the best of our knowledge, aside from North Korea, there are currently no countries in which Lafarge operates that prohibit the payment of dividends.

Furthermore, the transfer of dividends and other income from the Group subsidiaries may be limited by various credit or other contractual arrangements and/or tax constraints, which could make such payments difficult or costly.

Should such regulations, arrangements and constraints restricting the payment of dividends be significantly increased in the future simultaneously in a large number of countries where Lafarge operates, it might impair its ability to make shareholder distributions.

In addition, Lafarge's subsidiaries are subject to tax audits by the tax authorities in the respective jurisdictions in which they are located.

Various tax authorities have proposed or levied assessments for additional taxes for prior years.

Although we believe that the settlement of any or all of these assessments would not have a material adverse effect on its results or financial position, Lafarge is not in a position to evaluate the possible outcome of these proceedings.

See Section 5.1.2 (b) (Risk management systems) on page 155 for more information on how the Group manages these risks and Note 22 E (Tax audits) to the consolidated financial statements on page F47.

Risks related to acquisition-related accounting issues

As a result of significant acquisitions, many of its tangible and intangible assets are recorded in the consolidated statement of financial position of Lafarge at amounts based on their fair value as of the acquisition date. Lafarge has also recorded significant goodwill of 11.6 billion euros on the consolidated statement of financial position as of December 31, 2013.

In accordance with IFRS, Lafarge tests non-current assets, including goodwill, for impairment, as described in Notes 2.12 (Impairment of non-current assets) on page F18 and Note 10 (Goodwill) to the consolidated financial statements on page F31 for goodwill. In particular, a goodwill impairment test is performed at least annually and a specific analysis is performed at the end of each quarter in case of impairment indications.

The key assumptions used to perform impairment tests take into consideration the market level and forecasts on the evolution of prices and costs. These assumptions, which are further described in Note 10 (Goodwill) on page F31 to the consolidated financial statements, reflect the specific environments in each country of operation.

These assumptions do not, however, anticipate any major disruption in the economical or geopolitical environment.

If these assumptions prove incorrect, or must be revised to reflect worsening conditions, this could have a material adverse effect on Lafarge's results or financial position.

Depending on the evolution of the recoverable value of cash generating units (CGUs) or groups of CGUs, which is mostly related to future market conditions, further impairment charges might be necessary and could have a significant impact on results.

For example, the strong decrease in demand in Greece following tougher economic conditions resulted in the Group recording an impairment loss of 160 million euros for the CGU Cement Greece in 2012.

See Note 10 (Goodwill) to the consolidated financial statements on page F31 for further information on impairment losses recorded and the analysis on the sensitivity of recoverable amounts of significant assets.

Minority shareholders and partners

Lafarge conducts its business through subsidiaries. In some instances, third-party shareholders hold minority interests in these subsidiaries. While this is generally considered positive as it may result in partnership or investment agreements, various disadvantages may result from the participation of minority shareholders whose interests may not always be aligned with the interests of Lafarge.

Some of these disadvantages may, among others, result in the difficulty or inability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively.

See Section 6.2.8 (Intra-Group Relation) on page 180 for further information on the relationship with minority shareholders within subsidiaries and Section 5.1.2 (b) (Risk management systems) on page 155 for more information on how Lafarge manages these risks.

b) Financial and market risks

FINANCIAL RISKS

Indebtedness and credit ratings

Lafarge is exposed to different market risks, which could have a material adverse effect on its financial condition or on its ability to meet its financial commitments. In particular, the access of Lafarge to global sources of financing to cover our financing needs or repayment of our debt could be impaired by the deterioration of financial markets or downgrading of our credit rating. On December 31, 2013, the net debt (which includes put options on shares of subsidiaries and derivative instruments) amounted to 10,330 million euros, and the gross debt amounted to 13,712 million euros. 2,906 million euros of the gross debt as of December 31, 2013 was due in one year or less. As part of strict financial policies, Lafarge continues to implement actions to improve its financial structure.However, no assurance can be given that Lafarge will be able to implement these measures effectively or that further measures will not be required in the future.

The financing contracts of Lafarge S.A. and its subsidiaries contain various commitments.

Some of Lafarge's subsidiaries are required to comply with certain financial covenants and ratios. At the end of 2013, these agreements represented approximately 2% of the total Group gross debt excluding put options on shares of subsidaries. The main covenants are described in Note 25 (e) (Particular clauses in financing contracts) to the consolidated financial statements on page F56.

The Lafarge S.A. agreements and those of its subsidiaries also include cross-acceleration clauses. If Lafarge S.A., or under certain conditions, its material subsidiaries, fail to comply with their covenants, then the lenders could declare default and accelerate repayment of a significant part of the debt.

If the construction sector deteriorates further economically, the reduction of the operating cash flows could make it necessary to obtain additional financing. Changing conditions in the credit markets and the level of the outstanding debt of Lafarge could impair its ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes, or make access to this financing more expensive than anticipated. This could result in greater vulnerability, in particular by limiting its flexibility to adjust to changing market conditions or withstand competitive pressures.

The financial costs and the ability to raise new financing could be significantly impacted by the level of the credit ratings. The rating agencies could downgrade the ratings either due to factors specific to the Group, or due to a prolonged cyclical downturn in the construction sector. On the filing date of this Registration Document, the Lafarge long-term corporate credit rating is BB+ (stable outlook) according to Standard & Poor's Rating Services, further to a downgrading on March 17, 2011 and the evolution of outlook from negative to stable on November 12, 2013. It is Ba1 (negative outlook) according to the rating agency Moody's, further to a downgrading on August 5, 2011 and evolution of outlook from stable to negative on August 12, 2013. Such downgrading leads to additional net interest expense of approximately 65 million euros in 2013, mainly due to the "step up" clause included in bonds issued by Lafarge between 2009 and 2011.

Any new decline in our ratings could have a negative impact on the financial condition, the results, and the ability of Lafarge to refinance the existing debt.

See Section 2.4 (Liquidity and Capital Resources) on page 57, Notes 8 (Financial (expenses) income) on page F30 and Note 25 (Debt) on page F53 to the consolidated financial statements for more information.

Liquidity risk

Lafarge is exposed to a risk of insufficient financial resources, which could impact its ability to continue its operations. The Group implements policies to limit its exposure to liquidity risk. As a result of these policies, a significant portion of its debt has a medium or long-term maturity. Lafarge also maintains committed credit lines with various banks, which are primarily used as a back-up for the debt maturing within one year as well as for the Group's short-term financing, and which contribute to the Group's liquidity. Based on our current financial outlook, we believe that we have sufficient resources for our ongoing operations in both the short term and the long-term. Inability to maintain sufficient liquidity could have a material adverse impact on its business, financial condition, results of operations or prospects.

See Section 2.4 (Liquidity and Capital Resources) on page 57 and Notes 25 (b) (Analysis of debt excluding put options on shares of subsidiaries by maturity) on page F54 and 26 (g) (Liquidity risk) on page F63 to the consolidated financial statements for more information on liquidity risk and such risk management.

Pension plans

Lafarge has obligations under defined benefit pension plans, mainly in the United Kingdom and North America. Lafarge's funding obligations depend upon future asset performance, the level of interest rates used to measure future liabilities, actuarial assumptions and experience, benefit plan changes, and government regulations. Due to the large number of variables that determine pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for our pension plans and other post-employment benefit plans could be significantly higher than the amounts estimated as at December 31, 2013. If so, these funding requirements could have a material adverse effect on the Group's financial situation or results.

See Section 2.2 (Accounting policies and definitions) on page 45 and Note 23 (Pension plans, end of service benefits and other post employment benefits) to the consolidated financial statements on page F92 for more information on pension plans.

See Section 5.1.2 (b) (Risk management systems) on page 155 for more information on how Lafarge manages these risks.

MARKET RISKS

In this Section, debt figures are presented excluding put options on shares of subsidiaries granted to non-controlling interests.

Currency exchange risks and exchange rate sensitivity

Currency exchange risk

Lafarge and its subsidiaries are subject to foreign exchange risk as a result of the purchase and sale transactions in currencies other than their functional currencies.

With regard to transaction-based foreign currency exposures, the Group policy is to hedge all material foreign currency exposures through derivative instruments no later than when a firm commitment is entered into or becomes known. These derivative instruments are generally limited to forward contracts and standard foreign currency options, with terms of generally less than one year. From time to time, Lafarge also hedges future cash flows in foreign currencies when such flows become highly probable. Lafarge does not enter into foreign currency exchange contracts other than for hedging purposes.

Each subsidiary is responsible for managing the foreign exchange positions arising as a result of commercial and financial transactions performed in currencies other than its domestic currency, with the support of the corporate Treasury department. Exposures are centralized and hedged with the corporate Treasury department using foreign currency derivative instruments when local regulations allow it. Otherwise, exposures are hedged with local banks. Lafarge S.A. attempts to reduce the overall exposure by netting purchases and sales in each currency on a global basis, where feasible and then covers its net position in the market.

As far as financing is concerned, the Group's general policy is for subsidiaries to borrow and invest excess cash in the same currency as their functional currency when possible, except for subsidiaries operating in emerging markets, where "structural" cash surpluses are invested, wherever possible, in US dollars or in euros. A portion of Lafarge's financing is in US dollars and British pounds, in particular as a result of its operations located in these countries. Part of this debt was initially raised in euros at the parent company level then converted into foreign currencies through currency swaps.

Lafarge holds assets, earns income and incurs expenses and liabilities directly and through its subsidiaries in a variety of currencies. Consolidated financial statements are presented in euros, therefore, the assets, liabilities, income and expenses in other currencies are translated into euros at the closing exchange rates.

See Note 25 (Debt) on page F53 and Note 26 (Financial instruments) on page F57 to the consolidated financial statements for more information on debt and financial instruments. Additional information on the Group policies in place to mitigate this risk can be found in Section 5.1.2 (Risk management) on page 154.

Exchange rate sensitivity

If the euro increases in value against a currency, the value in euros of assets, liabilities, income and expenses originally recorded in the other currency will decrease. Conversely, if the euro decreases in value against a currency, the value in euros of assets, liabilities, income, and expenses originally recorded in that other currency will increase. Consequently, increases and decreases in the value of the euro may affect the value in euros of Lafarge's non-euro assets, liabilities, income, and expenses, even though the value of these items has not changed in their original currency.

In 2013, Lafarge generated approximately 85% of its sales in currencies other than the euro, with approximately 25% denominated in US or Canadian dollars. As a result, a 10% change in the US dollar/euro exchange rate and in the Canadian dollar/euro exchange rate would have an impact on Lafarge's sales of approximately 358 million euros.

In addition, on December 31, 2013, before currency swaps, 15% of total debt was denominated in US dollars and 5% in British pounds. After taking into account the swaps, the US dollar denominated debt amounted to 9% of total debt, while debt denominated in British pounds represented 5% of the total. A +/-5% fluctuation in the US dollar/euro and in the British pound/euro exchange rate would have an estimated maximum impact of -/+87 million euros on Lafarge's net debt exposed to these two foreign currencies as of December 31, 2013.

The table below provides information about Lafarge's debt and foreign exchange derivative financial instruments that are sensitive to exchange rates.

- The table shows: for debt obligations, the principal cash flows in foreign currencies by expected maturity dates and before swaps;
- for foreign exchange forward agreements, the notional amounts by contractual maturity dates. These notional amounts are generally used to calculate the contractual payments to be exchanged under the contract.

MATURITIES OF NOTIONAL CONTRACT VALUES ON DECEMBER 31, 2013

(million euros)	2014	2015	2016	2017	2018	> 5 years	Total	Fair value
DEBT IN FOREIGN CURRENCIES (1)								
US dollar	224	469	651	13	41	666	2,064	2,264
British pound	5	-	-	660	-	-	665	766
Other currencies	718	190	130	36	8	20	1,102	1,090
TOTAL	**947**	**659**	**781**	**709**	**49**	**686**	**3,831**	**4,120**
FOREIGN EXCHANGE DERIVATIVES (2)								
Forward contract purchases and currency swaps								
US dollar	1,111	-	-	-	-	-	1,111	(9)
British pound	130	-	-	-	-	-	130	-
Other currencies	75	-	-	-	-	-	75	1
TOTAL	**1,316**	**-**	**-**	**-**	**-**	**-**	**1,316**	**(8)**
Forward contract sales and currency swaps								
US dollar	324	-	-	-	-	-	324	3
British pound	46	-	-	-	-	-	46	-
Other currencies	689	-	-	-	-	-	689	7
TOTAL	**1,059**	**-**	**-**	**-**	**-**	**-**	**1,059**	**10**

(1) *The fair value of long-term debt was determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate that takes into account the Group's incremental borrowing rate at year-end for similar types of debt arrangements. Market price is used to determine the fair value of publicly traded instruments.*

(2) *The fair value of foreign currency derivative instruments has been calculated using market prices that the Group would pay or receive to settle the related agreements.*

Based on outstanding hedging instruments on December 31, 2013, a +/-5% shift in exchange rates would have an estimated maximum impact of respectively +/-2 million euros on equity in respect of foreign currency derivatives designated as hedging instruments in a cash flow hedge relationship. The net income statement impact of the same exchange rate fluctuations on the Group's foreign exchange derivative instruments is -/+4 million euros. Fair values are calculated with internal models that rely on market observable data (currency spot rate, forward rate, currency rate curves, etc.).

Interest rate risks and sensitivity

Interest rate risks

Lafarge is exposed to interest-rate risk through debt and cash. Its interest rate exposure can be sub-divided among the following risks:

- price risk for fixed-rate financial assets and liabilities

  By contracting a fixed-rate liability, for example, Lafarge is exposed to an opportunity cost in the event of a fall in interest rates. Changes in interest rates impact the market value of fixed-rate assets and liabilities, leaving the associated financial income or expense unchanged;

- cash flow risk for floating-rate assets and liabilities

  Changes in interest rates have little impact on the market value of floating-rate assets and liabilities, but directly influence the future income or expense flows of the Group.

  In accordance with its policy, Lafarge seeks to manage these two types of risks, including the use of interest-rate swaps and forward rate agreements. The Corporate Treasury department manages Lafarge's financing and interest rate risk exposure in accordance with the defined rules in order to keep a balance between fixed rate and floating rate exposure.

Although interest rate exposure is managed as described above, it cannot immunize fully Lafarge from interest rate risks.

See Note 25 (Debt) on page F53 and Note 26 (Financial instruments) on page F57 to the consolidated financial statements for more information. Additional information on the Group policies in place to mitigate this risk can be found in Section 5.1.2 (Risk management) on page 154.

Interest rate sensitivity

Before taking into account interest rate swaps, on December 31, 2013, 86% of the Group total debt carried a fixed rate. After taking into account these swaps, the portion of fixed-rate debt amounted to 72%.

A +/-1% change in short-term interest rates calculated on the net floating rate debt, taking into account derivative instruments would have a maximum impact on the 2013 consolidated income before tax of -/+5 million euros.

The table below provides information about interest-rate derivative instruments and debt obligations that are sensitive to changes in interest rates and presents:

- for debt obligations, the principal cash flows by expected maturity dates and related weighted average interest rates before swaps;
- for interest-rate derivative instruments, notional amounts by contractual maturity dates and related weighted average interest rates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average floating rates are based on effective rates at year-end.

MATURITIES OF NOTIONAL CONTRACT VALUES ON DECEMBER 31, 2013

(million euros)	Average rate (%)	2014 H1	2014 H2	2015	2016	2017	2018	> 5 years	Total	Fair value
DEBT (1)										
Long-term debt (2)	6.4	1,085	907	1,494	2,346	1,695	1,829	3,419	12,775	13,951
Fixed-rate portion	*6.7*	*1,011*	*785*	*1,434*	*1,941*	*1,657*	*1,702*	*3,158*	*11,688*	*12,855*
Floating-rate portion	*3.5*	*74*	*122*	*60*	*405*	*38*	*127*	*261*	*1,087*	*1,096*
Short-term debt	5.2	692	195						887	887
INTEREST-RATE DERIVATIVES (3)										
Pay fixed										
Euro	4.6	-	42	-	-	-	-	-	42	(1)
Other currencies	8.6	74	-	-	-	54	-	-	128	16
Pay floating										
Euro	0.3	-	-	-	500	1,000	500	-	2,000	2
Other currencies	-	-	-	-	-	-	-	-	-	-
Other interest-rate derivatives										
Euro	-	-	-	-	-	-	-	-	-	-
Other currencies	-	-	-	-	-	-	-	-	-	-

(1) *The fair value of long-term debt was determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate that takes into account the Group's incremental borrowing rate at year-end for similar types of debt arrangements.*

(2) *Including the current portion of long-term debt.*

(3) *The fair value of foreign interest rate derivative instruments has been calculated using market prices that the Group would pay or receive to settle the related agreements.*

Based on outstanding hedging instruments on December 31, 2013, a +/-100 basis point shift in yield curves would have a non significant estimated impact on equity in respect of interest-rate derivatives designated as hedging instruments in a cash flow hedging relationship.

The impact on the income statement related to interest-rate derivative instruments designated as hedging instruments in a fair value hedging relationship is netted off by the revaluation of the underlying debt.

Furthermore, the income statement impact of the same yield curve fluctuations on interest-rate derivative instruments, not designated as hedges for accounting purposes, would have a non significant impact in income. Fair values are calculated with internal models that rely on observable market data (interest rates curves, "zero coupon" curves, etc.).

Commodity price fluctuation risk and sensitivity

Lafarge is also subject to commodity price fluctuation risk mainly in the power, natural gas, petcoke, coal, fuel and also maritime freight markets.

Exposure to fluctuations in commodity prices is limited by increased use of alternative fuels and renewable energies.

From time to time, and if a market exists, commodity exposures are hedged through derivative instruments at the latest when a firm commitment is entered into or known, or where future cash flows are highly probable. These derivative instruments are generally limited to swaps and options, with maturities and terms adaptable on a case by case basis.

No derivative instrument is entered into other than for hedging purposes.

Based on outstanding hedging instruments on December 31, 2013, a +/-20% change in the commodity indexes against which Lafarge is hedged, *i.e.* mainly power, fuel (Platts), gas oil (IPE) and coal (Newcastle FOB), would have an estimated maximum impact of respectively -/+9 million euros on equity in respect of commodity derivative instruments designated as hedging instruments in a cash flow hedging relationship. The net income statement impact of the same commodity index fluctuations on the Group's commodity derivative instruments is not material. Fair values are calculated with internal models that rely on observable market data (raw materials spot and forward rates, etc.).

See Note 26 (e) (Commodity risk) to the consolidated financial statements on page F62 for more information on financial instruments and commodity risk.

Counterparty risk for financial operations

Lafarge is exposed to credit risk in the event of default by a counterparty (mainly banks and other financial institutions). The exposure to counterparty risks is limited by rigorously selecting its counterparties, by regularly monitoring the ratings assigned by credit rating agencies, and by taking into account the nature and maturity of its exposed transactions, according to internal Group policies.

Counterparty limits are defined and regularly reviewed. We believe our counterparty management risk is cautious and in line with market practices but this may not prevent us from being significantly impacted in case of systemic crisis.

For further information on exposure to credit and counterparty risks and management thereof, see Note 26 (Financial instruments) to consolidated financial statements on page F57 as well as Section 5.1.3 (Insurance and risk coverage) on page 157.

Listed shares risk

Quoted equity

Lafarge does not hold any non-consolidated investments in listed companies which could have a significant impact on the profit or financial situation of the Group.

The Group's principal defined benefits pension plans, which are situated in the United Kingdom and in North America, are managed by pension funds that invest the main part of their assets in listed securities. The fair value of these assets as well the split of the investments between stock, bonds and others can be found in Note 23 (Pensions plans, end of service benefits and other post-employment benefits) to consolidated financial statements on page F48.

In the United Kingdom, the pension assets are principally administered through a pension fund, governed by an independent Board of Trustees.

See Pension Plans risk on page 151.

Treasury shares

On December 31, 2013 Lafarge held 17,935 treasury shares. These shares are assigned to cover stock option or performance share grants. Lafarge considers the risk exposure with respect to treasury shares to be non significant.

5.1.2 RISK MANAGEMENT

In order to ensure the sustainability of its business development and to meet its targets, the Group makes ongoing efforts to prevent and control the risks to which it is exposed.

Risk monitoring requires the establishment of standard procedures to identify and analyze the main risks to which the Group is exposed and continually deploying and managing risk management systems designed to eliminate or reduce the probability that risks will arise and to limit their impact.

a) Risk identification and analysis

Risk identification and analysis are structured around several coordinated approaches conducted within the Group under the responsibility of the Group Executive Committee.

A detailed Group risk mapping coordinated by Group Internal Audit and Group Internal Control departments is regularly performed. The main areas identified are subjected to in-depth analysis and the development of actions plans which are progressively implemented. An update of these action plans was presented to the Group Audit Committee in June 2013. The next Group risk mapping update will be performed in 2014 and the results will be presented to the Group Audit Committee.

As part of the Group's new management cycle, strategic reviews of all Group countries are conducted periodically by the heads of the countries and the Group in the context of the Country ambition plans. These strategic reviews include an analysis of the main risks to which the countries are exposed.

The Country CEOs and CFOs, the Group Executive Vice-Presidents in charge of operations and the heads of Corporate functions are also formally reporting a list of risks and uncertainties that could have a potential impact on the financial statements. This is part of the annual "certification" process. The certification letters are consolidated by the Group Internal Control department and a summary is validated by the Chairman and Chief Executive Officer and the Executive Vice-President Finance, and presented to the Group Audit Committee.

Every year, an analysis of risks related to the reliability of financial information, asset protection, and fraud detection and prevention is performed at the Group level by the Internal Control department, in conjunction with the relevant functional departments. This analysis serves as a basis for updating the Group's internal control standards [(1)], which are deployed across the Group's countries and within the Group's functional departments *(see Section 5.2.1 (b) (Procedures related to "internal control over financial reporting") for more information).*

The annual audit plan drawn up by the Group Internal Audit department takes into account the various analyses described above. In preparing this plan, Group Internal Audit also conducts a large number of interviews and corroborates or supplements these analyses. Implementation of this plan and the summary of work presented to the Group Executive Committee and Audit Committee lead to more in-depth analyses in certain areas and contribute to the ongoing risk identification process.

(1) *Group "Internal Control Standards" is the set of key controls covering main risks pertaining to processes in place for the preparation of financial reporting.*

b) Risk management systems

An active risk management plan based on the risk identification and analysis work described above has been in place within the Group for several years. It is continually adjusted in response to new issues and risks to which the Group is exposed.

GENERAL RISK MANAGEMENT FRAMEWORK AND CODE OF BUSINESS CONDUCT

Responsibility and principles underlying risk management

Generally speaking, the heads of the Countries and Group functional departments are responsible for defining and/or applying the measures required to reduce the Group's risk exposure.

Risk management is based primarily on certain defining principles, such as:

- the Principles of Action, which define the Group's commitments to customers, employees, shareholders, and other stakeholders, and define what the "Lafarge Way" is, *i.e.* the Group's management philosophy;
- the principles of organization, which define responsibilities at all levels within the organization and the various components of the management cycle.

These principles are communicated on an ongoing basis and are a major component of the Group's preventive management of main risks by defining the Group's fundamental values and clearly identifying responsibilities.

In addition, the Group and each functional department have defined a set of complementary policies and rules. The functional managers, their staff, and the Country managers are in charge of disseminating and applying these policies and rules to ensure that practices are consistent at each level of the organization. All these rules have been gradually assembled to facilitate their implementation.

Lafarge Code of Business Conduct

As a core part of its policies, the Group adopted a Code of Business Conduct that sets out the principles of conduct that each individual is to adopt in business situations. The Code of Business Conduct is essential in preventing the main risks faced by the Group, by setting out the issues, recommendations, and prohibitions pertaining primarily to the following: compliance with laws and regulations, abiding by competition rules, corruption and fraud prevention, insider trading rules, conflicts of interest, participation in political activities, health and safety, discrimination and harassment prevention, respect for the environment, protection of assets, reliability of information, importance of internal control and application of sanctions in case of violations.

The action to strengthen the dissemination of the Code of Business Conduct and its appropriation by all Group employees is a continuing process. A comprehensive training program, based on concrete case studies drawn from business examples, was reviewed by Transparency International and the International Chamber of Commerce in 2008, and disseminated in all countries where Lafarge operates. The Group continued in 2013 the active promotion of this program and interactive training tools, accessible through the Group intranet in all countries where the Group operates.

Asset protection

For many years, the Group has been defining policies and practices implemented for the purpose of protecting its assets, both tangible (property, plant and equipment, inventories, accounts receivable, financial assets, etc.) and intangible (brand, information, know-how, patents, etc.). The application of these policies has been strengthened by establishing internal control standards in the Group's countries and functional departments, with one main objective being the safeguarding of assets.

Fraud prevention program

The Group has a program designed to prevent, deter, and detect fraud. This program has been gradually reinforced over the years and encompasses:

- the Code of Business Conduct, which provides a general framework in this area;
- a procedure that was defined and deployed for reporting and monitoring cases of fraud and other breaches of the Code of Business Conduct, which requires that each case be reported to the Group through the various channels set out in this procedure and defines the role of the different parties involved (Country heads, Group Legal, Human Resources, Internal Audit, and Internal Control departments), the various types of fraud and the course to be followed in case of suspected fraud;
- an ethics line set up to enable employees, anywhere in the world to anonymously exercise their whistleblowing rights, to report any breach of the rules set forth in the Code of Business Conduct and, more specifically, to report fraud cases. The guidelines issued by the Cnil (the French national data protection and privacy agency) were followed to set up this system, to ensure strict adherence to specific rules implemented in France regarding reporting mechanisms;
- the Group's internal control standards, which cover many key controls that directly and indirectly target the risk of fraud and have been widely deployed; and
- more generally, the body of rules, procedures, and controls applied within the Group's organizations.

SYSTEMS FOR MANAGING SPECIFIC RISKS

In particular, risk management systems have been developed and applied in the following areas:

- management of the Group's asset portfolio;
- actions to secure access to raw materials;
- environmental risk management and safety program;
- antitrust compliance program; and
- financial and market risks management.

These systems are defined by precise objectives, which are approved by the Group's governing bodies, the use of dedicated tools and resources to achieve these objectives, and a set of oversight and monitoring actions to ensure that they are properly implemented.

5

Management of the Group's asset portfolio

Management of the Group's asset portfolio mainly entails:

- actively monitoring country risks, particularly those arising from the economic, political and social climate;
- a process for geographically modelling natural disaster risks;
- a structured decision-making process for investments and divestments; and
- a system to optimize the flows of funds into the Group.

The Group Strategy department has defined a methodology for measuring and monitoring country risk trends over time. This analysis is conducted annually and is taken into account when defining the Group's asset management strategy. With the support of these analyses, we continue to diversify our portfolio geographically and exercise care to manage the respective weight of each country for the Group.

The Group's Risks and Insurance department has developed a process for modelling natural event risks with the primary aim of setting up insurance programs to secure optimum coverage for such risks.

Acquisitions and disposals are subject to review and approval at various levels as a function of their materiality, upon completion of each phase - economic opportunity study, feasibility study and detailed study. The Risk and Portfolio Committee reviews the risks and rewards of each acquisition or disposal project submitted thereto, based on an assessment report that covers the strategic, business and financial, legal, tax, human resources, and technical aspects (status of assets and mineral reserves, energy access conditions), as well as aspects related to sustainable development. A risk and opportunity analysis is performed in each of these areas.

Lastly, a Dividends Committee, in which the Group's Tax, Legal, Control and Consolidation and Financing and Treasury departments are represented, determines how to optimize returns of cash to the Group.

Actions to secure access to certain raw materials

Managing the risk associated with access to raw materials is organized upstream in the Group's development process, primarily through actions to secure long-term access to resources via acquisitions and development projects and ongoing management of land resources and other supply sources.

See Section 1.3.4 (Mineral reserves and quarries) on page 39 for further information.

Management of environmental, health and safety risks

The Group takes many measures to manage the environmental impact of its business operations. The Group's Environmental and Public Affairs department monitors the application of its environmental policy throughout all Group entities. This policy covers managing production facilities in compliance with the law, minimizing quantities of non-renewable resources used, minimizing waste production, and implementing quarry rehabilitation plans. Audits and performance controls are carried out to ascertain that standards and performance targets are met.

The Group is engaged in an ambitious program to improve its performance in terms of the health and safety of persons who work on its sites. This is being accomplished by defining a risk management standard, deploying specific operational rules and standards, as well as through systematic analyses of the causes of serious incidents, and by disseminating information on experiences and good practices throughout the sites. All Group business units have been mobilized to implement these standards, which are gradually reducing accident risks. The Health and Safety Management System (HSMS) has the main following governance Standards: Incident Reporting and Investigation, Contractor Safety Management, Risk Management. On top of these, the HSMS has the following operational standards: Work at Height, Personal Protective Equipment, Energy Isolation, Transport of People and Loads and Workin Confined Space. This list is not exhaustive.

Competition compliance program

The Group's competition compliance program (Compliance Program), implemented since 2007, aims at ensuring that all Group employees abide by competition laws and regulations. It is applicable in all countries where Lafarge has operations and covers all of its activities, including those conducted jointly with third parties in the context of joint ventures. The Compliance Program is cascaded worldwide through a number of awareness tools and training actions, as well as verifications that the rules of the Compliance Program are being followed at Country level and information reporting through a dedicated network of competition correspondents based in every country where the Group operates.

In the event of allegations of breach of compliance with competition laws made against the Group or one of its subsidiaries, the Group's policy is to cooperate with the local antitrust authorities.

In 2013, the Group Competition Team and local lawyers continued the promotion of this Program through various training sessions performed worldwide (including e-learning) and compliance verifications. In addition to the foregoing, various Group guidelines are available to increase the awareness of Group employees and to provide them with appropriate competition law guidance on the applicability of the Compliance Program in various types of situations.

Financial and market risk management

Management of financial and market risks (currency and interest rate risk, liquidity risk, equity risk and risk of price volatility for energy sources used in the production cycle) is centralized by the Group Finance department, which works jointly with the Group Purchasing department for energy source issues. A set of strict policies and procedures is determined at Group level to cover these risks and define the responsibilities of the different parties involved.

Approval must be obtained from the Group Finance department for all operations or transactions involving setting up financing and guarantees for a term of more than one year or above a certain amount, the use of some hedging instruments or derivatives, and the distribution of dividends.

Lafarge policies do not allow for any speculative positions on the market. Lafarge has instituted management rules based on the segregation of duties, financial and administrative control and risk measurement. Lafarge has also introduced an integrated system for its operations managed at corporate level that permits real-time monitoring of hedging strategies.

Lafarge policy is to use derivative instruments to hedge our exposure to exchange rate and interest rate risks. We also use derivative instruments from time to time to manage our exposure to commodity risks.

Lafarge uses financial instruments only to hedge existing or anticipated financial and commercial exposures. This hedging is undertaken in the over-the-counter market with a limited number of highly rated counterparties. The positions in derivative financial instruments are monitored using various techniques, including the fair value approach.

To reduce Lafarge's exposure to currency risks and interest rate fluctuations, the exposure is managed both on a central basis through the Group Treasury department and in conjunction with some of Lafarge's subsidiaries. Various standard derivative financial instruments, such as forward exchange contracts, interest rate, currency swaps, and forward rate agreements, are used to hedge currency and interest rate fluctuations on assets, liabilities and future commitments, in accordance with guidelines established by senior management.

Lafarge is also subject to commodity risk with respect to price changes principally in the energy and maritime freight markets and uses from time to time derivative financial instruments to manage the exposure to these risks.

A follow-up review of risks related to financial instruments is regularly carried out based on indicators provided to the management team through internal reporting.

Lafarge participates in the selection and monitoring of financial assets covering pension benefit obligations in conjunction with the entities that manage these funds.

5.1.3 INSURANCE AND RISK COVERAGE

Lafarge's general insurance policy is based on the following key principles:

- implement prevention and protection actions in order to mitigate risks;
- retain exposure to frequency risks through Group captives;
- transfer only severity risks, above the self-retention threshold, to the leading insurers and reinsurers. Special attention is given to the financial strength of market participants;
- cover subsidiaries in which we own a majority shareholding under Group-wide insurance policies, subject to local regulatory constraints and specific geographical exclusions.

On this last point, the Group continues its actions. In this context, in 2013 the total cost of the Group's insurance programs, including the risks self-insured via the captives, amounted to about 4.6% per thousand of the revenues of the insured perimeter.

a) Property damage and business interruption insurance

These insurance programs cover property losses resulting from fire, explosion, natural disasters, machinery breakdown, etc. and related business interruption, if any. These programs provide worldwide coverage. Group assets are insured at their actual cash value. Total insured values amount to 25,364 million euros.

Potential fire loss scenarios for the largest sites are regularly evaluated with specialized engineers from an external consulting firm. The highest "Maximum Foreseeable Loss" for fire per site is lower than 200 million euros.

In line with the modelization process of risks linked to natural disasters, established by Lafarge in the past few years, a pluri-annual plan permits classification of the cement plants according to their vulnerability and to determine the potential scenarios and amounts involved.

The Group "Property Damage and Business Interruption" program limit remains at 200 million euros per claim, with the usual sub-limits set by insurance companies.

The number and diverse geographical locations of the Group's industrial sites all over the world help mitigate the risk of high business interruption exposure.

In accordance with this plan, fire risk protection standards are progressively implemented in all cement plants with the support of prevention engineers from an external consulting firm.

b) Liability insurance

Public liability, product liability and environmental impairment liability policies are the main liability-type policies within the Group. They cover amounts commensurate with the nature of Lafarge's business activities, the relevant countries, loss experience and available capacity in the insurance and reinsurance markets.

c) Captive insurance

Lafarge has one insurance and one reinsurance captive insurance companies located in Europe to manage the frequency risk of the Group's subsidiaries. The amount of liability retained by these captives stands at a maximum of 2 million euros per casualty claim and 5 million euros per property damage claim.

In North America, the Group has two captive insurance companies covering workers compensation, automobile liability and general liability. The maximum liability retained by these captives ranges from 2 million dollars to 5 million dollars per loss, depending on the type of coverage.

5.2 INTERNAL CONTROL PROCEDURES

5.2.1 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL PROCEDURES AND ON CORPORATE GOVERNANCE (ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE)

This report on internal control procedures and corporate governance was prepared under the responsibility of the Chairman of the Board pursuant to article L. 225-37 of the French Commercial Code.

It was drafted with the support of the Group Internal Control department and the Group Audit department.

It was examined by the Audit Committee in its meeting of February 17, 2014, reviewed by the Corporate Governance and Nominations Committee, chaired by the Vice-Chairman of the Board (Lead Independent Director) on the governance aspects and approved by the Board of Directors in its meeting of February 18, 2014.

The information of this report is organized as follows:

- general organization of internal control and risk management;
- internal control procedures related to the preparation of accounting and financial information.

The introduction of Chapter 3 (Declaration in terms of corporate governance - Governance Code of Reference) and Sections 5.1.2 (Risk Management), 3.1 (Board of Directors-Corporate Officers), 3.2 (Board and Committees rules and practices), 3.4 (Compensation and benefits), 3.7 (Implementation of the principle "Comply or Explain" of the Afep-Medef Code), and 6.2.5 (e) (Convocation and admission to Shareholders' General Meetings) of the Registration Document (Document de référence) are part of this report. Moreover the Registration Document includes the information pursuant to article L. 225-100-3 of the French Commercial Code in 6.2.6 (Change of control).

Internal control related to the preparation of financial and accounting information is designated below as "internal control over financial reporting".

a) General organization of internal control and risk management

INTERNAL CONTROL FRAMEWORK CHOSEN BY THE GROUP

In conformity with the definition of the COSO report [1], which is the framework chosen by the Group, the internal control process consists of implementing and permanently adapting appropriate management systems, aiming at giving the Directors and management reasonable assurance concerning the reliability of financial reporting, compliance with laws and internal regulations, and the effectiveness and efficiency of major Company processes. One of the objectives of internal control is to prevent and monitor the risks of errors and fraud. Like all control systems, because of its inherent limitations, the internal control process cannot guarantee that all risks of errors or fraud are fully eliminated or controlled.

GROUP INTERNAL CONTROL ENVIRONMENT

Lafarge aims to have effective Internal Control systems in place at each level of responsibility supported by commitment of management and a culture of internal control.

The Group's internal control environment is based on key documents such as the Group Principles of Action, Principles of Organization and Code of Business Conduct, which have to be strictly applied by Group employees:

- the Principles of Actions present Group commitments towards customers, employees, shareholders and other Group stakeholders, and define what the "Lafarge Way" is, being its management philosophy;
- the Principles of Organization define responsibilities at all levels within the organization (countries and Group), the various components of the management cycle as well as the key principles driving performance improvement;
- the Code of Business Conduct defines rules of conduct and is structured as follows: compliance with laws and regulations, prevention of conflicts of interest, respect for people and the environment, safeguarding of the Group's assets, financial disclosure, importance of internal control, implementation of behavioral rules and appropriate sanctions.

In addition, Group Approval Rules setting the approving authority for commitments and decisions involving Lafarge S.A. and any of its subsidiaries have been revised to align to the Group Country based organization progressively implemented in 2012 and 2013.

Those documents are complemented by rules and policies established by the Group defining priorities for each of the Group's principal functions. Among other things, these rules state that implementing a robust internal control process is one of the primary responsibilities of the Executive Management of each legal or operational entity.

An annual assessment of the internal control environment is organized in the Group on the basis of self-assessment questionnaires completed at the Country and Group level and signed by relevant managers.

RISK IDENTIFICATION AND ANALYSIS

The approach implemented by the Group, relating to the identification and analysis of risks, is described in Section 5.1.2 (a) (Risk identification and analysis) of the Registration Document.

(1) *COSO: Committee of Sponsoring Organization of the Treadway Commission. September 1992.*

RISK MANAGEMENT SYSTEMS

A presentation of the general framework of risk management and of major risks management systems is also included in Section 5.1.2 (b) (Risk management systems) of the Registration Document.

CONTROL ACTIVITIES

Control activities are implemented at every level in the Group, in conformity with rules and policies described above.

Internal control activities over major processes impacting the reliability of the Group's financial reporting are defined in the Group "Internal Control Standards" [1] and are documented and tested as described in Section 5.2.1 (b) below.

INFORMATION AND COMMUNICATION

The Group's key documents are available on the Group's intranet. Function leaders are responsible for disseminating the rules, policies and procedures applicable Group-wide.

Controls and procedures over key processes affecting the Group's financial reporting are subject to formal documentation and test procedures described in Section 5.2.1 (b) below.

INTERNAL CONTROL MONITORING ACROSS THE GROUP

Internal control is monitored at all levels of the Group. The roles of major stakeholders are described below.

Board of Directors and Board Committees

The Board of Directors and its specialized Committees, and in particular the Audit Committee, ensure the implementation of the Group's internal control policy.

See Sections 3.1 (Board of Directors-Corporate Officers), 3.2 (Board and Committees rules and practices) and 3.4 (Compensation and benefits).

Group Executive Committee

The Executive Committee steers the effective implementation of the Group's internal control policy, through:

- the monitoring and follow-up of internal control procedures performed throughout the Group, and in particular the follow-up of identified action plans. Periodic presentations on internal control are submitted to the Executive Committee. Specifically, the Country Chief Executive Officers of countries considered as priorities are required to present the internal control risks in their countries to Executive Vice President Operations ;
- the review of the annual summary of the Group's internal audit reports.

Group functions

With regard to processes affecting the preparation of financial reporting, Group function leaders, including in particular managers of the Group Finance function, have been designated at Group level as "business process owners", with the responsibility of:

- documenting their processes at Group level including product line specifics and verifying that the "Internal Control Standards" for such processes are effectively implemented;
- defining and updating the standards of internal control applicable to countries.

Countries

In application of the Group internal control policy, internal control is under the direct responsibility of the Executive Committee of countries.

In each of the Group's countries, "Internal Control Managers" are appointed. Their role consists mainly in supporting the identification of risks by the management, the implementation of the Group's "Internal Control Standards" and ensuring procedures related to "internal control over financial reporting" in their country are implemented. Their activities are coordinated by the Group Internal Control department presented below.

Group Internal Audit

The Group Internal Audit department (around 30 persons) is responsible for performing an independent assessment of the quality of internal control at all levels in the organization, following the annual audit plan approved by the Chairman and Chief Executive Officer and Audit Committee.

Reports are issued to countries and to senior managers upon completion of the fieldwork. An annual summary of such reports is presented to the Chairman and Chief Executive Officer and to the Audit Committee, who also receives comments from the Group's external auditors on internal control.

Furthermore, follow-up assignments are organized to verify that internal audit recommendations have been put in place.

Group Internal Control department

The Group Internal Control department (7 persons) is part of the Group Finance function. This department is in charge of overseeing internal control and monitoring all procedures related to "internal control over financial reporting".

This department oversees the definition of "Internal Control Standards" mentioned above and coordinates the network of Internal Control Managers within countries. It supports countries and the heads of Group functions in the implementation of such standards as well as the documentation and tests of controls over financial reporting presented in Section 5.2.1 (b) below.

The Internal Control Committee chaired by the Group Chief Financial Officer and encompassing the key finance managers at Group level, the Group audit Director, the Group information systems Director, the Group energy and strategic sourcing Director, and the Group legal counsel oversees the work performed on "internal control over financial reporting".

b) Procedures related to "internal control over financial reporting"

KEY PROCESSES WITH AN IMPACT ON THE RELIABILITY OF GROUP FINANCIAL REPORTING

Processes with a direct impact on the production of financial reporting, for which key controls were defined as part of the analysis presented above, relate to the following areas: finance (closing process including monitoring of off-balance sheets commitments, consolidation process, legal and tax management, treasury management), purchasing (from the bidding process to recording and payment of invoices), sales (from orders receipt to revenue recognition and collection), IT (security management, among others), payroll and management of various employee benefits, management of tangible and intangible assets and management of inventories (physical count, valuation, etc.).

(1) *Group "Internal Control Standards" is the set of key controls covering main risks pertaining to processes participating in the preparation of financial reporting.*

DOCUMENTATION AND TESTING OF "CONTROLS OVER FINANCIAL REPORTING"

The Group is committed to maintain high standards of internal control. It implements detailed work related to documentation and testing of "internal control over financial reporting" to support its assessment. All documentation is kept in a dedicated internal control tool which is maintained by Group Internal Control department.

This work is implemented by Countries and at Group level, on key controls contributing to the reliability of financial reporting and encompasses:

- a description of key processes affecting the reliability of the Group's financial reporting, as presented above;
- a detailed description of key controls defined in the "Internal Control Standards" presented above;
- tests of controls to check the operational effectiveness of such controls; the scope of such tests being defined based on the materiality and risk level of each entity;
- an annual internal "certification" process to review the principal action plans in progress and to confirm management responsibility at Countries and Group level on the quality of both internal control and financial reporting. This process is also supporting the risk identification described in Section 5.1.2 (a) (Risk identification and analysis) of the Registration Document.

This work is part of the process of continuous improvement in internal control and includes the preparation of specific action plans, identified through the activities described above, as well as through internal and external audits. The implementation of action plans is followed up by relevant senior management. The outcome of such procedures is presented to the Audit Committee.

PREPARATION OF PUBLISHED FINANCIAL REPORTING

Specific procedures are put in place to ensure the reliability of published financial reporting, as follows:

- a consolidation and financial reporting system is used to prepare Group financial reporting;
- a formal reporting, analysis and control process for other published information included in the Group's Registration Document (*Document de Référence*) is implemented.

This process is monitored by the Disclosure Committee, composed of the main heads of Group functions, who verify the content of financial disclosures and reports before they are submitted to the Audit Committee and to the Board of Directors.

Paris, February 19, 2014

French original signed by

Bruno Lafont

Chairman of the Board of Directors

5.2.2 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF LAFARGE ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

YEAR ENDED DECEMBER 31, 2013

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French Law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of LAFARGE (the "Company"), and in accordance with Article L. 225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2013.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility to:

- report to you on the information set out in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information;
- attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information, and the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have detected in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of these procedures, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

OTHER DISCLOSURES

We hereby attest that the Chairman's report contains the other information required by Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris-La Défense, February 28, 2014

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG et Autres	
French original signed by		French original signed by	
Arnaud de Planta	Frédéric Gourd	Alain Perroux	Nicolas Macé

5.3 AUDITING MATTERS

5.3.1 AUDITORS

Auditors

STATUTORY AUDITORS

DELOITTE & ASSOCIÉS
185, avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, represented by Arnaud de Planta and Frédéric Gourd, re-appointed in its functions on May 15, 2012 for a period of six financial years expiring at the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017.

ERNST & YOUNG ET AUTRES
Tour First, 1-2, place des Saisons, Paris La Défense 1, 92400 Courbevoie, represented by Alain Perroux and Nicolas Macé, appointed in its functions on May 15, 2012 for a period of six financial years expiring at the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017 (replacing Ernst & Young Audit).

ALTERNATE AUDITORS

BEAS
195, avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, re-appointed in its functions on May 15, 2012 for a period of six financial years expiring at the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017.

AUDITEX
1-2, place des Saisons, Paris La Défense 1, 92400 Courbevoie, re-appointed in its functions on May 15, 2012 for a period of six financial years expiring at the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017.

5.3.2 AUDITORS' FEES AND SERVICES

	DELOITTE & ASSOCIÉS				ERNST & YOUNG ET AUTRES			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
(million euros)	2013	2012	2013	2012	2013	2012	2013	2012
AUDIT FEES								
Audit, attestation and review of individual and consolidated financial statements	*6.3*	*6.3*	*92%*	*84%*	*5.7*	*5.8*	*85%*	*84%*
Lafarge S.A.	1.6	1.5	23%	20%	1.4	1.4	21%	20%
Subsidiaries fully and proportionately consolidated	4.7	4.8	69%	64%	4.3	4.4	64%	64%
Audit-related Fees (1)	*0.4*	*1.1*	*6%*	*15%*	*0.8*	*0.9*	*12%*	*13%*
Lafarge S.A.	0.2	0.7	4%	10%	0.2	0.1	3%	1%
Subsidiaries fully and proportionately consolidated	0.2	0.4	2%	5%	0.6	0.8	9%	12%
SUB-TOTAL	**6.7**	**7.4**	**98%**	**99%**	**6.5**	**6.7**	**97%**	**97%**
OTHER FEES								
Tax fees (2)	*0.1*	*0.1*	*2%*	*1%*	*0.2*	*0.2*	*3%*	*3%*
Legal and Employment fees	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
SUB-TOTAL OTHER FEES	**0.1**	**0.1**	**2%**	**1%**	**0.2**	**0.2**	**3%**	**3%**
TOTAL FEES	**6.8**	**7.5**	**100%**	**100%**	**6.7**	**6.9**	**100%**	**100%**

(1) *Audit-related fees are generally fees billed for services that are closely related to the performance of the audit or review of financial statements. These include due diligence services related to acquisitions, consultations concerning financial accounting and reporting standards, attestation services not required by statute or regulation, information system reviews.*

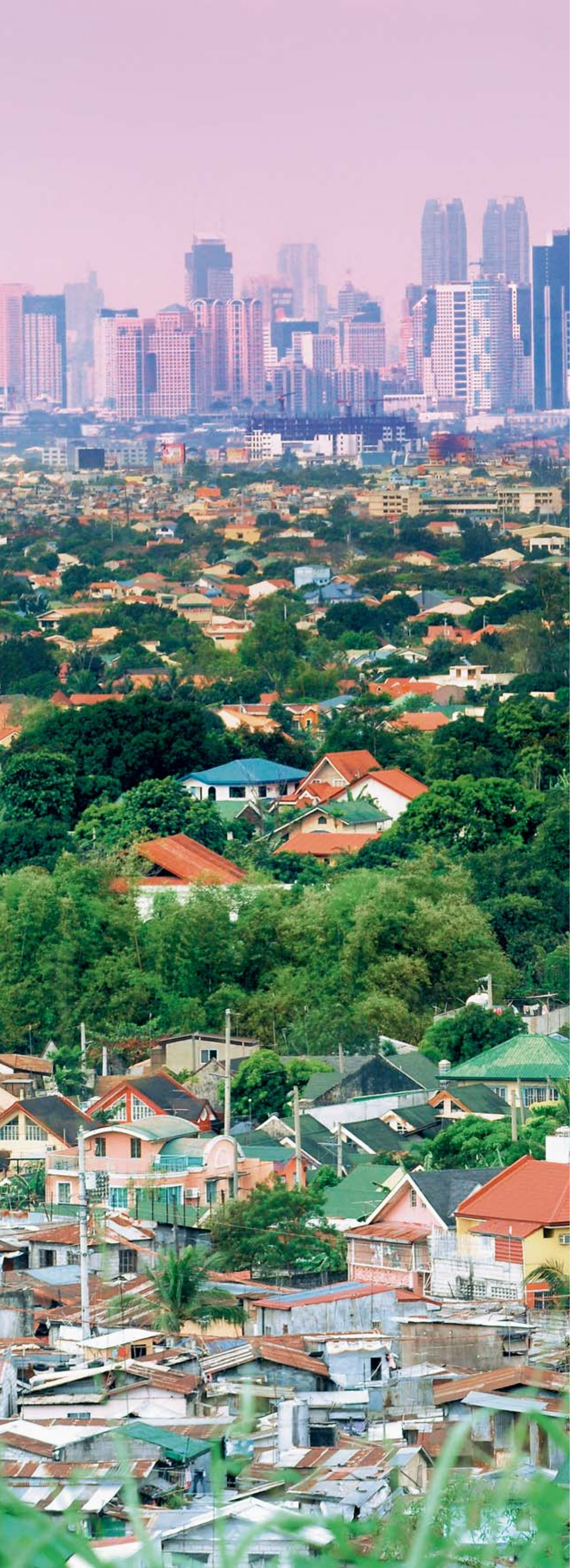
(2) *Tax fees are fees for services related to international and domestic tax compliance, including the review of tax returns and tax services regarding statutory, regulatory or administrative developments and expatriate tax assistance and compliance.*

5.3.3 AUDITORS' REPORTS

The table below indicates where to find in this Registration Document the different reports issued by the auditors.

Report	Page
Report on the consolidated financial statements	F3
Report on the statutory accounts	F74
Special report on related-party agreements and commitments	F96
Report on the report prepared by the Chairman of the Board of Directors on internal control and risk management	161

In addition, Bureau Veritas Certification's report on sustainable development indicators can be found on page 142 of this Registration Document.



6

SHAREHOLDERS, SHARE CAPITAL AND ADDITIONAL INFORMATION

6.1 Shareholders 166

6.1.1 Major shareholders and share capital distribution 166

6.1.2 Shareholders' agreement 167

6.1.3 Threshold notifications imposed by law and declarations of intent 168

6.1.4 Employee share ownership 169

6.1.5 Listing 170

6.2 Share capital and additional information .. 172

6.2.1 Share capital 172

6.2.2 Shares owned by the Company 173

6.2.3 Securities non representative of share capital – bonds 174

6.2.4 Authorizations delegated to the Board of Directors 175

6.2.5 Articles of Association (statuts) 177

6.2.6 Change of control 179

6.2.7 Material contracts 179

6.2.8 Intra-group relations 180

6.2.9 Documents on display 180

6.1 SHAREHOLDERS

6.1.1 MAJOR SHAREHOLDERS AND SHARE CAPITAL DISTRIBUTION

The following tables set out, to the best of our knowledge, the principal holders of Lafarge S.A.'s share capital at December 31, 2013, their percentage ownership and geographic distribution:

Major shareholders

	2013				2012			
At December 31	Number of shares held	Number of votes held	% of total shares issued	% of total voting rights	Number of shares held	Number of votes held	% of total shares issued	% of total voting rights
Groupe Bruxelles Lambert	60,307,265	109,614,530	20.9	27.2	60,307,265	109,614,530	20.9	27.4
NNS Holding Sàrl	40,063,011	80,126,022	13.9	19.9	40,063,011	79,853,128	13.9	19.9
Dodge & Cox	20,182,686	27,409,519	7.0	6.8	22,689,673	29,733,106	7.9	7.4
Other institutional shareholders (1)	132,346,026	141,721,165	46.2	35.3	130,409,006	138,740,329	45.5	34.7
Individual shareholders	34,448,474	43,545,874	12.0	10.8	33,629,264	42,008,449	11.7	10.5
Treasury shares	17,935	17,935 (2)	-	-	157,283	157,283 (2)	0.1	0.1
TOTAL	**287,365,397**	**402,435,045**	**100.0**	**100.0**	**287,255,502**	**400,106,825**	**100.0**	**100.0**

Source: Thomson Reuters.

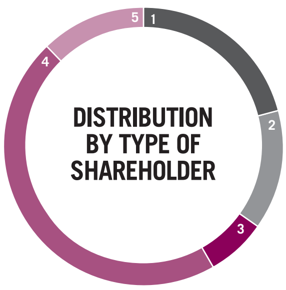
(1) *Including 51,471 Lafarge S.A. shares currently held by Cementia Holding AG for the benefit of shareholders who have not yet requested the delivery of their Lafarge S.A. shares, following the squeeze-out procedure carried out by Lafarge S.A. in 2002 with respect to the Cementia Holding AG shares.*

(2) *Theoretical voting rights; at a General Meeting these shares bear no voting right.*

Share capital distribution

DISTRIBUTION BY TYPE OF SHAREHOLDER

Based on our knowledge, seven institutional shareholders held between 1% and 4% of our outstanding shares at December 31, 2013. Of these institutional shareholders, six held between 1% and 2% of our shares, 1 held between 2% and 3% of our shares .



1.Groupe Bruxelles Lambert	20.9%
2.NNS Holding Sarl	13.9%
3.Dodge & Cox	7.0%
4.Other institutional shareholders	46.2%
5.Individual shareholders	12.0%

GEOGRAPHICAL DISTRIBUTION

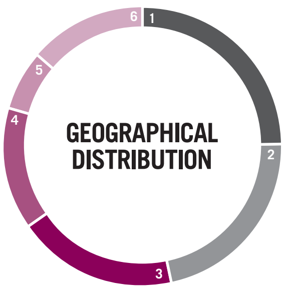
At December 31	2013 Number of shares held	2013 % of total shares issued	2012 Number of shares held	2012 % of total shares issued
France	71,888,339	25.0	70,763,039	24.6
Belgium (1)	62,448,794	21.7	62,628,919	21.8
United States	54,049,287	18.8	55,532,729	19.3
Luxembourg (2)	40,727,373	14.2	40,309,519	14.0
United Kingdom	19,700,487	6.9	21,458,240	7.5
Rest of the World	38,551,117	13.4	36,563,056	12.8
TOTAL	**287,365,397**	**100.0**	**287,255,502**	**100.0**

Source: Thomson Reuters.

(1) *Including shares held by Groupe Bruxelles Lambert.*

(2) *Including shares held by NNS Holding Sàrl.*

GEOGRAPHICAL DISTRIBUTION



1.France	25.0%
2.Belgium	21.7%
3.United States	18.8%
4.Luxembourg	14.2%
5.United Kingdom	6.9%
6.Rest of the World	13.4%

Pledge of our shares

21,536,048 of our shares held in registered form were pledged at December 31, 2013, representing 7.49% of our share capital and 8.77% of our voting rights. 99.82% of these pledged shares were held by NNS Holding Sàrl.

6.1.2 SHAREHOLDERS' AGREEMENT

Shareholders' agreement with the Sawiris family and NNS Holding Sàrl

A 10-year shareholders' agreement was entered into with certain members of the Sawiris family and NNS Holding Sàrl on December 9, 2007, following the acquisition of the Cement activities of the Orascom Group (Orascom Construction Industries S.A.E., acquired by the Group on January 23, 2008). This agreement contains certain commitments regarding the shares issued for their benefit as a result of the reserved capital increase of 2008.

In particular, the shareholders' agreement contained (i) a lock-up commitment of four years (with limited exceptions) followed by a three-year period for phased disposals; (ii) a standstill commitment for a four-year period not to acquire more than 8.5% of the share capital in addition to their current shareholding, such holding in any case not to exceed a total of 20% of the share capital or any other higher level of shareholding that would come to be held by another shareholder acting alone or in concert; and (iii) a commitment not to act in concert with a third party in relation to Lafarge S.A. shares for a 10-year period.

In consideration of these commitments, the Company has undertaken to make its best efforts to ensure that NNS Holding Sàrl is entitled to nominate two of its representatives as members of the Board of Directors as long as NNS Holding Sàrl and the Sawiris family together hold more than 10% of the share capital of the Company and comply with all their obligations under this agreement.

Since March 27, 2012, the shares held by NNS Holding Sàrl and certain members of the Sawiris family are no longer subject to the lock-up commitment and acquisitions of Lafarge S.A. shares are unrestricted. The only remaining covenants are information covenants as well as the commitment not to act in concert with a third party.

6.1.3 THRESHOLD NOTIFICATIONS IMPOSED BY LAW AND DECLARATIONS OF INTENT

Groupe Bruxelles Lambert

Groupe Bruxelles Lambert did not notify any threshold crossing or make any declaration of intent during 2013 and 2012.

In 2011, Groupe Bruxelles Lambert declared having exceeded the threshold of 25% of Lafarge S.A. voting rights on April 28, 2011 and holding 60,307,265 Lafarge S.A. shares representing 109,614,530 voting rights (corresponding to 21.05% of the share capital and 28.46% of the voting rights), as a result of the allotment of double voting rights.

It was specified that there was no financing or securities borrowing associated with this threshold crossing as it resulted from the allotment of double voting rights and Groupe Bruxelles Lambert confirmed that it was not party to any agreement for the temporary transfer of its Lafarge S.A. shares or voting rights.

As part of this notification, Groupe Bruxelles Lambert declared that it was acting in concert with those controlling Groupe Bruxelles Lambert (legal presumption) but not with any other third party, that it was not contemplating further acquisitions (without excluding the possibility of arbitrage) and that it had no intention of taking control of Lafarge S.A.

Groupe Bruxelles Lambert also confirmed supporting the strategy of the Board of Directors of Lafarge S.A., that it had no intention of either soliciting the appointment of additional Directors other than its existing three representatives to the Lafarge Board of Directors or implementing the transactions listed in paragraph 6 of article 223-17 of the general regulations of the AMF, *i.e.* any of the following:

- merger, restructuring, liquidation or transfer of a substantial part of the Company’s assets, or of any controlled person as defined by article L. 233-3 of the French Commercial Code;
- change to the Company’s business;
- change to the Company’s articles of association;
- delisting of a category of securities issued by the Company;
- issue of Lafarge S.A. securities.

NNS Holding Sàrl and Mr Nassef Sawiris

Mr Nassef Sawiris and NNS Holding Sàrl did not notify any threshold crossing or make any declaration of intent during 2013.

In 2012, Mr Nassef Sawiris declared having exceeded the threshold of 15% of Lafarge S.A.' share capital on October 1, 2012, acting in concert with NNS Holding Sàrl (the Sawiris family holding company) and NNS Holding (Cayman) (a company controlled by a trust constituted by Mr Nassef Sawiris) and holding in concert 48,120,866 Lafarge S.A. shares representing 87,912,654 voting rights (corresponding to 16.75% of the share capital and 22.04% of the voting rights).

This threshold crossing results from the assimilation of 6,000,000 Lafarge S.A. shares by NNS Holding (Cayman) following the entry into force of new legislation providing that shares underlying cash-settled share forward transactions must be assimilated to shares and voting rights held (article L. 233-9 I 4°bis of the French Commercial Code).

NNS Holding (Cayman) has entered into a cash-settled share forward transaction. This forward transaction does not give NNS Holding (Cayman) any right to Lafarge S.A. shares nor voting rights in the Company. NNS Holding (Cayman)'s economic exposure corresponds to an underlying number of 6,000,000 Lafarge S.A. shares. This forward transaction is due to settle on May 19, 2014 but can be settled earlier in all or in part.

It was also specified that part of the shares declared by NNS Holding Sàrl (*i.e.*: 2,056,184 Lafarge S.A. shares representing 2,056,184 voting rights) correspond to two purchase options, to be cash or stock settled at NNS Holding Sàrl's initiative: one option relating to 1,022,247 Lafarge S.A. shares to be settled on January 17, 2013 and a further option relating to 1,033,937 Lafarge S.A. shares to be settled on January 31, 2013.

Mr Nassef Sawiris, NNS Holding Sàrl and NNS Holding (Cayman) declared acting in concert, it being specified that as a result of the shareholders' agreement of December 9, 2007 entered into between Lafarge S.A. and NNS Holding Sàrl, they had undertaken not to act in concert with any third party (with the exception of members of Mr Nassef Sawiris’ family and related companies) for the duration of the shareholders agreement (10 years).

NNS Holding Sàrl and Mr Nassef Sawiris also declared envisaging to proceed to further acquisitions depending on opportunities and on the market (it being specified that the limits set by the shareholders agreement of December 9, 2007, described further in Section 6.1.2 (Shareholders' agreement with the Sawiris family and NNS Holding Sàrl), are no longer applicable).

Mr Nassef Sawiris, NNS Holding Sàrl and NNS Holding (Cayman) declared having no intention of taking control of Lafarge S.A. and renewing their support to the management of the Company.

Mr Nassef Sawiris, NNS Holding Sàrl and NNS Holding (Cayman) declared that they were not party to any agreement for the temporary transfer of Lafarge S.A. shares or voting rights and had no project for any:

- merger, restructuring, liquidation or transfer of a substantial part of the Company’s assets;
- change to the Company’s articles of association or business;
- delisting of a category of securities issued by the Company;
- issue of Lafarge S.A. securities;
- request for the appointment of further Board members.

NNS Holding (Cayman) further declared having no intention to amend the cash-settled share forward transaction described above into a transaction which can be settled in Lafarge S.A. shares.

In 2011, Mr Nassef Sawiris declared having exceeded the threshold of 20% of the voting rights in Lafarge S.A. on April 28, 2011, acting in concert with NNS Holding Sàrl (the Sawiris family holding company) and holding in concert 40,297,995 Lafarge S.A. shares representing 80,126,943 voting rights (corresponding to 14.07% of the share capital and 21.14% of the voting rights), as a result of the allotment of double voting rights.

It was specified that since the threshold was crossed as the result of the allotment of double voting rights, as opposed to the acquisition of shares, there was no financing or securities borrowing associated to this threshold crossing.

As part of this notification, NNS Holding Sàrl and Mr Nassef Sawiris made declarations of intent similar to the ones made in 2012 as set out above.

Dodge & Cox

Dodge & Cox did not notify any threshold crossing or make any declaration of intent during 2013 and 2012.

In 2011, Dodge & Cox, acting for client accounts, declared having exceeded the 5% threshold of the share capital of Lafarge S.A. on August 30, 2011 and holding for the accounts of the above mentioned clients 14,375,379 shares representing 21,135,004 voting rights, corresponding to 5.04% of the share capital and 5.33% of the voting rights of Lafarge S.A..This threshold crossing results from the acquisition of Lafarge S.A. shares on the market.

Southeastern Asset Management, Inc.

Southeastern Asset Management, Inc. did not notify any threshold crossing or make any declaration of intent during 2013.

In 2012, Southeastern Asset Management, Inc., acting for client accounts, declared having fallen below the 5% threshold of the share capital of Lafarge S.A. on August 16, 2012 and holding for the accounts of the above mentioned clients 14,297,439 shares representing 14,297,439 voting rights, corresponding to 4.98% of the share capital and 3.58% of the voting rights of Lafarge S.A. This threshold crossing results from the sale of Lafarge S.A. shares off market.

In 2011, Southeastern Asset Management, Inc., acting for client accounts, declared having exceeded the 5% threshold of the share capital of Lafarge S.A. on November 24, 2011 and holding for the accounts of the above mentioned clients 14,846,018 shares representing 14,846,018 voting rights, corresponding to 5.17% of the share capital and 3.75% of the voting rights of Lafarge S.A. This threshold crossing results from the acquisition of Lafarge S.A. shares on the market and off market.

Others

To our knowledge, there is no shareholder holding more than 5% of our share capital or voting rights other than those mentioned above.

6.1.4 EMPLOYEE SHARE OWNERSHIP

As at December 31, 2013, Lafarge employees held 1.69% of the share capital and 2.36% of voting rights. 1.15% of the share capital was held by employees in direct ownership (registered account) and the balance, representing 0.54% of the share capital, by the employee savings fund Lafarge 2000.

Employee Stock Ownership Policy

Since 1961, date of the first share offering reserved for employees, Lafarge has developed an active employee share ownership program. The Group is convinced that being both an employee and a shareholder strengthens the tie with the Company and wishes to provide this opportunity on a regular basis to the largest possible number of employees on a worldwide basis.

All employee stock ownerships programs launched since 1995 have been direct stock ownership programs, enabling employees to be registered directly as shareholders and to vote individually at shareholders meetings. Direct ownership of employees in the share capital of Lafarge S.A. as at December 31, 2013 represented 1.15%.

Lafarge launched six employee stock ownership programs called "Lafarge en action" (LEA) since 1995, enabling employees participating in these plans to subscribe to Lafarge S.A. shares, with a discount and an employer matching contribution. The amount of the employer contribution, applied to the first shares purchased, depends on the gross domestic product of the relevant country. The shares are subject to a five year holding period save for defined early unblocking events.

The plans launched in 1995 and 2002 gave employees the additional right to receive one option for every share purchased beginning with the eleventh share.

Lafarge also set up an employee savings fund in 1990 for its French employees, part of the Group Savings Plan, called Lafarge 2000, and under which participating employees can contribute to a savings plan linked to the value of the Lafarge S.A. shares and benefit from an employer contribution. Voting rights of employees participating in Lafarge 2000 (which represent 0.54% of the share capital of Lafarge S.A. as at December 31, 2013) are exercised collectively by the Supervisory Board of the savings plan fund, which is composed of an equal number of employee and employer representatives.

Latest share capital increase for employees: LEA 2011

On May 12, 2011, the Board of Directors, acting by virtue of a delegation of the Annual Shareholders Meeting of May 12, 2011, decided on the terms of the LEA 2011 scheme. The goal of this employee stock ownership plan was to reach all employees of Lafarge, meaning that it was offered in all countries where it was legally feasible. The subscription price for the shares was set at 36.98 euros, corresponding to 80% of the reference price calculated on the basis of the average opening share price on Euronext Paris S.A. over the twenty trading days preceding May 12, 2011. With LEA 2011, each employee was offered the possibility to subscribe for Lafarge S.A. shares while benefiting from a matching contribution from their employer on the first 15 shares purchased. The share capital increase reserved to eligible employees was realized on July 29, 2011; the total amount of the share capital increase was 3,174,956 euros, corresponding to the issuance of 793,739 shares. The subscription rate was 44%.

Where it was not possible to offer the LEA 2011 program in a country, employees could subscribe to an alternative plan providing the same economical benefits.

Previous stock ownership programs in 2005 and 2009 were structured with offers essentially equivalent to that of the 2011 program.

SUMMARY TABLE

The following table sets out the main terms of employee stock ownership plans:

	LEA 2011	LEA 2009	LEA 2005	LEA 2002	LEA 1999	LEA 1995
Number of countries covered	58	55	46	47	33	21
Number of eligible employees	57,588	70,085	51,150	53,818	40,570	20,113
Subscription rate	44.0%	53.0%	48.8%	53.3%	51.6%	74.6%
Total number of shares subscribed	793,739	1,101,834	576,125	708,718	493,954	482,582
Maximum number of shares offered to each employee	Unlimited (1)	Unlimited (1)	110	110	110	110
Subscription price (euros)	36.98	48.80	57.31	81.84	73.17	39.94
Associated stock option grant	No	No	No	Yes	No	Yes
TOTAL NUMBER OF STOCK OPTIONS GRANTED	**N/A**	**N/A**	**N/A**	**437,373** (3)	**N/A**	**331,060** (2)

(1) *Except for local regulations.*
(2) *These stock options may no longer be exercised.*
(3) *These stock options may no longer be exercised as of May 28, 2012.*

6.1.5 LISTING

Listing on NYSE Euronext (Paris)

The Company's shares are listed on NYSE Euronext (Paris), under Code ISIN FR0000120537 and symbol "LG".

Lafarge S.A.'s shares have been traded on the Paris stock exchange since 1923 and have been part of the French CAC 40 index since its creation on December 31, 1987.

All Lafarge S.A. shares are subject to the same voting right conditions, except for (i) our treasury shares, which at General Meetings bear no voting rights, and (ii) shares held in registered form for over two years, which carry double voting rights.

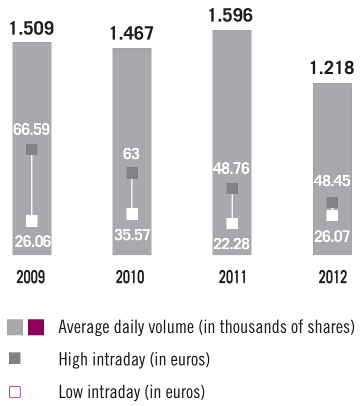
See Section 6.2.5 (Articles of Association (Statuts)).

Transactions and market capitalization

The market capitalization of Lafarge S.A. totalled 15.7 billion euros at December 31, 2013.

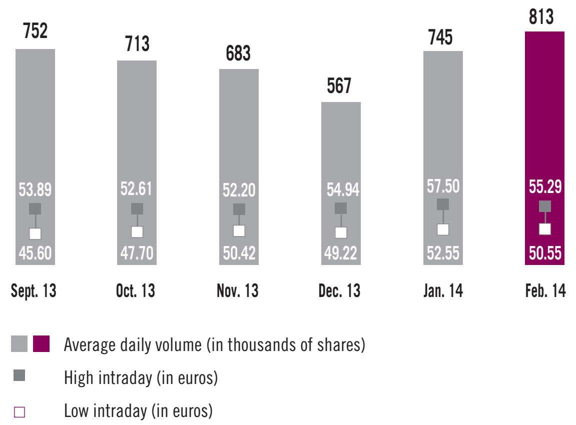
The following tables show the volume and high and low closing price of Lafarge S.A. shares, as reported by NYSE Euronext (Paris).

FIVE MOST RECENT FINANCIAL YEARS



Source: NYSE Euronext (Paris).

THE LAST SIX MONTHS



Source: NYSE Euronext (Paris).

American Depository Receipts (ADRs) Program

Since October 8, 2007, Lafarge no longer is listed on the New York stock exchange and is deregistered from the Securities and Exchange Commission.

In addition, Lafarge voluntarily delisted its American Depository Receipts (ADRs) from the New York Stock Exchange on September 13, 2007. The delisting became effective on September 24, 2007. Since its delisting, the Lafarge ADR program has been maintained and ADRs continue to be traded over the counter (level one program).

Each ADR represents a quarter of a share. As of December 31, 2013, 4,152,053 ADRs existed.

6.2 SHARE CAPITAL AND ADDITIONAL INFORMATION

6.2.1 SHARE CAPITAL

As at December 31, 2013, Lafarge S.A.'s share capital amounted to 1,149,461,588 euros divided into 287,365,397 fully paid-up shares, each with a nominal value of 4 euros.

Considering that double voting rights accrue to 115,069,648 shares held in registered form for at least 2 years, the total number of voting rights attached to the shares for the purpose of computing notification thresholds amounted to 402,435,045 at December 31, 2013.

a) Changes in the share capital during the fiscal year ended December 31, 2013

Lafarge S.A.'s share capital at December 31, 2012 amounted to 1,149,022,008 euros divided into 287,255,502 shares, each with a nominal value of 4 euros.

Since December 31, 2012, the share capital has increased by a total of 109,895 shares as a result of exercises of stock subscription options:

		SUBSCRIPTION AMOUNT		
(euros)	Number of shares issued	Capital	Share premium	Total
Exercises of stock subscription options	109,895	439,580.00	2,938,592.30	3,378,172.30

b) Potential share capital at December 31, 2013

The number of shares of the Company as at December 31, 2013 could be increased by a maximum of 7,000,955 shares in the hypothetical scenario that stock options granted to employees existing on that date were exercised. 4,815,213 out of these existing 7,000,955 stock options could have been exercised at December 31, 2013. The remaining 2,185,742 stock options can only be exercised upon expiry of a period of four years after their grant and subject to the performance conditions attached to some of these stock options being fulfilled.

At December 31, 2013, there is no other type of security giving any right, directly or indirectly, to the Company's share capital.

Our Board of Directors has received from our General Meeting held on May 7, 2013, the right to carry out share capital increases through the issue of shares or other equity securities with or without preferential subscription rights for shareholders, the capitalization of reserves, the issue of employee stock subscription options or performance shares, and through the issue of shares reserved for our employees.

See Section 6.2.4 (Authorizations delegated to the Board of Directors) for further information on financial authorizations delegated to Board of Directors.

c) Changes in our share capital over the past two financial years

	2013	2012
Share capital at the beginning of the financial year (number of shares)	**287,255,502**	**287,247,518**
Number of shares issued during the period from January 1 to December 31 as a result of	**109,895**	**7,984**
payment of the dividend in shares	-	-
exercise of stock subscription options	109,895	7,984
exercise of stock subscription warrants	-	-
increase in share capital reserved for employees	-	-
issue of new shares	-	-
Number of shares cancelled during the period from January 1 to December 31	**-**	**-**
Maximum number of shares to be issued in the future as a result of	**7,000,955**	**8,455,389**
exercise of stock subscription options	7,000,955	8,455,389
exercise of stock subscription warrants	-	-
conversion of bonds	-	-
Share capital at the end of the financial year		
a- euros	1,149,461,588	1,149,022,008
b- number of shares	287,365,397	287,255,502

6.2.2 SHARES OWNED BY THE COMPANY

a) Information on transactions completed during the financial year ending December 31, 2013

The Company held 17,935 shares with a nominal value of 4 euros, as of December 31, 2013, representing 0.01% of its capital stock. The value based on the purchase price of those shares is 1,294,268.80 euros.

All of the 17,935 shares held by the Company at December 31, 2013 are assigned to cover stock options or performance share grants.

In 2013, 139,348 shares were used to cover the delivery of performance shares. None of the shares held by the Company have been reassigned to cover different objectives.

The Company has not entered into any liquidity agreement with an investment service provider.

In 2013, the Company carried out the following transactions on its treasury shares:

	PURCHASES			SALES		
	Number of shares purchased	**Average price** (in euros)	**Amounts** (in euros)	**Number of shares sold**	**Average price** (in euros)	**Amounts** (in euros)
2013 financial year	-	-	-	139,348 (1)	-	-

(1) *Delivered to employees as part of performance share plans.*

b) Information on the share buyback program approved on May 7, 2013

The share buyback program approved by the Shareholders' Meeting on May 7, 2013 has the following features:

Securities	Shares
Maximum percentage of capital that may be authorized	5%
Maximum number of shares that may be acquired	14,362,775 (1)
Maximum total amount of the program	500 million euros
Maximum unit purchase price	100 euros

(1) *Which is 5% of the capital as of December 31, 2012, subject to adjustment on the date the purchases are made.*

Program objectives:

- the implementation of any Company stock option plan under the terms of articles L. 225-177 *et seq.* of the French Commercial Code or any similar plan;
- the allotment or sale of shares to employees under the French statutory profit-sharing scheme or the implementation of any employee savings plan under applicable legal conditions, in particular articles L. 3332-1 *et seq.* of the Labor Code;

- the allotment of consideration free shares pursuant to the terms of articles L. 225-197-1 *et seq.* of the French Commercial Code;
- generally, to fulfill obligations linked with stock option programs or other share allotment schemes in favor of employees or executive officers of the Company or related entities;
- the delivery of shares on the exercise of rights attached to securities giving rights to the capital by redemption, conversion, exchange, presentation of a warrant or any other means;
- the cancellation of some or all of the shares purchased, pursuant to the 20th resolution approved by the Combined General Meeting on May 7, 2013 and according to the terms thereof;
- the delivery of shares (in exchange, as payment, or otherwise) in connection with acquisitions, mergers, demergers or asset-for-share exchanges; or
- market-making in the secondary market or maintenance of the liquidity of Lafarge shares by an investment services provider under a liquidity contract that complies with the ethical code recognized by the *Autorité des marchés financiers*.

Period: 18 months, until November 7, 2014.

As indicated in the table in Section 6.2.2 (Information on transactions completed during the fiscal year ending December 31, 2013) above, the Company has not purchased any of its own shares within the share buyback program in 2013. In addition, the Company proceeded to buy back 250,000 shares from the beginning of the financial year to cover the delivery of performance shares.

c) Information on the share buyback program to be approved on May 7, 2014

The Shareholders' Meeting convened on May 7, 2014 should be presented with the following share buyback program for approval:

Securities	Shares
Maximum percentage of capital that may be authorized	5%
Maximum number of shares that may be acquired	14,368,269 (1)
Maximum total amount of the program	500 million euros
Maximum unit purchase price	100 euros

(1) *Which is 5% of the capital as of December 31, 2013, subject to adjustment on the date purchases are made.*

Program objectives:

- the implementation of any Company stock option plan under the terms of articles L. 225-177 *et seq.* of the French Commercial Code or any similar plan;
- the allotment or sale of shares to employees under the French statutory profit-sharing scheme or the implementation of any employee savings plan under applicable legal conditions, in particular articles L. 3332-1 *et seq.* of the Labor Code;
- the allotment of consideration free shares pursuant to the terms of articles L. 225-197-1 *et seq.* of the French Commercial Code;
- generally, to fulfill obligations linked with stock option programs or other share allotment schemes in favor of employees or executive officers of the Company or related entities;
- the delivery of shares on the exercise of rights attached to securities giving rights to the capital by redemption, conversion, exchange, presentation of a warrant or any other means;
- the cancellation of some or all of the shares purchased, pursuant to the 20th resolution approved by the Combined General Meeting on May 7, 2013 and according to the terms thereof;
- the delivery of shares (in exchange, as payment, or otherwise) in connection with acquisitions, mergers, demergers or asset-for-share exchanges; or
- market-making in the secondary market or maintenance of the liquidity of Lafarge shares by an investment services provider under a liquidity contract that complies with the ethical code recognized by the Autorité des marchés financiers.

Period: 18 months, until November 7, 2015.

As at February 28, 2014, the Company held 150,935 shares with a nominal value of 4 euros representing 0,05% of its capital stock, all of which are assigned to cover performance share grants.

The Company has no open purchase or sale positions in relation to its share buyback program approved on May 7, 2013 on the date of publication of this Registration Document.

6.2.3 SECURITIES NON REPRESENTATIVE OF SHARE CAPITAL – BONDS

To meet the Group's medium and long-term financing needs and to optimize the maturity profile of the Group's debt, Lafarge issues bonds and other related securities on a regular basis, in particular under its Euro Medium Term Notes program (EMTN).

During the course of 2013, the Company has made one bond issue under the EMTN program.

The maximal nominal outstanding amount under our EMTN program is currently 12,000 million euros. At December 31, 2013, the Company's total nominal outstanding amount of bond issues under the EMTN program is 9,702 million euros. The available balance for new bond issues was therefore 2,298 million euros at December 31, 2013.

At December 31, 2013, the total nominal outstanding amount of the Company resulting from bonds issues, including bonds issues made under the EMTN program, is 11,118 million euros.

Our General Meeting held on May 7, 2013 authorized our Board of Directors to issue up to 8,000 million euros of bonds and other related securities for a period of 26 months. At December 31, 2013, an outstanding amount of 7,250 million euros was available for new bonds, as the Company has issued bonds of an amount of 750 million euros since the authorization granted by the General Meeting held on May 7, 2013.

See Section 2.4.2. (c) (Net cash used in financing activities) and Note 25 (Debt) to the consolidated financial statements for more information on bond issues.

See Section 6.2.4 (Authorizations delegated to the Board of Directors) for further information on financial authorizations delegated to our Board of Directors.

6.2.4 AUTHORIZATIONS DELEGATED TO THE BOARD OF DIRECTORS

a) Authorizations delegated to the Board of Directors by the General Meeting

At March 11, 2014, the Board of Directors of Lafarge S.A. benefited from the following authorizations upon delegation by the General Meeting held on May 7, 2013:

Type of authorization to be voted upon	Maximum amounts	Expiration date	Maximum authorized amount available at March 11, 2014 (euros)
Buy and sell its own shares (11th resolution)	Up to 5% of the share capital Up to 500 million euros Unitary Purchase price up to 100 euros	November 7, 2014	14,118,269
Issue of bonds and other related securities (simple and complex bonds) (12th and 13th resolutions)	8 billion euros (nominal value) (common ceiling)	July 7, 2015	7.250 billion euros
Issue of shares or other equity securities with preferential subscription rights (14th resolution)	560 million euros (nominal value) (1)	July 7, 2015	560 million euros
Issue of shares or other equity securities without preferential subscription rights (15th resolution)	112 million euros (nominal value) (2)	July 7, 2015	112 million euros
Issue of shares in an offer as set forth in article L. 411-2 of the French Monetary and Financial Code (16th resolution)	112 million euros (nominal value) (2) (3)	July 7, 2015	112 million euros
Issue of shares or other equity securities as payment for contributions in kind (17th resolution)	112 million euros (nominal value) (2) (3)	July 7, 2015	112 million euros
Increase in the number of shares to be issued in case of a capital increase with or without preferential subscription rights (18th resolution)	Up to the amount applicable to the initial issue and to be applied against the cap set forth in the 15th and/or the 14th resolution	July 7, 2015	N/A
Capital increase through incorporation of premiums, reserves, profits or other items (19th resolution)	100 million euros (nominal value) (2)	July 7, 2015	100 million euros
Reduction of share capital through cancellation of treasury shares (20th resolution)	Up to 10% of the share capital for a 24-month period	July 7, 2015	10% of the share capital
Allotment of free existing or new shares (21st resolution)	1.5% of the share capital (on grant date)	July 7, 2015	1.38% of the share capital
Grant of options to subscribe for and/or purchase shares (22nd resolution)	1.5% of the share capital (on grant date)	July 7, 2015	1.5% of the share capital
Issue of shares or other equity securities reserved for Group employees (23rd resolution)	50 million euros (nominal value)	July 7, 2015	50 million euros
Capital increase reserved for a category of beneficiaries as part of a transaction reserved for employees (24th resolution)	50 million euros (nominal value) (4)	November 7, 2014	50 million euros

(1) *Global cap for the 14th, 15th, 16th, 17th, 18th and 19th resolutions.*
(2) *To be applied against the global cap set forth in the 14th resolution.*
(3) *To be applied against the cap set forth in the 15th resolution.*
(4) *To be applied against the cap set forth in the 23rd resolution.*

USE OF EXISTING FINANCIAL AUTHORIZATIONS IN 2013

The Board of Directors made use of the authorization granted in the 17th resolution of the General Meeting held on May 12, 2011 during its meeting on March 13, 2013 by granting 636,920 performance shares.

In addition, the authorization to issue bonds and other related securities granted in the 12th resolution of the General Meeting held on May 7, 2013 was used on one occasion during the course of 2013 for a bond issuance of 750 million euros.

See Section 2.4.2 (c) (Net cash provided used in financing activities) and Note 25 (Debt) to the consolidated financial statements for more information on bond issues.

USE OF EXISTING FINANCIAL AUTHORIZATIONS IN 2014

The Board of Directors made use of the authorization granted in the 21st resolution of the General Meeting held on May 7, 2013 during its meeting on March 11, 2014 by granting 331,745 performance shares.

In addition, the Company proceeded to buy back 250,000 shares to cover the delivery of performance shares by making use of the authorization granted in the 11th resolution of the General Meeting held on May 7, 2013.

b) Authorizations to be delegated to the Board of Directors by the General Meeting to be held on May 7, 2014

The General Meeting to be held on May 7, 2014 should vote upon the following delegations:

Type of authorization to be voted upon	Maximum amounts	Expiration date
Buy and sell its own shares (9th resolution)	Up to 5% of the share capital Up to 500 million euros Unitary Purchase price up to 100 euros	November 7, 2015

6.2.5 ARTICLES OF ASSOCIATION (STATUTS)

The main provisions of Articles of Association of Lafarge S.A. are summarized below.

a) Corporate purpose

The Company's purpose, in France or abroad, is:

- The acquisition and management of all industrial and financial holdings, including, without limitation:
  - industries relating to cement and other hydraulic binders, construction materials and products or equipment used in homes;
  - refractory product industries;
  - industrial plant engineering and construction;
  - bio-industries and agri-business;
- Research and provision of services in any of the above-mentioned fields and in any other field where the skills of the Company and its subsidiaries may be relevant.
- All associations or undertakings, all acquisitions of securities, and all industrial, commercial, financial, agricultural, real and movable property transactions relating directly or indirectly to any of the above-mentioned purposes or such as ensure the development of Company assets.

b) Board of Directors

The Board of Directors must have a minimum of 3 members and a maximum of 18 members. The Directors are appointed by shareholders at a General Meeting, and their term of office is for four years.

According to provisions of the current Articles of Association, Directors must not be over 70 years of age and must each hold at least 1,143 of the Company's shares. Each Director's term of office expires at the end of the ordinary Shareholders' Meeting called to approve the previous year's financial statements and held in the year during which the Director's term of office normally expires or during which the Director reaches the age limit of 70 years.

The General Meeting convened on May 7, 2014 will vote on a proposal to amend the provisions of the Articles of Association relating to the age limit applicable to Directors and to insert new provisions setting out the procedure for the appointment of two Directors representing employees on the Board of Directors.

For further information on the proposed resolutions that will be put to the vote of the shareholders at the 2014 General Meeting, please refer to Section 3.1 (Board of Directors – Corporate Officers).

The Board of Directors elects a Chairman from among its members. The Chairman of the Board must not be over 65 years of age. The Chairman automatically ceases to perform his duties on December 31 of the year in which he reaches the age of 65 unless the Board of Directors decides as an exceptional measure to extend the term of office of the Chairman beyond the above-mentioned age limit for successive one-year periods provided that his term of office as Director continues for such periods. In this case, the term of office of the Chairman of the Board expires definitively on December 31 of the year in which he reaches the age of 67.

See Section 3.1 (Board of Directors-Corporate Officers) for more information on our Board of Directors.

RELATED-PARTY TRANSACTIONS

Agreements between the Company and any member of the Board of Directors are subject to prior approval of the Board unless these agreements are entered into at arms' length in the ordinary course of business. The Director who has an interest in the agreement to be approved by the Board cannot take part in the vote of the Board of Directors. The same applies to agreements to be entered into between the Company and the Chief Executive Officer, a Chief Operating Officer, a shareholder holding more than 10% of the voting rights in the Company or, if such shareholder is a legal entity, a company controlling that shareholder.

DIRECTORS' COMPENSATION

The Shareholders' Meeting can award a fixed annual amount as compensation for the members of the Board of Directors. The Board can then distribute this amount between its members as it sees fit.

See Section 3.4 (Compensation and benefits) for more information on the amount of compensation awarded to the Directors by the Shareholders' Meeting.

The Board of Directors can authorize the reimbursement of travel expenses and expenses incurred by Directors in the interests of Lafarge. The Board may also award exceptional remuneration to Directors who are members of Committees formed from among its members or who are entrusted with specific tasks or duties.

c) Rights, preferences and restrictions attached to shares

ALLOCATION AND APPROPRIATION OF EARNINGS

The net results of each financial year after deduction of overhead and other Company expenses, including any depreciation and provisions, constitute the Company's profit or loss for that financial year.

The Company contributes 5% of this profit, as reduced by any loss carried forward from previous years, to a legal reserve fund; this contribution is no longer required if the legal reserve fund equals 10% of the Company's issued share capital and becomes compulsory again if the legal reserve fund falls below this percentage of the share capital.

A contribution is also made to other reserve funds in accordance with French law.

The profits remaining after these contributions constitute the profits available for distribution, as increased by any profit carried forward from the previous years, out of which an initial dividend equal to 5% of the nominal value of shares fully paid-up and not redeemed is paid to the shareholders. Such dividends cannot be carried forward from one year to another.

The profits available for distribution remaining after payment of the initial dividend can be allocated to optional reserve funds or carried forward. Any profits remaining are distributed to shareholders as a super dividend.

The Shareholders' General Meeting may also decide to distribute part of the Company's distributable reserves. In such cases, the decision of the shareholders must specify expressly from which reserves the distribution is to be made. In any event, dividends are to be paid first from the financial year's distributable profits.

If the Company has incurred losses, such losses are recorded, after approval of the accounts by the shareholders, in a special balance sheet account and can be carried forward against profits in subsequent years until extinguished.

PAYMENT OF DIVIDENDS

Our Articles of Association provide that the General Meeting may offer shareholders a choice, with respect to all or part of any dividend to be distributed, between payment in cash and payment in new Company shares pursuant to applicable law. Shareholders may be offered the same choice with regard to the payment of interim dividends.

Unclaimed dividends within five years from the date of payment are forfeited and must be paid to the French State, in accordance with French law.

LOYALTY DIVIDEND

Any shareholder who, at the end of the financial year, has held registered shares for at least two years and still holds them at the date of payment of the dividend in respect of the year, will receive in respect of such shares a bonus equal to 10% of the dividend (first and super dividend) paid to other shareholders, including any dividend which is paid in shares. Where applicable, the increased dividend will be rounded down to the nearest centime. Entitlement to the increased dividend is lost upon conversion of the registered shares into bearer form or upon transfer of the registered shares.

Similarly, any shareholder who, at the end of the financial year, has held such registered shares for at least two years and still holds them at the date of an issue by way of capitalization of reserves, retained earnings or issue premiums of bonus shares, will receive additional shares equal to 10% of the number distributed, rounded down to the nearest whole number. The number of shares giving entitlement to such increases held by any one shareholder may not exceed 0.5% of total share capital at the relevant financial year end.

In the event of a share dividend or bonus issue any additional stock will rank *pari passu* with the stock previously held by the shareholder for the purpose of determining any increased dividend or distribution of bonus shares. However, in the event of fractions:

- where the shareholder opts for payment of dividends in shares, the shareholder may pay a balancing amount in cash to receive an additional share provided he meets the applicable legal requirements;
- in the event of a bonus issue, the rights to any fractions of a share arising from the increase will not be negotiable and the corresponding shares will be sold and the proceeds distributed to the holders of such rights no later than thirty days after the registration in the share account of the whole number of shares allocated to them.

VOTING RIGHTS

Each holder of shares is entitled to one vote per share at any Shareholders' General Meeting. Voting rights attached to shares may be exercised by the holder of the usufruct except where the holder of the usufruct and the beneficial owner agree otherwise and jointly notify the Company at least five days before the date of the meeting.

Double voting rights

Double voting rights are attached to fully paid-up shares registered for at least 2 years in the name of the same shareholder. In accordance with French law, entitlement to double voting rights is lost upon conversion of the registered shares into bearer form or upon transfer of the registered shares (this does not apply to transfers resulting from inheritance or gifts). Double voting rights were introduced in the Company's Articles of Association over 60 years ago and are exercisable within the limitations set out below.

Adjustment of voting rights

There are no restrictions on the number of voting rights held by each of our shareholders if those rights do not exceed 5% of the rights attached to all the shares comprising the Company's share capital. Above this threshold, the number of voting rights is adjusted on the basis of the percentage of the capital represented at the General Meeting rounded off to the nearest whole unit. This prevents over-representation of a shareholder when participation at a General Meeting is low, while ensuring that each of our shareholders obtains a percentage of voting rights at least equal to his stake in the Company's share capital.

Where applicable, the voting rights held directly or indirectly by a shareholder are added to the voting rights belonging to any third party, with whom such shareholder is acting in concert, as defined by law.

This adjustment mechanism does not apply when the quorum at the General Meeting is greater than two-thirds of the total number of voting rights.

d) Changes to shareholders' rights

Shareholders' rights can only be modified if a resolution to amend our Articles of Association is passed at an Extraordinary General Meeting of the shareholders by a two-thirds majority. Unanimity is, however, required to increase shareholders' obligations. In addition to a vote at the Shareholders' Extraordinary General Meeting, elimination of double voting rights requires ratification by a two-thirds majority at a special meeting of the shareholders benefiting from such rights.

e) Convocation and admission to Shareholders' General Meetings

CONVOCATION OF GENERAL MEETINGS

Shareholders' General Meetings can be called by the Board of Directors or, failing which, by the auditors and any other person legally authorized for such purpose.

The form of notice calling such meeting, which may be transmitted electronically, and the time limits for sending out this notice are regulated by law. The notice must specify the place of the meeting, which may be held at the registered office or any other place, and the agenda of the meeting.

ATTENDANCE AND VOTING AT GENERAL MEETINGS

Shareholders' General Meetings may be attended by all shareholders regardless of the number of shares they hold, provided that all calls of capital contributions due or past due with respect to such shares have been paid in full.

Access to the General Meeting is open to such shareholders, as well as to their proxies and registered intermediaries who have provided evidence of their entitlement to attend no later than midnight (Paris time) three business days before the date of the General Meeting, including certification that their shares are registered in an account. It is not necessary to block shares in order to attend General Meetings. The Board of Directors may, where appropriate, present shareholders with personal admission cards and request production of the cards.

At all General Meetings, shareholders are deemed present for quorum and majority purposes if participating in the General Meeting by videoconference or by any electronic communication means, including internet, that permits them to be identified. The Board of Directors organizes, in accordance with applicable laws and regulations, the participation and voting by such shareholders at the meeting by creating a dedicated site, and verifies the efficacy of the methods adopted to permit shareholder identification and to guarantee their effective participation in the General Meeting.

Shareholders not domiciled in French territory may be represented by an intermediary registered in accordance with applicable laws.

Any shareholder may be represented by proxy, even if the proxy holder is not a shareholder. Shareholders may also vote by mail in accordance with the conditions set out by law.

Shareholders may, pursuant to applicable law and regulations, submit their proxy or mail voting forms in respect of any General Meeting, either in paper form or by a method of electronic communications, provided that such method is approved by the Board of Directors and published in the notices of meeting, no later than 3:00 p.m. (Paris time) the day before the date of the General Meeting. The Board of Directors is authorized to reduce the time limit for the receipt of such forms.

Any shareholder fulfilling the required conditions set out above may attend the General Meeting and take part in the vote, and any previously submitted correspondence vote or previously granted proxy is deemed invalid.

QUORUM

In Ordinary and Extraordinary General Shareholders' Meetings, the calculation of the quorum is based on the total number of shares with voting rights.

Ordinary General Meetings: the quorum for Ordinary General Meetings called pursuant to the first notice of the meeting is only met if the shareholders present, deemed present or represented, hold 20% of the shares with voting rights. No quorum is required for a meeting called pursuant to a second notice.

Extraordinary Meetings: a quorum for Extraordinary Meetings is met only if the shareholders present, deemed present or represented at a meeting called pursuant to the first notice, hold 25% of the shares with voting rights, or hold 20% of the shares with voting rights at a meeting called on second notice. If the quorum is not met pursuant to the second notice, the meeting is to be postponed to a date no later than 2 months after the date for which it had been called.

MAJORITY REQUIRED

Resolutions at an Ordinary General Meeting of shareholders are passed by a simple majority of the votes cast by the shareholders present, deemed present or represented.

Resolutions at an Extraordinary General Shareholders' Meeting are passed by a two-thirds majority of the votes cast by the shareholders present, deemed present or represented.

In the event of a capital increase by capitalization of reserves, profits or issue premiums, resolutions are passed in accordance with the voting requirements for Ordinary General Shareholders' Meetings.

f) Disclosure of holdings exceeding certain thresholds

In addition to the legal requirement to disclose holdings exceeding certain thresholds, our Articles of Association provide that any person acting alone or in concert who becomes, directly or indirectly, the owner of 2% or more of our share capital must notify the Company therein. This notification requirement is governed by the same provisions that apply to the legal requirement. The Company must be notified, within the time limits provided by law, by registered mail with return receipt requested or by fax or telex, of the number of shares held, indicating whether these are held directly or indirectly and whether the shareholder is acting alone or in concert. The same notification requirement applies to each subsequent increase in ownership of 1%.

Notifications must be made within the same time limits and in the same format for subsequent decreases below the above mentioned thresholds whatever the reason. Notifications must also specify the date on which the threshold was crossed (which corresponds to the date on which the transaction resulting in the crossing of the threshold took place) and the number of shares held giving access to the share capital.

If a person does not comply with this notification requirement, the provisions of the law providing for loss of voting rights apply. If this sanction is not applied automatically, one or more shareholders holding 1% or more of our share capital or voting rights may require a Shareholders' General Meeting to strip the shares in excess of the relevant threshold of voting rights at all General Meetings for 2 years following the date on which the owner complies with the notification requirements. This penalty is irrespective of any legal sanction that may be issued by a court upon the request of the Chairman, a shareholder or the *Autorité des marchés financiers* (AMF).

The Company may at any time request, under the terms and conditions set forth by applicable law, the entity in charge of settlement of securities transactions to identify the holders of securities conferring immediate or future entitlement to voting rights at General Meetings and to state the number of securities held by each holder and any restrictions on such securities.

See Section 6.1.3 (Threshold notifications imposed by law and declarations of intent) for information on threshold notifications made in the last two financial years.

6.2.6 CHANGE OF CONTROL

Within the framework of the provisions of article L. 225-100-3 of the French Commercial Code, the Company states that it has no specific provisions which may have an incidence in the event of a call for tenders. The change of control provisions of the Company's principal financing agreements, including those presented in Section 6.2.7 (Material contracts), detail the early reimbursement of the loans in case of a change of control. The EMTN program of the Company includes in its terms and conditions the situation of a change of control accompanied by a lowered financial rating for the Company which could bring about, at the choice of bonds holders and subject to certain conditions, the early reimbursement of bonds. In addition, for informational purposes:

- the structure of the Company's capital, the information on the thresholds notifications and declaration of intent are set forth in Section 6.1 (Shareholders) and certain provisions of the Articles of Association, including those regarding voting rights, are set forth in Section 6.2.5 (Articles of Association – Statuts);
- to the Company's knowledge, there are no agreements between shareholders which may give rise to restrictions to the transfer of shares and the exercise of the Company's voting rights, and the Company has not been informed of agreement clauses pursuant to article L. 233-11 of the French Commercial Code;
- the severance arrangements which may be due to the Chairman and Chief Executive Officer following a change of control is set forth in Section 3.4.3 (Compensation and benefits paid to the Chairman and Chief Executive Officer).

6.2.7 MATERIAL CONTRACTS

We are a party to a syndicated credit facility entered into on October 29, 2004, and amended successively on July 28, 2005, July 27, 2010 and March 19, 2012.

This facility originally provided a revolving credit line in the amount of 1,850 million euros, with a maturity of five years. Through the last amendment of March 19, 2012, we have reduced the amount to 1,235 million euros and extended the maturity to July 28, 2015 for 1,200 million euros. This syndicated credit facility contains an optional exit mechanism, on an individual basis, if the consolidated net debt to Ebitda ratio is higher than 4.75. Such an event would not be considered an event of default and would have no impact on the status of the Group's other financing arrangements.

We also have a significant number of contracts relating to outstanding bond issues.

See Section 2.4 (Liquidity and capital resources) and Note 25 (Debt) to the consolidated financial statements for further information.

In addition, we have entered into several agreements in relation to the significant sales and acquisitions mentioned in Section 1.2.8 (Recent acquisitions, partnerships and divestitures). The Company also has entered into a shareholders' agreement with the Sawiris family and NNS Holing SARL, further described in Section 6.1.2 (Shareholders' agreement).

6.2.8 INTRA-GROUP RELATIONS

See Note 35 (List of significant subsidiaries, joint ventures and investments in associates at December 31, 2013) to the consolidated financial statements for more information on significant subsidiaries.

Lafarge S.A. is a holding company. We conduct our operations through over 1,000 subsidiaries, out of which 80% are consolidated. We have a large number of operating companies because we previously conducted our operations through several Divisions, our businesses are local in nature, and we have facilities in 62 countries.

a) Relations between Lafarge S.A. and its subsidiaries

Lafarge S.A.'s relationship with its subsidiaries is that of an industrial holding company and includes a financial component and an assistance component.

The financial component covers the financing by Lafarge S.A. of most subsidiaries' operations and the transfer of dividends from subsidiaries.

On December 31, 2013, Lafarge S.A. held approximately 86% of the Group's debt excluding put options on shares of subsidiaries. Lafarge S.A. is subject to a quotation by Standard & Poor's and by Moody's. The Company has access to short-term and long-term financial markets and large banking networks, and provides financing to its subsidiaries through inter-company loans. To fund such loans, Lafarge S.A. draws primarily on its Euro Medium Term Notes program for medium to long-term financing and the related Commercial Paper program for short-term financing.

Nevertheless, this general financing rule has some exceptions. As an example, if Lafarge S.A. cannot obtain financing through these programs in a subsidiary's local currency, it secures local funding to ensure the subsidiary's operations are financed in the relevant local currency. Furthermore, certain of Lafarge's consolidated subsidiaries, which have minority shareholders, can access the financial markets on their own and, thus, obtain and carry their own financing.

For those subsidiaries for which it is possible (most subsidiaries located in the euro-zone, as well as the United States, Hungary, Poland, Romania, Switzerland and the United Kingdom for operations not transferred to the joint venture with Anglo American), Lafarge S.A. uses a cash pooling program, through which cash generated by such subsidiaries is consolidated and managed by Lafarge S.A. in connection with the financing of the subsidiaries' operations.

See Section 2.4 for more information on Liquidity and capital resources.

The assistance component relates to the supply by Lafarge S.A. of administrative and technical support to its subsidiaries. Lafarge S.A. also grants rights to use its brands, patents, and industrial know-how to its various subsidiaries.

The Research & Development activities are managed by the Lafarge's Research Center located in Lyon (L'Isle-d'Abeau), France. In addition, since 2011 several laboratories dedicated to construction development have been opened in Lyon, Chongqing, Mumbai and Alger and work in close cooperation with the Research Center in Lyon.

In the Cement Division, technical support services are provided by Lafarge's various Technical Centers located in Lyon, Vienna, Montreal, Atlanta, Beijing, Kuala Lumpur and Cairo.

Subsidiaries are charged for these various services and licenses under patent license, support or brand licensing contracts.

See Section 1.2.2 (c) (Research & Development, keys to innovation) for more information.

b) Lafarge's relationship with its subsidiaries' minority shareholders

In addition to Lafarge's listed subsidiaries that have a broad base of minority shareholders, certain other controlled subsidiaries may have industrial or financial partners, government entities, prior employees or prior owners as minority shareholders. In some cases, such minority shareholdings are required by local law or regulations (*e.g.* in the case of a partial privatization, mergers, local regulations, listing on capital markets). In other instances, we have partnered with them to share our business risk. In many cases, we have entered into shareholders' agreements with such minority shareholders providing for Board membership or other similar provisions, shareholders' information rights and control provisions. We have not recently experienced any difficulties in managing these subsidiaries with our partners, which could present a risk to our financial structure.

A limited number of these shareholders' agreements contain exit provisions for our minority shareholders that may be exercised at any time, at certain fixed times, or under specific circumstances, such as a continuing disagreement between Lafarge S.A. and the shareholder or a change in control of the relevant subsidiary or Lafarge S.A. In particular and by way of example, our shareholders' agreement relating to Lafarge's Cement operations in Morocco contains provisions that enable our partners to buy back our shareholding in this business in the event of a change in control of Lafarge S.A. Similarly, the shareholders' agreements signed in the context of joint ventures with our partners Strabag for our Cement operations in Eastern Europe (Austria, Hungary, Czech Republic, Slovenia and Slovakia) and Anglo American for our operations in the United Kingdom allow our respective partners to acquire our stake should we lose the control of our subsidiary carrying the interest in the relevant joint venture.

See Note 25 (f) to the consolidated financial statements for more information on put options on shares of subsidiaries.

6.2.9 DOCUMENTS ON DISPLAY

The Articles of Association of the Company, minutes of General Meetings as well as reports from the Board of Directors to the General Meeting, auditors' reports, financial statements of the Company for the last three financial years, and any other document sent to or available for our shareholders in accordance with the law, are available for consultation during the validity period of this Registration Document at our registered office, 61, rue des Belles Feuilles, 75116 Paris.

In addition, historical financial information and regulated information relating to the Group as well as information relating to the Company's General Meetings is available on-line at www.lafarge.com.

CERTIFICATION

We hereby certify that, having taken all reasonable care to ensure that this is the case, the information set out in this Document de Référence is, to the best of our knowledge, true and accurate and that no information has been omitted that would be likely to impair the meaning thereof.

We certify that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, and of the financial position and results of the Company and of its consolidated subsidiaries, and that the management report of the Annual Financial Report defined on page 284 provides a true and fair view of the evolution of the business, results and financial condition of the Company and of its consolidated subsidiaries, and a description of the main risks and uncertainties the Company and its consolidated subsidiaries are subject to.

We have obtained from our statutory auditors, Deloitte & Associés and Ernst & Young et Autres, a letter asserting that they have reviewed the information regarding the financial condition and the financial statements included in this Document de Référence and that they have read the whole Document de Référence.

Our statutory auditors have established a report on the financial statements presented in this Document de Référence, set out on pages F3 and F74, as well as the 2012 and 2011 historical financial data incorporated by reference. The statutory auditors' report on the 2013 consolidated financial statements presented on page F3 contains a technical observation.

Paris, April 2, 2014

French original signed by

Jean-Jacques Gauthier	Bruno Lafont
Chief Financial Officer	Chairman and Chief Executive Officer

FINANCIAL STATEMENTS F3

Statutory auditors' report on the consolidated financial statements F3
Consolidated statement of income F5
Consolidated statement of comprehensive income F6
Consolidated statement of financial position F7
Consolidated statement of cash flows F8
Consolidated statement of changes in equity F10

F

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS F11

Note 1	Business description	F11
Note 2	Summary of significant accounting policies	F11
Note 3	Significant events of the period	F24
Note 4	Operating segment information	F25
Note 5	Net gains (losses) on disposals	F28
Note 6	Other operating income (expenses)	F29
Note 7	Emission rights	F29
Note 8	Financial (expenses) income	F30
Note 9	Earnings per share	F30
Note 10	Goodwill	F31
Note 11	Intangible assets	F34
Note 12	Property, plant and equipment	F35
Note 13	Investments in associates	F36
Note 14	Joint ventures	F37
Note 15	Other financial assets	F38
Note 16	Inventories	F39
Note 17	Trade receivables	F39
Note 18	Other receivables	F40
Note 19	Cash and cash equivalents	F40
Note 20	Equity	F41
Note 21	Share based payments	F42
Note 22	Income tax	F45
Note 23	Pension plans, end of service benefits and other post-employment benefits	F48
Note 24	Provisions	F53
Note 25	Financial Debt	F53
Note 26	Financial instruments	F57
Note 27	Other payables	F64
Note 28	Off Balance Sheet Commitments	F65
Note 29	Legal and arbitration proceedings	F66
Note 30	Related parties	F67
Note 31	Employee costs and compensation to Directors and executive officers for services	F68
Note 32	Supplemental cash flow disclosures	F69
Note 33	Auditors' fees and services	F70
Note 34	Subsequent events	F70
Note 35	List of significant subsidiaries, joint ventures and investments in associates at December 31, 2013	F71

STATUTORY ACCOUNTS F74

Statutory auditors' report on the annual financial statements F74

Comments on Income and financial position statements F75

Appropriation of earnings F75

Statement of income F76

Balance sheet F77

Statement of cash flows F78

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS F79

Note 1 Significant events of the period F79

Note 2 Accounting policies F79

Note 3 Depreciation and amortization, operating provision (allowance) reversal F80

Note 4 Financial income from investments F81

Note 5 Interest and similar income F81

Note 6 Financial provision (allowance) reversal F81

Note 7 Interest and similar expenses F82

Note 8 Exceptional income (loss) F82

Note 9 Income tax F82

Note 10 Intangible assets and property, plant & equipment F83

Note 11 Financial assets F83

Note 12 Marketable securities F83

Note 13 Lafarge S.A. treasury shares F84

Note 14 Translation adjustments and bond redemption premiums F84

Note 15 Net equity F85

Note 16 Provisions for losses and contingencies F86

Note 17 Pension benefit obligations F86

Note 18 Financial debt F87

Note 19 Derivatives F89

Note 20 Financial commitments F90

Note 21 Maturity of receivables and liabilities at the balance sheets date F91

Note 22 Information regarding Related parties F92

Note 23 Compensation of the Board of Directors and Executive Management F92

Note 24 Average number of employees during the year F92

Note 25 Individual rights to training F92

Note 26 Deferred tax position – tax base (holding company only) F93

Note 27 Subsequent events F93

Note 28 Investments F94

Change in the financial income of the Company during the last five years (articles R. 225-81, R. 225-83, R. 225-102 of the French Commercial Code) F95

Statutory Auditors' special report on regulated agreements and commitments with third parties F96

CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report also includes information relating to the specific verification of information given in the management report. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

FOR THE YEAR ENDED DECEMBER 31, 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of Lafarge;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to Note 2.1 "Standards and interpretations applicable from January 1, 2013" to the consolidated financial statements which describes the impacts related to the application of the amendments to IAS 19 – *Employee Benefits*- from January 1, 2013.

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II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- Goodwill, property, plant and equipment, and intangible assets have been tested for impairment in accordance with the Group's accounting policies as described in Note 2.12 "Impairment of non-current assets" to the consolidated financial statements. The estimates used have been prepared based on currently available information at the time of the preparation of the consolidated financial statements and take into consideration the current economic crisis or political instability affecting some of the Group's markets, as described in Note 2.3 "Use of estimates and judgment" to the consolidated financial statements. Therefore, as set out in Note 10 "Goodwill" to the consolidated financial statements, for European countries affected by the economic crisis and for Syria and Egypt, the operating assumptions and discount rates used in future discounted cash flows have been determined based on the specific country environment, for these countries, without taking into consideration any possible major disruption of the economic or geopolitical environment. In addition, the Group performed sensitivity tests on the recoverable amounts to a reasonable possible change of key assumptions (notably sensitivity to a one-point change in the discount rate or the perpetual growth rate) for the main goodwill items.

  Our procedures consisted in reviewing available documents and the implementation of impairment testing, assessing the reasonableness of adopted valuations and the appropriateness of the information disclosed in the notes to the consolidated financial statements.
- Notes 2.3 "Use of estimates and judgment", 2.23 and 22 "Income tax" to the consolidated financial statements specify that the recoverability of the deferred tax assets recognized as at December 31, 2013, notably those arising from the tax losses of the French tax consolidation which can be indefinitely carried forward, has been assessed by the Group on the basis of forecasts of future taxable profits. Our procedures consisted in reviewing the analysis performed on the recoverability of these assets, assessing the assumptions on which the used forecast data are based and verifying that the information disclosed in Notes 2.23 and 22 is appropriate.

As mentioned in the first part of the report, note 2.1 " Standards and interpretations applicable from January 1, 2013" to the consolidated financial statements describes the effects of the application as from January 1, 2013 of the amendments to IAS 19 - *Employee benefits*. According to IAS 8, the comparative information disclosed in the consolidated financial statements was restated retrospectively to reflect this change in method. As a result, the comparative information is different from the consolidated financial statements published with respect to the previous fiscal year ended December 31, 2012. As part of our assessment of the accounting policies adopted by your Group, we reviewed the comparative data and the information disclosed in Note 2.1 to the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, February 28, 2014

The Statutory Auditors

DELOITTE & ASSOCIÉS French original signed by		ERNST & YOUNG et Autres French original signed by	
Arnaud de Planta	Frédéric Gourd	Alain Perroux	Nicolas Macé

CONSOLIDATED STATEMENT OF INCOME

(million euros, unless otherwise stated)	NOTES	YEARS ENDED DECEMBER 31, 2013	2012 [1]
REVENUE	*(4)*	**15,198**	**15,816**
Cost of sales		(11,740)	(11,934)
Selling and administrative expenses		(1,383)	(1,469)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	*(4)*	**2,075**	**2,413**
Net gains (losses) on disposals	*(5)*	295	53
Other operating income (expenses)	*(6)*	(350)	(546)
OPERATING INCOME		**2,020**	**1,920**
Financial expenses	*(8)*	(1,177)	(1,255)
Financial income	*(8)*	136	160
Share of net income (loss) of associates	*(13)*	19	5
INCOME BEFORE INCOME TAX		**998**	**830**
Income tax	*(22)*	(262)	(292)
NET INCOME FROM CONTINUING OPERATIONS		**736**	**538**
Net income (loss) from discontinued operations	*(3)*	46	16
NET INCOME		**782**	**554**
Of which attributable to:			
Owners of the parent company		**601**	**365**
Non-controlling interests (minority interests)		181	189

EARNINGS PER SHARE (euros)

ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY			
Basic earnings per share	*(9)*	2.09	1.27
Diluted earnings per share	*(9)*	2.08	1.27
From continuing operations			
Basic earnings per share	*(9)*	1.93	1.21
Diluted earnings per share	*(9)*	1.92	1.21
BASIC AVERAGE NUMBER OF SHARES OUTSTANDING (in thousands)	*(9)*	**287,268**	**287,079**

(1) *Figures have been restated as mentioned in Note 2 "Summary of significant accounting policies" following the application of IAS 19 Amended (See Note 2.1).*
The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	YEARS ENDED DECEMBER 31,	
(million euros)	2013	2012 [(1)]
NET INCOME	**782**	**554**
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains/(losses)	119	(240)
Income tax on items that will not be reclassified to profit or loss	(74)	64
Total items that will not be reclassified to profit or loss	**45**	**(176)**
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets	(14)	-
Cash-flow hedging instruments	8	4
Foreign currency translation adjustments	(1,699)	(492)
Income tax on items that may be reclassified to profit or loss	(1)	(2)
Total items that may be reclassified to profit or loss	**(1,706)**	**(490)**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	**(1,661)**	**(666)**
TOTAL COMPREHENSIVE INCOME	**(879)**	**(112)**
Of which attributable to :		
Owners of the parent company	**(928)**	**(248)**
Non-controlling interests (minority interests)	49	136

(1) *Figures have been adjusted as mentioned in Note 2 "Summary of significant accounting policies" following the application of IAS 19 Amended (See Note 2.1).*
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(million euros)	NOTES	AT DECEMBER 31, 2013	2012 [1]
ASSETS			
NON-CURRENT ASSETS		**29,358**	**30,180**
Goodwill	*(10)*	11,612	12,184
Intangible assets	*(11)*	574	620
Property, plant and equipment	*(12)*	14,752	14,992
Investments in associates	*(13)*	643	470
Other financial assets	*(15)*	656	698
Derivative instruments	*(26)*	12	27
Deferred tax assets	*(22)*	1,082	1,149
Other receivables	*(18)*	27	40
CURRENT ASSETS		**7,717**	**9,284**
Inventories	*(16)*	1,621	1,662
Trade receivables	*(17)*	1,929	1,762
Other receivables	*(18)*	797	779
Derivative instruments	*(26)*	24	68
Cash and cash equivalents	*(19)*	3,346	2,733
Assets held for sale	*(3)*	-	2,280
TOTAL ASSETS	*(4)*	**37,075**	**39,464**
EQUITY AND LIABILITIES			
Common stock	*(20)*	1,149	1,149
Additional paid-in capital	*(20)*	9,712	9,695
Treasury shares	*(20)*	(1)	(11)
Retained earnings		6,868	6,477
Other reserves	*(20)*	(885)	(925)
Foreign currency translation adjustments	*(20)*	(2,288)	(719)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**14,555**	**15,666**
Non-controlling interests (minority interests)	*(20)*	1,951	2,082
EQUITY		**16,506**	**17,748**
NON-CURRENT LIABILITIES		**13,620**	**14,451**
Deferred tax liabilities	*(22)*	915	973
Pension & other employee benefits	*(23)*	1,234	1,492
Provisions	*(24)*	591	637
Financial debt	*(25)*	10,805	11,261
Derivative instruments	*(26)*	1	8
Other payables	*(27)*	74	80
CURRENT LIABILITIES		**6,949**	**7,265**
Pension & other employee benefits	*(23)*	123	102
Provisions	*(24)*	124	127
Trade payables		2,224	1,985
Other payables	*(27)*	1,447	1,567
Current tax payables		125	220
Financial debt (including current portion of long-term debt)	*(25)*	2,891	2,823
Derivative instruments	*(26)*	15	53
Liabilities associated with assets held for sale	*(3)*	-	388
TOTAL EQUITY AND LIABILITIES	*(4)*	**37,075**	**39,464**

(1) *Figures have been restated as mentioned in Note 2 "Summary of significant accounting policies" following the application of IAS 19 Amended (See Note 2.1).*
The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

(million euros)	NOTES	YEARS ENDED DECEMBER 31, 2013	2012 (1)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
NET INCOME		**782**	**554**
NET INCOME FROM DISCONTINUED OPERATIONS		**46**	**16**
NET INCOME FROM CONTINUING OPERATIONS		**736**	**538**
Adjustments for income and expenses which are non cash or not related to operating activities, financial expenses or income tax:			
Depreciation and amortization of assets	*(4)*	1,027	1,010
Impairment losses	*(6)*	125	212
Share of net (income) loss of associates	*(13)*	(19)	(5)
Net (gains) losses on disposals	*(5)*	(295)	(53)
Financial (income) expenses	*(8)*	1,041	1,095
Income tax	*(22)*	262	292
Others, net (including dividends received from equity-accounted investments)		(168)	(68)
Change in working capital items, excluding financial expenses and income tax *(see analysis below)*		(36)	(304)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS BEFORE IMPACT OF FINANCIAL EXPENSES AND INCOME TAX		**2,673**	**2,717**
Interests (paid) received		(893)	(954)
Cash payments for income tax		(525)	(487)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS		**1,255**	**1,276**
NET OPERATING CASH GENERATED BY DISCONTINUED OPERATIONS		**1**	**22**
NET CASH GENERATED BY OPERATING ACTIVITIES		**1,256**	**1,298**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Capital expenditures	*(4)*	(1,051)	(775)
Investment in subsidiaries and joint ventures(*)		(15)	21
Investment in associates	*(13)*	-	(3)
Acquisition of available-for-sale financial assets		(1)	(1)
Disposals(**)	*(3)/(32)*	1,105	413
Net (increase) decrease in long-term receivables		1	22
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS		**39**	**(323)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS		**(2)**	**(4)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**37**	**(327)**

(1) *Figures have been restated as mentioned in Note 2 "Summary of significant accounting policies" following the application of IAS 19 Amended (See Note 2.1).*
The accompanying notes are an integral part of these consolidated financial statements.

(million euros)	NOTES	YEARS ENDED DECEMBER 31, 2013	2012 (1)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Capital increase (decrease) – owners of the parent company	*(20)*	3	9
Capital increase (decrease) – non-controlling interests (minority interests)		-	2
Acquisitions of ownership interests with no gain of control	*(32)*	(2)	(147)
Disposals of ownership interests with no loss of control	*(32)*	188	21
Dividends paid	*(20)*	(289)	(145)
Dividends paid by subsidiaries to non-controlling interests (minority interests)		(218)	(154)
Proceeds from issuance of long-term debt		1,410	1,069
Repayment of long-term debt		(1,561)	(1,928)
Increase (decrease) in short-term debt		9	(75)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		**(460)**	**(1,348)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS		**-**	**-**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(460)**	**(1,348)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS		**834**	**(395)**
Increase (decrease) in cash and cash equivalents from discontinued operations		(1)	18
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts		(220)	(61)
Reclassification of cash and cash equivalents from discontinued operations		-	-
Cash and cash equivalents at beginning of the year		2,733	3,171
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*(19)*	**3,346**	**2,733**
** Net of cash and cash equivalents of companies acquired*		*5*	*-*
*** Net of cash and cash equivalents of companies disposed of*		*(100)*	*1*
ANALYSIS OF CHANGES IN OPERATING WORKING CAPITAL ITEMS		**(36)**	**(304)**
(Increase)/decrease in inventories	*(16)*	*(46)*	*(183)*
(Increase)/decrease in trade receivables		*(172)*	*(107)*
(Increase)/decrease in other receivables – excluding financial and income tax receivables		*(10)*	*(44)*
Increase/(decrease) in trade payables		*233*	*24*
Increase/(decrease) in other payables – excluding financial and income tax payables		*(41)*	*6*

(1) *Figures have been restated as mentioned in Note 2 "Summary of significant accounting policies" following the application of IAS 19 Amended (See Note 2.1).*
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Outstanding shares	Of which Treasury shares	Common stock	Additional paid-in capital	Treasury shares	Retained earnings [1]	Other reserves [1]	Foreign currency translation adjustments	Equity attributable to the owners of the parent company	Non controlling interests	Equity
		(number of shares)		(million euros)								
BALANCE AT JANUARY 1, 2012		**287,247,518**	**233,448**	**1,149**	**9,684**	**(17)**	**6,217**	**(751)**	**(280)**	**16,002**	**2,197**	**18,199**
Net income							365			365	189	554
Other comprehensive income, net of income tax								(174)	(439)	(613)	(53)	(666)
TOTAL COMPREHENSIVE INCOME							**365**	**(174)**	**(439)**	**(248)**	**136**	**(112)**
Dividends	*(20)*						(145)			(145)	(170)	(315)
Issuance of common stock	*(21)*	7,984								-	1	1
Share based payments	*(21)*				11					11	-	11
Treasury shares	*(20)*		(76,165)			6	(6)			-	-	-
Changes in ownership with no gain/loss of control	*(20)*						46			46	(93)	(47)
Other movements	*(20)*									-	11	11
BALANCE AT DECEMBER 31, 2012		**287,255,502**	**157,283**	**1,149**	**9,695**	**(11)**	**6,477**	**(925)**	**(719)**	**15,666**	**2,082**	**17,748**
BALANCE AT JANUARY 1, 2013		**287,255,502**	**157,283**	**1,149**	**9,695**	**(11)**	**6,477**	**(925)**	**(719)**	**15,666**	**2,082**	**17,748**
Net income							601			601	181	782
Other comprehensive income, net of income tax								40	(1,569)	(1,529)	(132)	(1,661)
TOTAL COMPREHENSIVE INCOME							**601**	**40**	**(1,569)**	**(928)**	**49**	**(879)**
Dividends	*(20)*						(289)			(289)	(216)	(505)
Issuance of common stock	*(21)*	109,895			3					3	-	3
Share based payments	*(21)*				14					14	-	14
Treasury shares	*(20)*		(139,348)			10	(10)			-	-	-
Changes in ownership with no gain/loss of control	*(20)*						84			84	102	186
Other movements	*(20)*						5			5	(66)	(61)
BALANCE AT DECEMBER 31, 2013		**287,365,397**	**17,935**	**1,149**	**9,712**	**(1)**	**6,868**	**(885)**	**(2,288)**	**14,555**	**1,951**	**16,506**

(1) *Figures have been restated as mentioned in Note 2 "Summary of significant accounting policies" following the application of IAS 19 Amended (See Note 2.1).*
The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BUSINESS DESCRIPTION

Lafarge S.A. is a French limited liability company *(société anonyme)* governed by French law. The commercial name is “Lafarge”. The Company was incorporated in 1884 under the name “J. et A. Pavin de Lafarge”. Currently, the by-laws of the Company state its duration until December 31, 2066, unless further extension. The registered office is located at 61 rue des Belles Feuilles, BP 40, 75782 Paris Cedex 16, France. The Company is registered in the Registrar of the Paris Commercial Court (Tribunal de Commerce de Paris) under the number 542105572 RCS Paris.

The Group has a country-based organization *(see Note 4).*

The Group’s shares have been traded on the Paris stock exchange since 1923 and have been a component of the French CAC 40 market index since its creation, and also included in the SBF 250 index.

As used herein, the terms “Lafarge S.A.” or the “parent company” refer to Lafarge a *société anonyme* organized under French law (excluding its consolidated subsidiaries). The terms the “Group” or “Lafarge” refer to Lafarge S.A. together with companies included in the scope of consolidation.

As at February 18, 2014, the Board of Directors prepared and authorized for issue these consolidated financial statements for the year ended December 31, 2013. They will be submitted for approval by the shareholders during the Annual General Meeting to be held on May 7, 2014.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 ACCOUNTING PRINCIPLES

1) Consolidated financial statements preparation basis

The consolidated financial statements of the Group are prepared in accordance with the **International Financial Reporting Standards** (“IFRS”) as endorsed by the European Union as of December 31, 2013 and available on the site http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm, which do not differ, for the Group, from the effective IFRS as published by International Accounting Standard Board (“IASB”).

The consolidated financial statements have been prepared in accordance with the historical cost basis, except for the following, which are measured at fair value:

- derivative financial instruments;
- financial instruments at fair value through statement of income;
- available-for-sale financial assets;
- liabilities for cash-settled share based payment arrangements.

The consolidated financial statements are presented in euros rounded to the nearest million, unless otherwise indicated.

As a first time adopter of IFRS at January 1, 2004, the Group has followed the specific prescriptions of IFRS 1 which govern the first-time adoption. The options selected for the purpose of the transition to IFRS are described in the following Notes.

2) Standards and interpretations applicable from January 1, 2013

The new IFRS and interpretations effective from January 1, 2013 had no material impact on the Group consolidated financial statements at December 31, 2013 except for the amendments to IAS 19 that have been applied retrospectively as at January 1, 2012.

NEW STANDARDS AND INTERPRETATIONS WITH NO MATERIAL IMPACT ON THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

- IFRS 13 – Fair value measurement, issued by the IASB in May 2011. IFRS 13 requires, in particular, to take account of counterparty risk in the fair value of derivative instruments. The valuation of counterparty risk is not material for the Group.
- Amendments to IFRS 1 – Government loans, issued by the IASB in March 2012.
- Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities, issued by the IASB in December 2011.
- Amendments to IAS 1 – Presentation of financial statements – Presentation of items of other comprehensive income, issued by the IASB in June 2011.
- Amendments to IAS 12 – Deferred tax – Recovery of underlying assets, issued by IASB in December 2010.
- Annual improvements to IFRS 2009-2011, issued by the IASB in May 2012.
- IFRIC 20 – Stripping costs in the production phase of a surface mine, issued by the IASB in October 2011.

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FIRST APPLICATION OF THE AMENDMENTS TO IAS 19

The Group already applied the option offered by IAS 19 to recognize in other comprehensive income the actuarial gains or losses in the period in which they arise. As a result, these amendments impact mainly the financial component of the net periodic pension cost recorded in the consolidated statement of income and the recognition of non-vested past service costs:

- the financial component of the net periodic pension cost is recorded as a financial expense. The financial gain on plan assets included in the financial component is calculated by multiplying the fair value of plan assets by the discount rate instead of the expected return rate of plan assets. The difference with the actual return of plan assets is recorded in the other comprehensive income. As a result, this impacts neither the total amount of the obligation nor the equity. It only changes the split of the financial component of the net periodic pension cost between net income and other comprehensive income;
- non-vested past service costs from plan amendments are immediately recognized as an expense, and are no longer amortized over the remaining services lives of related employees. The unrecognized past service costs have been recorded in the provision for pension (non current) in counterpart of consolidated reserves for their total amount net of income tax as at January 1, 2012 (2 million euros).

Following the adoption of these amendments, the financial component of the net periodic pension cost which was previously recorded in "Operating income before gains, impairment, restructuring and other", is now presented in "Financial expenses" in the consolidated statement of income.

The following tables present the impact of this change of method on the statement of income and the statement of comprehensive income:

	DECEMBER 31, 2012		
Statement of income (million euros, except per share data)	**Published**	**IAS 19 R impact**	**Restated**
REVENUE	**15,816**	**-**	**15,816**
Cost of sales	(11,945)	11	(11,934)
Selling and administrative expenses	(1,431)	(38)	(1,469)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	**2,440**	**(27)**	**2,413**
Net gains (losses) on disposals	53	-	53
Other operating income (expenses)	(546)	-	(546)
OPERATING INCOME	**1,947**	**(27)**	**1,920**
Financial expenses	(1,191)	(64)	(1,255)
Financial income	160	-	160
Share of net income (loss) of associates	5	-	5
INCOME BEFORE INCOME TAX	**921**	**(91)**	**830**
Income tax	(316)	24	(292)
NET INCOME FROM CONTINUING OPERATIONS	**605**	**(67)**	**538**
Net income from discontinued operations	16	-	16
NET INCOME	**621**	**(67)**	**554**
Of which attributable to:			
Owners of the parent company	**432**	**(67)**	**365**
Non-controlling interests(minority interests)	189	-	189
EARNINGS PER SHARE (euros)			
ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY			
Basic earnings per share	1.50	(0.23)	1.27
Diluted earnings per share	1.50	(0.23)	1.27
From continuing operations			
Basic earnings per share	1.44	(0.23)	1.21
Diluted earnings per share	1.44	(0.23)	1.21

	DECEMBER 31, 2012		
Statement of comprehensive income (million euros)	**Published**	**IAS 19 R impact**	**Restated**
NET INCOME	**621**	**(67)**	**554**
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses)	(331)	91	(240)
Income tax on items that will not be reclassified to profit or loss	88	(24)	64
Total items that will not be reclassified to profit or loss	**(243)**	**67**	**(176)**
Total items that may be reclassified to profit or loss	**(490)**		**(490)**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	**(733)**	**67**	**(666)**
TOTAL COMPREHENSIVE INCOME	**(112)**	**-**	**(112)**
Of which attributable to:			
Owners of the parent company	**(248)**	**-**	**(248)**
Non-controlling interests (minority interests)	136	-	136

This change of method has no impact on the statement of cash flows except for the lines directly linked to the statement of income (net income, financial (income) expenses, income tax and others).

EARLY APPLICATION OF STANDARDS AND INTERPRETATIONS

Standards and Interpretations to existing standards that are not effective at January 1, 2013 have not been early adopted by the Group *(see Note 2.27)*, except for the amendments to IAS 36 – Recoverable amount disclosures for non-financial assets, issued by the IASB in May 2013 with a limited impact on the Group's financial statements.

2.2 PRINCIPLES OF CONSOLIDATION

Subsidiaries

Investments over which the Group exercises control are fully consolidated. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control begins until the date that control ceases. The net income attributable to third parties is presented on the line "Non-controlling interests" in the statement of financial position, even if it can create negative non-controlling interests.

Special Purpose Entities (SPE) are consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

Joint ventures

Investments in companies in which the Group and a third party investor have agreed to exercise joint control are consolidated by the proportionate consolidation method. The Group's share of the joint ventures' results of operations, assets and liabilities is recorded in the consolidated financial statements. Such entities are referred to as "joint ventures" throughout the consolidated financial statements.

From January 1, 2014, joint ventures will be accounted for under the equity method according to IFRS 11 – Joint arrangements, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2014 *(see Note 2.27)*.

Associates

Investments over which the Group exercises significant influence on the financial and operating policies, but not control, are accounted for under the equity method. Such investees are referred to as "associates" throughout the consolidated financial statements. Significant influence is presumed to exist when the Group holds at least 20% of the voting rights of associates. Associates are initially recognized at cost except if the Group previously controlled the investee. The consolidated financial statements include the Group's share of the income and expenses recorded by the associates, after taking into account adjustments for compliance of accounting policies with those of the Group, from the date on which the significant influence begins until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation to contribute to losses or to make payments on behalf of the investee.

Transactions eliminated on consolidation

All intercompany balances and transactions have been eliminated in consolidation for fully consolidated companies and within the limits of the percentage of interests held for entities consolidated under the proportionate consolidation method.

Gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

2.3 USE OF ESTIMATES AND JUDGMENT

The preparation of consolidated financial statements requires the Group's management to exercise judgment, to make estimates and to use assumptions that affect the reported amounts of assets, liabilities, revenues or expenses and disclosures.

The management of the Group revises its estimates and assumptions on a regular basis to ensure that they are relevant regarding the past experience and the current environment. Such estimates are prepared on the assumption of going concern, are established based on currently available information and are in keeping with the current economic crisis or political instability affecting some of the Group's markets. These forecasts do not reflect any major disruption of the economical or geopolitical environment. Estimates may be revised in case of changes in circumstances used for the estimate or new information. Actual amounts could differ from the estimates.

The main estimates and judgments made by the management for the preparation of the financial statements concern the following items:

- impairment tests of non-current assets *(see Note 2.12 and Note 10 c):* the determination of recoverable amounts of the CGUs/groups of CGUs assessed in the impairment test requires an estimate of their fair value less costs to sell or of their value in use. The assessment of the recoverable value requires assumptions to be made with respect to the operating cash flows of the CGUs/groups of CGUs as well as the discount rates and perpetual growth rate;
- deferred tax *(see Note 2.23 and Note 22):* the recognition of deferred tax assets requires assessment of future taxable profit;
- pension plans, termination benefits and other post-employment benefits *(see Note 2.20 and Note 23):* the actuarial techniques used to assess the value of the defined benefit plan involve financial assumptions (discount rate, pension indexation rate, medical costs trend rate) and demographic assumptions (life expectancy, employee's turnover rate…). The Group uses the assistance of an external independent actuary in the assessment of these assumptions;
- provisions for environmental risks and site restoration *(see Note 2.21 and Note 24):* provisions for environmental risks and site restoration require setting assumptions in terms of phasing and discount rate;
- provisions for litigation *(see Note 24 and Note 29):* the litigation and claims to which the Group is exposed are assessed by the Legal department. In certain situation, the Legal department may use the assistance of external specialised lawyers. Disclosures related to these provisions also require judgment;
- financial instruments *(see Note 2.19, Note 25 and Note 26):* the fair value of financial instruments is estimated on the basis of their market quotations, on valuation techniques relying on market observable data or by estimating the present value of future cash flows. The use of different valuations, methodologies and assumptions may have a material effect on the estimated fair value amounts. For financial liabilities recorded at amortized cost, the Group assesses events/circumstances of the period that may lead to revise the future payments and estimates the most probable scenario to determine if the carrying value of the financial liability shall be adjusted accordingly to IAS 39 principles.

2.4 FOREIGN CURRENCIES TRANSLATION

1) Foreign currency transactions

Transactions in foreign currencies are recorded in the respective functional currencies of the entities of the Group by applying the exchange rate at the date of the transactions.

At each reporting date, monetary assets and liabilities denominated in foreign currencies recorded at historical cost are translated using the functional currency closing rate, whereas those measured at fair value are translated using the exchange rates at the date at which the fair value was determined. Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are translated using the exchange rates at the date of the transaction.

All exchange differences arising from those translations are recorded in profit and loss of the period, with the exception of differences on monetary items that are designated as part of the hedge of the Group's net investment in a foreign entity. These are reflected directly in other comprehensive income, until the disposal of the net investment.

2) Foreign operations

The assets and liabilities, including goodwill and any fair value adjustments arising on the acquisition of a foreign operation whose functional currency is not the euro, are translated by using the closing rate.

Income and expenses of a foreign entity, whose functional currency is not the currency of a hyperinflationary economy, are translated by using the average currency rate for the period unless exchange rates fluctuate significantly.

The exchange differences arising on the translation are recorded in other comprehensive income under "Foreign currency translation". On the partial or total disposal of a foreign entity with a loss of control, the related share in the cumulative translation differences recorded in equity is recognized in the statement of income.

In accordance with IFRS 1, the Group elected to "reset to zero" as at January 1, 2004, cumulative translation differences arising from the translation into euros of foreign subsidiaries' financial statements denominated in foreign currencies. As a consequence, they will not be included when calculating gains or losses arising from the future disposal.

For companies that operate in hyperinflationary countries, amounts in the statement of financial position not yet expressed in terms of the current measuring unit at the reporting date are restated by applying the most relevant general price index. Revenues and expenses in local currency are also restated on a monthly basis. Differences between original values and reassessed values are included in statement of income. In defining hyperinflation, the Group employs criteria which include characteristics of the economic environment, such as inflation and foreign currency exchange rate fluctuations.

The schedule below presents foreign exchange rates for the main currencies used within the Group:

Rates (euros)	2013		2012	
	Average rate	Year-end rate	Average rate	Year-end rate
US dollar (USD)	1.3281	1.3791	1.2857	1.3194
Canadian dollar (CAD)	1.3683	1.4671	1.2848	1.3137
British pound (GBP)	0.8492	0.8337	0.8111	0.8161
Brazilian real (BRL)	2.8671	3.2576	2.5101	2.7036
Chinese yuan (CNY)	8.1648	8.3491	8.1099	8.2207
Algerian dinar (DZD)	105.4004	106.8920	102.1376	102.8719
Egyptian pound (EGP)	9.1299	9.5675	7.8204	8.3454
Indian rupee (INR)	77.8675	85.3660	68.6448	72.5600
Indonesian rupiah (IDR)	13,858.5416	16,764.7800	12,053.2302	12,713.9700
Iraqi dinar (IQD)	1,635.2417	1,682.5020	1,583.5163	1,612.3068
Jordanian dinar (JOD)	0.9451	0.9807	0.9156	0.9396
Kenyan shilling (KES)	114.5385	119.3287	108.8581	113.6906
Korean won (KRW)	1,453.6235	1,450.9300	1,448.1967	1,406.2300
Moroccan dirham (MAD)	11.1889	11.2640	11.1239	11.1810
Malaysian ringgit (MYR)	4.1855	4.5221	3.9690	4.0347
Nigerian naira (NGN)	206.9221	214.4145	200.5315	205.2893
Philippine peso (PHP)	56.4115	61.2890	54.2747	54.1070
Polish zloty (PLN)	4.1972	4.1543	4.1840	4.0740
Romanian leu (RON)	4.4192	4.4710	4.4580	4.4445
Russian rouble (RUB)	42.3237	45.3246	39.9215	40.3295
South african rand (ZAR)	12.8313	14.5660	10.5556	11.1727
Syrian pound (SYP)	145.3404	196.2700	83.3661	102.6100
Zambian kwacha (ZMW)	7.1738	7.5994	6.6262	6.7820

2.5 BUSINESS COMBINATIONS, ACQUISITION OF ADDITIONAL INTERESTS AND DISPOSAL OF INTERESTS

1) Business combinations

Business combinations are accounted for in accordance with the acquisition method. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date, except for non-current assets held for sale which are recognized and measured at fair value less costs to sell in accordance with IFRS 5.

When goodwill is determined provisionally by the end of the reporting period in which the acquisition is completed, the Group recognizes any adjustments to those provisional values within one year of the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. If the adjustments to provisional values would have materially affected the presentation of the consolidated financial statements, comparative information which was presented for the periods before the final accounting of fair values is corrected as if the initial accounting had been completed as of the acquisition date.

At the acquisition date, the goodwill is measured as the difference between:

- the fair value of the consideration transferred to take control over the entity, including contingent consideration, plus the amount of any non-controlling interests in the acquiree, and in a business combination achieved in stages, the fair value at acquisition date of the previously held equity interest in the acquiree, accordingly revaluated through the statement of income; and
- the fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date.

Any contingent consideration payable in a business combination is accordingly measured at fair value at the acquisition date. After the acquisition date, the contingent consideration is revalued at fair value at each reporting date. Subsequent changes to the fair value of the contingent consideration beyond one year from the acquisition date will be recognized in the statement of income if the contingent consideration is a financial liability.

A negative goodwill is recognized immediately in the statement of income.

Acquisition costs directly attributable to the business combination, excluding costs to issue debt and equity securities, are expensed as incurred and are presented in the consolidated statement of income on the line "Other operating income (expenses)".

When a business combination is entered into with an interest ownership below 100%, IFRS 3 revised standard allows, on a transaction-by-transaction basis, to account for goodwill either on a 100% basis or on the acquired interest ownership percentage (without any subsequent change in case of additional purchase of non-controlling interests). The non-controlling interests are accordingly measured either at fair value or at the non-controlling interests' proportionate share in the acquiree's net identifiable assets.

SPECIFIC TREATMENT RELATED TO FIRST-TIME ADOPTION OF IFRS (BUSINESS COMBINATIONS BEFORE JANUARY 1, 2004)

As permitted by IFRS 1, the Group has not restated the business combinations which predate the transition date (January 1, 2004).

In addition, under French accounting principles, before January 1, 2004, non-amortizable intangible assets such as market share, have been recognized through the purchase price allocation. These assets are not considered as a separately identifiable intangible asset under IAS 38, "Intangible Assets". They have been reclassified to goodwill as at January 1, 2004.

2) Acquisition of additional interests after control is obtained

Since there is no change on the control exercised over this entity, the difference between the acquisition price and the carrying amount of the non-controlling interests acquired is recognised directly in equity and attributed to the owners of the parent company with no change in the consolidated carrying amount of the subsidiary's net assets and liabilities including goodwill. The cash consideration paid, net of acquisition costs, is reflected as cash flows from financing activities in the consolidated statement of cash flows.

3) Disposal of interests after control is obtained

DISPOSAL OF INTERESTS WITHOUT LOSS OF CONTROL

Since there is no change on the control exercised over this entity, the difference between the fair value of the consideration received and the carrying amount of the interests disposed of at transaction date is recognised directly in equity and attributed to the owners of the parent company with no change in the consolidated carrying amount of the subsidiary's net assets and liabilities. The cash consideration received, net of sale costs and tax paid, is reflected as cash flows from financing activities in the consolidated statement of cash flows.

DISPOSAL OF INTERESTS WITH LOSS OF CONTROL

The loss of control triggers the recognition of a gain (loss) on disposal determined on both shares sold and retained at the transaction date. Any investment retained is accordingly measured at its fair value through the statement of income upon the date the control is lost. The cash part of the consideration received net of associated disposal costs, tax paid and cash and cash equivalents disposed of, is reflected as investing activities cash flows on the line "Disposals" of the consolidated statement of cash flows.

2.6 REVENUE RECOGNITION

Revenue represents the value, before sales tax, of products and services sold by consolidated entities as part of their ordinary activities, after elimination of intra-Group sales.

Revenue is recorded when the Group has transferred the significant risks and rewards of ownership (generally at the date ownership is transferred) and recovery of the consideration is probable.

Revenue is measured at the fair value of the consideration received or receivable net of return, taking into account the amount of any trade discounts and volume rebates.

Amounts billed to a customer in a sales transaction related to shipping and handling are included in "Revenue". Costs incurred for shipping and handling are classified as "Cost of sales".

2.7 OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER

The Group presents the subtotal "Operating income before capital gains, impairment, restructuring and other" in the consolidated statement of income. This measure excludes those elements of our operating income that are by nature unpredictable in their amount and/or in their frequency, such as capital gains, asset impairments and restructuring costs. While these amounts have been incurred in past years and may recur in the future, historical amounts are not indicative of the nature and/or amount of these expenses, if any, in the future. The Group believes that the subtotal "Operating income before capital gains, impairment, restructuring and other" allows to better identify the current operating performance, and provides to the users of financial statements a useful information for a predictive approach of the results.

In addition, "Operating income before capital gains, impairment, restructuring and other" is a major component of the Group's key profitability measure: return on capital employed. This ratio is calculated by dividing the sum of "Operating income before capital gains, impairment, restructuring and other" and the share of net income (loss) of associates by the average of capital employed. This measure is used by the Group internally to: a) manage and assess the results of its operations and those of its business segments, b) make decisions with respect to investments and allocation of resources, and c) assess the performance of management personnel. However, because this measure has limitations as outlined below, the Group restricts its use to these purposes.

This subtotal within operating income may not be comparable to similarly titled measures used by other groups. Further, this measure should not be considered as an alternative for operating income as the effects of capital gains, impairment, restructuring and other amounts excluded from this measure do ultimately affect our operating results and cash flows. Accordingly, the Group also presents "Operating income" within the consolidated statement of income which encompasses all amounts which affect the Group's operating results and cash flows.

2.8 FINANCIAL EXPENSES AND INCOME

Financial expenses and income comprise:

- interest charges and income relating to debenture loans, the liability component of compound instruments, other borrowings including lease-financing liabilities, and cash and cash equivalents;
- other expenses paid to financial institutions for financing operations;
- dividends received from non-consolidated investments;
- impact of discounting provisions and long-term receivables;
- financial component of the net pension costs;
- financial foreign currency exchange gains and losses;
- gains on the disposal of available-for-sale financial assets;

- impairment losses recognised on available-for-sale financial assets;
- gains and losses associated with certain derivative instruments (except for the effective portion of derivative instruments qualified as cash flow hedge or net investment hedge);
- change in value of derivative instruments held for trading.

2.9 EARNINGS PER SHARE

Basic earnings per share are computed by dividing the net income attributable to the owners of the parent company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are computed by dividing adjusted net income attributable to the owners of the parent company by the weighted average number of common shares outstanding during the year adjusted to include any potential dilutive common shares.

Potential dilutive common shares result from stock options and performance shares issued by the Group.

2.10 INTANGIBLE ASSETS

Intangible assets primarily include depreciable items such as software, mineral rights, and real estate development rights, as well as certain development costs that meet the IAS 38 criteria.

Intangible assets are amortized using the straight-line method over their useful lives ranging from three to seven years, except for mineral rights, which are amortized based upon tonnes extracted, and real estate development rights, which are amortized over the estimated life of the program.

Depreciation expense is recorded in “Cost of sales” and “Selling and administrative expenses”, based on the function of the underlying assets.

Research & Development costs

The Group is committed to improving its manufacturing process, maintaining product quality and meeting existing and future customer needs. These objectives are pursued through various Research & Development programs. Within their framework, expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognised as expenses when incurred. Development costs (which have direct applications on the product offer) are capitalised, and amortized on a straight-line basis over five years, only if the following criteria are demonstrated:

- the intention and the technical and financial resources to complete the development;
- the probability of future economic benefits for the Group;
- the reliable measurement of expenditures directly attributable to this asset.

Other development costs are recognised as expenses as incurred.

Intangible assets considered to have finite useful life are carried at their costs less accumulated amortization and accumulated impairment losses.

2.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of assets is allocated to its different components, each component having its specific useful life.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of income as incurred.

Investment subsidies are deducted from the cost of property, plant and equipment.

The residual values are reviewed, and adjusted if appropriate, at each reporting date.

Leases

Lease contracts, or contracts which contain a lease according to IFRIC 4 criteria, which transfer to the Group the risks and rewards of ownership of the asset (finance lease contract) are capitalized in property, plant and equipment, with a corresponding financial debt in liabilities.

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The leased asset is depreciated using the same criteria as for assets owned by the Group or the lease term if shorter.

Other leases are operating leases. The leased assets are not recognised in the Group’s consolidated statement of financial position.

Borrowing costs

Interest on borrowings related to the financing of significant investments, which is incurred during the construction phase, is capitalized in acquisition costs. The interest rate used to determine the amount of capitalized interest cost is the actual interest rate when there is a specific borrowing, or the Group’s debt average interest rate.

Depreciation

Depreciation on property, plant and equipment is calculated as follows:

- mineral reserves are depleted by reference to the ratio of tonnes extracted during the year to the estimated total extraction capacity of the reserve over its useful life;
- land is not depreciated;
- buildings are depreciated using the straight-line method over estimated useful lives varying from 20 years to 50 years for office properties;
- machinery, equipment and installations are depreciated using the straight-line method over their estimated useful lives, ranging from 8 to 30 years.

Useful lives are reviewed on a regular basis and changes in estimates are accounted for on a prospective basis.

Depreciation expense is recorded in “Cost of sales” and “Selling and administrative expenses”, based on the function of the underlying assets.

2.12 IMPAIRMENT OF NON-CURRENT ASSETS

1) Goodwill

In accordance with IAS 36 – Impairment of Assets, goodwill is tested for impairment, whose purpose is to take into consideration events that could have affected the recoverable amount of these assets, at least annually and quarterly when there are some indications that impairment may have been identified. The annual impairment test is performed during the last quarter of the year, in relation with the budget process. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use.

For the purposes of the impairment test, the Group's net assets are allocated to Cash Generating Units ("CGUs") or groups of CGUs. A CGU is the smallest identifiable group of assets generating cash inflows independently and represents the level used by the Group to organize and present its activities and results in its internal reporting. CGUs generally represent one of our two activities (Cement or Aggregates & Concrete) in a particular country. When it is not possible to allocate goodwill on a non-arbitrary basis to individual CGUs, goodwill can be allocated to a group of CGUs at a level not higher than the operating segment, as defined in Note 4.

Impairment tests are carried out in two steps:

- First step: the Group compares the net carrying value of CGUs or groups of CGUs with an Ebitda multiple (the industry-specified multiple used is determined every year on the basis of a sample of companies in our industry). Ebitda is defined as the operating income before capital gains, impairment, restructuring and other, before depreciation and amortization of property, plant and equipment and intangible assets;
- Second step: for CGUs or groups of CGUs presenting an impairment risk according to this first step approach, the Group determines the recoverable amount of the CGU or group of CGUs as its fair value less costs of sale or its value in use.

Fair value is the best estimate of the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties. This estimate is based either on market information available, such as market multiples, on discounted expected market cash flows, or any other relevant valuation method.

Value in use is estimated based on discounted cash flows expected over a 10-year period. This period reflects the characteristics of our activities where operating assets have a high lifespan and where technologies evolve very slowly.

If the recoverable amount of the CGU or group of CGUs is less than its net carrying value, the Group records an impairment loss, first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs, then to reduce the carrying amount of the other assets of the CGU or group of CGUs. The impairment loss is recorded in "Other operating expenses" *(see Note 6).*

In accordance with IAS 36, impairment losses recognized for goodwill are never reversed.

2) Property, plant & equipment and depreciable intangible assets

Whenever events or new circumstances indicate that the carrying amount of an asset may not be recoverable, an impairment test is performed. The purpose of this test is to compare the carrying value of the asset with its recoverable value. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell and the value in use, which is the present value of the future cash flows expected to be derived from the use of the asset or its disposal. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in "Other operating income and expenses".

When an impairment loss is recognized for a cash-generating unit, the loss is allocated first to reduce the carrying amount of the goodwill allocated to the cash-generating unit; and, then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

After the impairment loss, the new carrying value of the asset is depreciated prospectively over its remaining life.

Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each year-end. The carrying value of the assets, revised due to the increase of the recoverable value, cannot exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized in prior periods. Such reversal is recognized in the statement of income.

2.13 OTHER FINANCIAL ASSETS

Other financial assets mainly consist of shares held in non-consolidated companies, long-term loans and receivables, and cash balances that are restricted from use.

Other financial assets are classified in four categories: trading (assets that are bought and held principally for the purpose of selling them in the near term), held-to-maturity (assets with fixed or determinable payments and fixed maturity that the Group has a positive intent and ability to hold to maturity), long-term loans and receivables (assets with fixed or determinable payments that are not quoted in an active market) and, available-for-sale (all other assets). The classification depends on the purpose for which the financial assets were acquired. The classification is determined at initial recognition.

All financial assets are reviewed for impairment on an annual basis to assess whether there is any indication that the asset may be impaired.

Purchases and sales of all financial assets are accounted for at trade date.

Financial assets held for trading

Financial assets held for trading are measured at fair value with unrealized gains and losses recorded as financial income or expense. Assets in this category are classified as current assets.

Financial assets held-to-maturity

Financial assets that are designated as held-to-maturity are initially measured at fair value and then at amortized cost, in accordance with the effective interest rate method.

Long-term loans and receivables

Long-term loans and receivables are initially measured at fair value and then accounted for at amortized cost measured in accordance with the effective interest rate method.

Available-for-sale financial assets

Equity interests in non-consolidated companies are classified as available-for-sale financial assets and are initially recognized and subsequently measured at fair value.

For equity securities listed on an active market, the fair value is quoted price.

In the absence of an active market, fair value is generally determined according to the most appropriate financial criteria in each case (comparable transactions, multiples for comparable companies, present value of future cash flows, estimated selling price). If such fair value cannot be reliably measured, equity securities are accounted for at cost.

Gains and losses arising from changes in their fair value are recognized directly in other comprehensive income ("Other Reserves"). When the security is disposed of, the cumulative unrealized gain or loss is included in the statement of income for the period ("Financial income" – "Financial expenses").

The Group assesses at the end of each reporting period whether there is any objective evidence that these financial assets are impaired which would lead, if this were to be the case, to recognise in the statement of income the loss previously recognized in equity. Such impairment cannot subsequently be reversed.

Factors considered by the Group to assess the objective evidence of impairment of its investments and accordingly enabling the Group to determine whether the cost of its financial assets can be or not recovered, are notably:

- the occurrence of significant financial difficulties;
- the analysis of the national/local economic conditions in relation with its assets;
- the analysis of significant adverse changes in the technological, economic or legal environment;
- the existence of a significant or prolonged decline in fair value of the investment below its acquisition cost.

2.14 DERECOGNITION OF FINANCIAL ASSETS

Financial assets can only be derecognized when no further cash flow is expected to flow to the Group from the asset and if substantially all risks and rewards attached to the assets have been transferred.

For trade receivables, programs for selling receivables with recourse against the seller in the event of default in payment (either in the form of a subordinated retained interest or a direct recourse) do not qualify for derecognition.

2.15 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is determined using the weighted-average method and includes expenditure incurred in acquiring the inventories. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overhead based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.16 TRADE RECEIVABLES

Trade receivables are initially measured at fair value, and subsequently carried at amortized cost using the effective interest method less provision for impairment.

A depreciation for trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the depreciation is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the original effective interest rate. Impairment loss is recorded in the statement of income.

2.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of current account bank balances, cash, highly liquid investments and cash equivalents which are not subject to significant changes in value and with an original maturity date of generally less than three months from the time of purchase. Investments, classified as cash equivalents, with a maturity date greater than three months have:

- exit options exercisable with no penalty at any time or maximum every three months, planned at the initiation of the contract;
- no risk related to the minimum return acquired.

Cash balances that are restricted from use restrictions other than legal restrictions in force in some countries (exchange controls, etc.) are excluded from cash presented in the consolidated statement of financial position and in the statement of cash flows and are classified in non-current assets on the line "Other financial assets".

2.18 EQUITY

1) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

2) Treasury shares

Treasury shares (own equity instruments held by Lafarge S.A.) are accounted for as a reduction of equity at acquisition cost and no further recognition is made for changes in fair value. When shares are sold out of treasury shares, the resulting profit or loss is recognized in equity, net of tax.

2.19 FINANCIAL LIABILITIES AND DERIVATIVE INSTRUMENTS

1) Recognition and measurement of financial liabilities

Financial liabilities are measured at amortized cost calculated based on the effective interest rate method.

Accrued interests are presented within "Other payables" in the consolidated statement of financial position.

Financial liabilities hedged by an interest rate swap that qualifies for fair value hedge accounting are measured in the consolidated statement of financial position at fair value for the part attributable to the hedged risk (risk related to changes in interest rates). The changes in fair value are recognized in earnings for the period of change and are offset by the portion of the loss or gain recognized on the hedging item that relates to the effective portion.

2) Compound instruments

Some financial instruments contain components with characteristics of both liability and equity items (*e.g.* bonds convertible into common shares). The different component parts are recorded in equity and in financial liability for their respective part.

The component classified as a financial liability is valued at issuance at the present value (taking into account the credit risk at issuance date) of the future cash flows (including interest and repayment of the nominal value) of a bond with the same characteristics (maturity, cash flows) but without any option to be converted into or repaid in common shares.

The equity component corresponds to the residual carrying amount after deducting from the instrument as a whole the amount separately determined for the liability component.

3) Measurement and recognition of derivative instruments

The Group enters into financial derivative instruments only in order to reduce its exposure to changes in interest rates, foreign currency exchange rates and commodities prices on firm or highly probable commitments.

Forward exchange contracts and foreign currency swaps are used to hedge foreign currency exchange rate exposures.

The Group enters also into interest rate swaps and options to manage its interest rate exposure. These swaps aim at converting financial instruments either from fixed rate to floating rate or from floating rate to fixed rate.

The Group uses derivatives such as swaps and options in order to manage its exposure to commodity risks.

Derivative instruments are recorded in the consolidated statement of financial position at their fair value. The accounting for changes in fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Group designates its derivatives based on the criteria established by IAS 39.

In case of a fair value hedge relationship, changes in fair value on the hedging item are recognized in the consolidated statement of income of the period. The part corresponding to the efficient portion of the hedge is offset by the unrealized loss or gain recognized on the hedged item.

In case of a cash flow hedge relationship, changes in fair value on the hedging are recognized directly in other comprehensive income for the effective portion and in financial income (expense) for the ineffective portion. The gain or loss recognized in equity is subsequently reclassified to the consolidated statement of income when the hedged exposure affects the latter.

Embedded derivatives not closely related to host contracts are recorded at fair value in the consolidated statement of financial position. Their change in fair value is recorded in the statement of income of the period.

4) Put options on shares of subsidiaries (commitment to purchase non-controlling interests)

Put options granted to non-controlling interests of subsidiaries are considered financial debt. The value of the debt is estimated using the contract formulas or prices. When utilizing formulas based upon multiples of earnings minus debt, we use the actual profit or loss of the period and the debt of the subsidiary at the closing date of the estimation.

PUT OPTIONS GRANTED TO NON-CONTROLLING INTERESTS BEFORE JANUARY 1, 2010

The Group recorded the put options granted to non-controlling interests as a financial debt at present value of the put exercise price and as a reduction in non-controlling interests in equity. When the put exercise price exceeded the carrying amount of the non-controlling interest, the Group recorded this difference as goodwill.

The changes in the fair value of the debt related to put options granted to non-controlling interests before January 1, 2010, are recorded against non-controlling interests and against the goodwill initially recorded if the debt exceeds the carrying amount of the non-controlling interests. There is no impact on the consolidated statements of income nor on the equity attributable to the owners of the parent company.

PUT OPTIONS GRANTED TO NON-CONTROLLING INTERESTS AFTER JANUARY 1, 2010

The Group recorded the put options granted to non-controlling interests as a financial debt at present value of the put exercise price and as a reduction in non-controlling interests in equity. When such present value of the put exercise price exceeded the carrying amount of the non-controlling interest, the Group recorded this difference as a reduction in equity attributable to the owners of the parent company.

The changes in the fair value of the debt related to put options granted to non controlling interests after January 1, 2010, are recorded against non-controlling interests and against equity attributable to the owners of the parent company if the debt exceeds the carrying amount of the non-controlling interests.

2.20 PENSIONS, TERMINATION BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

The Group recorded all its liabilities related to pensions, termination benefits, medical coverage and other post-employment benefits according to the requirements of IAS 19 revised.

1) Defined contribution plans

The Group accounts for pension costs related to defined contribution pension plans as they are incurred (in "Cost of sales" or "Selling and administrative expenses" based on the beneficiaries of the plan).

2) Defined benefit plans

Estimates of the Group's pension and termination benefit obligations are calculated annually, in accordance with the provisions of IAS 19 – Employee Benefits, with the assistance of independent actuaries, using the projected unit credit method. This method considers actuarial assumptions including the probable future length of the employees' service, the employees' final pay, the expected average life span and probable turn-over of beneficiaries.

The obligations are discounted by country based upon appropriate discount rates. The obligations are recognized based upon the proportion of benefits earned by employees as services are rendered.

Assets held by external entities to fund future benefit payments are valued at fair value at the closing date.

Actuarial gains and losses arise from changes in actuarial assumptions used in the valuation of obligations and plan assets and from market conditions effectively noticed regarding these assumptions, and experience effects. These gains or losses are recorded in other comprehensive income in the period in which they arise.

In the consolidated statement of income, costs related to defined benefits plans are reflected as follows:

- the current period pension cost, which reflects the increase in the obligation resulting from the additional benefits earned by employees in the period is recorded in “Operating income before capital gains, impairment, restructuring and other” (in “Cost of sales” or “Selling and administrative expenses” based on the beneficiaries of the plan);
- the net financial expense of the period is recorded in “financial expenses”. It is determined by applying the discount rate to the amount recognized in the statement of financial position at the beginning of the period, taking into account any variation during the period resulting from contributions and benefit payments.

Pension plan amendments and curtailments effects on the obligations of the Group’s entities are recognized immediately in the consolidated statements of income.

In the event of overfunding of a plan’s liabilities by its dedicated assets, the Group applies the limitations applicable under IAS 19 and IFRIC 14.

3) Other post-employment benefits

Certain subsidiaries grant their employees and dependants post-employment medical coverage or other types of post-employment benefits. The costs of these benefits are calculated based upon actuarial determinations and are recorded through the consolidated statement of income over the expected average remaining service lives of the employees (in “Cost of sales” or “Selling and administrative expenses” based on the beneficiaries of the plan).

2.21 PROVISIONS

The Group recognizes provisions when it has a legal or constructive obligation resulting from past events, the resolution of which would result in an outflow of resources.

1) Restructuring

A provision for restructuring costs is recorded when the restructuring plans have been finalized and approved by the management, and when the Group has raised a valid expectation in those affected that it will carry out the plan either by starting to implement the plan or announcing its main features. The provision only includes direct expenditures arising from the restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly linked with the closure of the facilities.

2) Site restoration

When the Group is legally, contractually or constructively required to restore a quarry site, a provision for site restoration is recorded in cost of sales. This provision is recorded over the operating life of the quarry on the basis of production levels and depletion rates. The estimated future costs for known restoration requirements are determined on a site-by-site basis and are calculated based on the present value of estimated future costs.

3) Environmental costs

Costs incurred to mitigate or prevent future environmental contamination and that result in future economic benefits, such as extending useful lives, increased capacity or safety, and those, are capitalized. When the Group determines that a legal or constructive obligation exists and that its resolution will result in an outflow of resources, an estimate of the future remediation is recorded as a provision without the offset of contingent insurance recoveries (only virtually certain insurance recoveries are recorded as an asset). When the effect of the passage of time is not significant, the provision is calculated based on undiscounted cash flows.

Environmental costs, which are not included above, are expensed as incurred.

2.22 TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.23 INCOME TAXES

Income tax expense or benefit comprises current and deferred tax. Income tax is recognised in the consolidated statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is (i) the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and (ii) any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of goodwill, (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and (iii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority either on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, joint ventures and associates except to the extent that both of the following conditions are satisfied:

- the Group is able to control the timing of the reversal of the temporary difference (*e.g.* the payment of dividends); and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Accordingly, for fully consolidated companies, a deferred tax liability is only recognized in the amount of taxes payable on planned dividend distributions by these companies.

2.24 SHARE BASED PAYMENTS

On a regular basis, the Group grants to its employees purchase or subscription stock options at a set price, performance stock plans and offers employee share purchase plans.

In accordance with the prescriptions of IFRS 2 – Share Based Payments, the Group records compensation expense for all share-based compensation granted to its employees.

1) Share options granted to employees, performance stock plans and cash settled plans

Share options and performance stock fair value are calculated at grant date using the Black & Scholes model. However, depending on whether the equity instruments granted are equity-settled through the issuance of Group shares or cash settled, the accounting treatment differs.

If the equity instrument is settled through the issuance of Lafarge' shares, the fair value of the equity instruments granted is estimated and fixed at the grant date and recorded in the consolidated statement of income over the vesting period (based on the characteristics of the equity instruments) with a counterpart in equity.

If the equity instrument is settled in cash (applicable for SAR "Stock Appreciation Rights"), the fair value of the equity instruments granted is estimated at the grant date and is re-estimated at each reporting date and the expense is adjusted pro rata taking into account the vested rights at the relevant reporting date. The expense is amortized over the vesting period (based on the characteristics of the equity instruments) with a counterpart in non-current provisions.

In accordance with IFRS 1 and IFRS 2, only plans granted after November 7, 2002 and not fully vested at January 1, 2004 have been measured and accounted for as employee costs.

2) Employee share purchase plans

When the Group performs capital increases reserved for employees, and when the conditions offered are significantly different from market conditions, the Group records a compensation cost.

This cost is measured at the grant date, defined as the date on which the Group and employees share a common understanding of the characteristics and conditions of the offer.

The measurement of the cost takes into account the Group's contribution to the plan, the potential discount granted on the share price and the effect of post-vesting transfer restrictions (deducted from the discount granted).

The compensation cost calculated is expensed in the period of the operation (considered as compensation for past services) if no vesting condition is attached to the shares.

2.25 EMISSION RIGHTS

The Group receives CO_2 emission rights free of charge under the emissions trading scheme established in the European Union since 2005. The Emissions Trading Directive applies to all the cement plants of the Group in the 11 out of the 28 Member States of the European Union.

For the third period, covering the years 2013 to 2020, allowances are calculated according to a new methodology based on the historical production level for each plant (expressed in tonnes of clinker) and a reference value common to the European sector (expressed in tonnes of CO_2 per tonne of clinker). These allocations are free for the European cement industry in 2013 and 2014; these allocations will remain free after 2015 if the cement industry is recognised as exposed to a significant risk of international competition ("carbon leakage").

The Group follows the emission rights on an annual basis but also on the entire reference period (currently 2013-2020). Actual emissions are consolidated on a monthly basis. The forecast of yearly position is updated regularly during the reporting period.

Until the IASB issues a position on the appropriate accounting treatment of tradeable emission quota under plans to reduce emissions of green house gases, the Group accounts for the effects of such scheme as follows:

- emission rights granted by governments are not recorded in the consolidated statement of financial position, as they have a cost equal to zero;
- proceeds from the sale of emission rights are recorded as a reduction to "Cost of sales";
- purchases of emission rights on the market are recorded in "Cost of sales" when they cover actual emissions of the period. They are recorded as intangible assets if they cover actual emissions to be made in future periods;
- provisions are recorded (in "cost of sales") when actual emissions exceed the number of emission rights (granted or purchased).

No other impact is recorded in the statement of income or in the consolidated statement of financial position.

2.26 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED ACTIVITIES

A fixed asset or a group of assets and liabilities is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable. Such assets or group of assets are presented separately in the consolidated statement of financial position, in the line "Assets held for sale" when they are material. These assets or group of assets are measured at the lower of their carrying value or the fair value less costs to sell. The liabilities directly linked to the assets or group of assets held for sale are presented in the line "Liabilities directly associated with assets held for sale" in the consolidated statement of financial position.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations for the Group;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations for the Group; or
- is a significant subsidiary acquired exclusively with a view to resale.

Amounts included in the statement of income and the statement of cash flows related to these discontinued operations are presented separately for all prior periods presented in the financial statements. Assets and liabilities related to discontinued operations are shown on separate lines with no restatement for prior years.

2.27 ACCOUNTING PRONOUNCEMENTS AT THE CLOSING DATE NOT YET EFFECTIVE

Standards and interpretations adopted by the European Union at the closing date

PRONOUNCEMENTS WITH A POTENTIAL IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS

- IFRS 11 – Joint arrangements, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2014: main impacts will arise from the application of the equity method of accounting for interests in joint ventures, currently consolidated under the proportionate consolidation method. For the financial year 2013, the application of IFRS11 would have the following impacts:
  - decrease by 2,107 million euros of revenue;
  - decrease by 308 million euros of Ebitda(1);
  - decrease by 138 million euros of "Operating incomes before capital gains, impairment, restructuring and other";
  - decrease by 484 million euros of net debt(2);
  - investments in joint ventures and associates: 1,550 million euros as at January 1st, 2013 and 3,174 million euros as at December 31, 2013 especially following the creation of the joint venture Lafarge Tarmac in the United Kingdom on January 7, 2013.
- IFRS 12 – Disclosures of interests in other entities, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2014: the analysis of disclosures is not yet complete.

PRONOUNCEMENTS WITH LIMITED IMPACT EXPECTED ON CONSOLIDATED FINANCIAL STATEMENTS

- IFRS 10 – Consolidated financial statement, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2014.
- IAS 27 revised – Separate financial statements, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2014.
- IAS 28 revised – Investments in associates and joint ventures, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2014.
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities, issued by the IASB in October 2012 and applicable for annual periods beginning on or after January 1, 2014.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance, issued by the IASB in June 2012 and applicable, consistent with IFRS 10, IFRS 11 and IFRS 12, for annual periods beginning on or after January 1, 2014.
- Amendments to IAS 32 – Financial instruments: Presentation – Offsetting financial assets and financial liabilities, issued by the IASB in December 2011 and applicable for annual periods beginning on or after January 1, 2014.
- Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting, issued by the IASB in June 2013 and applicable for annual periods beginning on or after January 1, 2014.

Standards and Interpretations issued but not yet adopted by the European Union at the closing date

PRONOUNCEMENTS WITH A POTENTIAL IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS

- IFRS 9 – Financial instruments and subsequent amendments, issued by the IASB in November 2009, October 2010 and in December 2011 and applicable for annual periods beginning on or after January 1, 2015.

PRONOUNCEMENTS WITH LIMITED IMPACT EXPECTED ON CONSOLIDATED FINANCIAL STATEMENTS

- Amendments to IAS 19 – Employee contributions, issued by the IASB in November 2013 and applicable for annual periods beginning on or after July 1, 2014.
- Annual improvements to IFRS 2010-2012 cycle, issued by the IASB in December 2013 and applicable for annuals periods beginning on or after July 1, 2014.
- Annual improvements to IFRS 2011-2013 cycle, issued by the IASB in December 2013 and applicable for annuals periods beginning on or after July 1, 2014.
- IFRIC 21 – Levies, issued by the IASB in May 2013 and applicable for annual periods beginning on or after January 1, 2014.

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(1) *Ebitda (Earning before interests, taxes, depreciation and amortization): operating income before capital gains, impairment losses, restructuring and others, before depreciation and amortization of property, plant and equipment and intangible assets.*

(2) *Net debt: sum of the long-term debt, short-term debt (including current portion of long-term debt), non current and current derivative instruments liabilities less the cash and cash equivalents, current and non current derivative instruments assets.*

NOTE 3 SIGNIFICANT EVENTS OF THE PERIOD

3.1 CREATION OF THE JOINT VENTURE LAFARGE TARMAC

Context of the operation

The Competition Commission in May 2012 approved the proposed joint venture between Lafarge UK and Tarmac Quarry Materials subject to the sale of a portfolio of Tarmac and Lafarge construction materials operations in the United Kingdom.

Those disposals and the completion of the joint venture Lafarge Tarmac occurred on January 7, 2013. This joint venture combines their cement, aggregates, ready-mix concrete, asphalt and asphalt surfacing, maintenance services, and waste services businesses in the United Kingdom.

The creation of the new entity was achieved without exchanging cash.

Accounting treatment of the joint venture creation

As of December 31, 2012, in compliance with IFRS 5, assets and liabilities of Lafarge UK were grouped on the lines “Assets held for sale” and “Liabilities directly associated to assets held for sale” respectively in the consolidated statement of financial position *(see Note 3 (Significant events of the period) to the consolidated financial statements as of December 31, 2012)*.

As of January 7, 2013, in accordance with IAS 27 approach further to the loss of control of Lafarge UK, the accounting treatment of the joint venture creation is as follows:

- disposal of all of Group’s interest previously held in UK Lafarge entities and recognition of the disposal impact in the statement of income;
- acquisition of 50% of Lafarge Tarmac for an amount equal to the fair value of the joint venture Lafarge Tarmac (50%). This joint takeover induces the recognition of a goodwill;
- Lafarge Tarmac whose 50% of voting rights are held by the Group, is consolidated using the proportionate method starting its creation.

Presentation of provisional impacts

The net impact of the joint venture creation and of the disposal of a business portfolio as required by the Competition Commission is a gain of 42 million euros in the consolidated statement of income on the line “Net gains (losses) on disposals”.

Details of the fair value of the net assets of Lafarge UK contributed, provisional net assets acquired (50% of Lafarge Tarmac) and provisional residual goodwill are as follows:

(million euros)	
Fair value of the joint venture Lafarge Tarmac (50%)	1,515
Provisional fair value of net assets acquired (50%)	1,156
Provisional goodwill	359

The goodwill is mainly attributable to the market shares and to the expected synergies through improvement of the operational logistical and purchasing efficiencies and the introduction of value-added products across a wider geographic area, which can’t be separately recognized. Goodwill will be finalized in the first quarter of 2014, immediately after completion of the valuation of cement plants.

The provisional fair value of assets and liabilities arising from the acquisition are as follows at the acquisition date:

(million euros)	Fair Value
Intangible assets	-
Property, plant and equipment	1,276
Inventories	69
Trade receivables	128
Other assets	81
Cash and cash equivalents	70
Provisions	(172)
Debt	-
Trade payables	(127)
Other liabilities	(169)
Non-controlling interests (Minority interests)	-
TOTAL NET ASSETS ACQUIRED	**1,156**

For the year 2013, Lafarge Tarmac contributed revenues of 1,015 million euros, operating income before capital gains, impairment, restructuring and other of -10 million euros and net income (Group share) of -19 million euros to the Group.

The net impact of disposals of business portfolio and of the creation of the joint venture is 112 million euros, net of cash disposed of in the consolidated cash flows on the line “Disposals”.

3.2 DISPOSALS

3.2.1 Disposal of Gypsum division operations

The Group has presented since September 2011 its Gypsum operations (activities in Middle East and Africa excluded) as discontinued operations as described in the Note 3.2.1 to the notes of the Group consolidated financial statements of the 2012 Registration Document (page F 24). The completion of the divestments occurred in August 2011 for Australia and during the last quarter 2011 for Western Europe, Central and Eastern Europe, Latin America and Asia.

Until the disposal date, in compliance with IFRS 5:

- assets and liabilities of Gypsum operations in North America were respectively grouped on the lines “Assets held for sale” and “Liabilities directly associated to assets held for sale” in the consolidated statement of financial position;
- the depreciation charge on depreciable assets ceased (13 million euros impact for the eight months 2013 and 20 million euros for the year 2012).

On June 24, 2013, the Group signed a contract for the sale of its Gypsum operations in North America to an affiliate of Lone Star investment fund at an enterprise value of 700 million US dollar. This transaction was closed on August 30, 2013.

The impact of this disposal on the Group's financial statements is as follows:

- consolidated cash flows on the line "Disposals" : 498 million euros, net of cash disposed;
- consolidated statement of income on the line "Net income from discontinued operations": 25 million euros for the net gain on disposals after tax.

3.2.2 Disposal of aggregates assets in Georgia (United States)

In February and March 2013, the Group disposed of six aggregates quarries in Georgia (United States). The net impact of this disposal is 115 million euros, net of cash disposed of in the consolidated cash flows on the line "Disposals" and 4 million euros for the gain on disposals before tax on the consolidated statement of income on the line "Net gains (losses) on disposals".

3.2.3 Disposal of Cement operations in Ukraine

In September 2013, the Group disposed of its cement assets in Ukraine to the group CRH. The net impact of this disposal is 83 million euros, net of cash disposed of in the consolidated cash flows on the line "Disposals" and -21 million euros for the loss on disposals before tax on the consolidated statement of income on the line "Net gains (losses) on disposals".

3.2.4 Disposal of Cement operations in Honduras

In November 2013, the Group disposed of its cement assets in Honduras to the group Argos. The net impact of this disposal is 144 million euros, net of cash disposed of in the consolidated cash flows on the line "Disposals" and 182 million euros for the gain on disposals before tax on the consolidated statement of income on the line "Net gains (losses) on disposals".

3.3 CREATION OF A NEW ENTITY IN MEXICO

In July 2013, the Group and Elementia created an entity combining their cement assets in Mexico. The Group brought to the new entity its two plants of Vito and Tula for a total capacity close to one million tonnes, while Elementia contributed the new one million tonnes plant that it is currently building in central Mexico.

The new entity formed is held at 47% by the Group and 53% by Elementia and is recorded under equity method in the Group's consolidated financial statements. Further to the loss of control, the disposal result is a gain before tax of 106 million euros in the consolidated statement of income on the line "Net gains (losses) on disposals". The value of the equity investment, which represents 47% of the fair value, amounts to 207 million euros at the date of the creation of the entity.

3.4 CAPITAL INCREASE IN LAFARGE INDIA PRIVATE LIMITED

On July 15, 2013, the Group completed the capital increase of 14 billion Indian Rupees (around 180 million euros) subscribed by Baring Private Equity Asia, and representing a 14% minority stake in its Indian subsidiary, Lafarge India Private Limited. The net impact in equity attributable to owners of the parent company of the Group is 93 million euros.

3.5 ISSUANCE OF BONDS

In September 2013, the Group issued a 750 million euro bond with a seven year maturity and fixed annual coupon of 4.75% to institutional investors.

NOTE 4 OPERATING SEGMENT INFORMATION

The Group is organized by countries. Countries or group of countries are the Group's operating segments. For purposes of presentation, six regions corresponding to the aggregation of countries or group of countries are reported (except for North America which is an operating segment):

- Western Europe;
- North America;
- Central and Eastern Europe;
- Middle East and Africa;
- Latin America;
- Asia.

The information presented hereafter by reportable segment is in line with that reported to the Chief Executive Officer[(1)] for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Each operating segment derives its revenues from the following products:

- a wide range of cement and hydraulic binders adapted to the needs of the construction industry;
- aggregates & concrete;
- other products: mainly gypsum.

(1) *Chief Operating Decision Maker.*

Group management internally follows the performance of the business based upon:

- revenues by origin of production;
- earning before interests, taxes, depreciation and amortization (Ebitda), defined as the total of operating income before capital gains, impairment losses, restructuring and others, before depreciation and amortization of property, plant and equipment and intangible assets;
- operating income before capital gains, impairment losses, restructuring and others; and
- capital employed, defined as the total of goodwill, intangible assets and property, plant and equipment, investments in associates and working capital.

Group financing, notably treasury process (including financial income and expenses), and income taxes are managed at Group level and are not allocated to segments.

The accounting policies used for segment information indicators comply with those applied for the consolidated financial statements (as described in Note 2).

The Group accounts for intersegment sales and transfers at market prices.

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A) SEGMENT INFORMATION

	DECEMBER 31, 2013						
(million euros)	Western Europe	North America	Central and Eastern Europe	Middle East and Africa	Latin America	Asia	Total
STATEMENT OF INCOME							
Gross revenue	3,373	3,137	1,154	4,199	869	2,803	
Less: intersegment	(117)	-	(9)	(132)	-	(79)	
EXTERNAL REVENUE	**3,256**	**3,137**	**1,145**	**4,067**	**869**	**2,724**	**15,198**
EBITDA	**354**	**560**	**201**	**1,153**	**240**	**594**	**3,102**
Depreciation and amortization	(267)	(155)	(89)	(306)	(38)	(172)	(1,027)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	**87**	**405**	**112**	**847**	**202**	**422**	**2,075**
Net gains (losses) on disposals	46	(1)	(21)	(5)	269	7	295
Other operating income (expenses)	(217)	(28)	(49)	(36)	8	(28)	(350)
Including impairment on assets and goodwill	*(68)*	*(10)*	*(36)*	*-*	*-*	*(11)*	*(125)*
OPERATING INCOME	**(84)**	**376**	**42**	**806**	**479**	**401**	**2,020**
OTHER INFORMATION							
Capital expenditures	172	119	284	167	61	248	1,051
Capital employed	5,548	4,552	2,660	10,501	1,213	3,611	28,085
STATEMENT OF FINANCIAL POSITION							
Segment assets	6,945	5,063	2,863	11,665	1,394	4,681	32,611
Of which investments in associates	*141*	*13*	*42*	*209*	*231*	*7*	*643*
Unallocated assets (1)							4,464
TOTAL ASSETS							**37,075**
Segment liabilities	2,273	1,272	250	1,141	180	826	5,942
Unallocated liabilities and equity (2)							31,133
TOTAL EQUITY AND LIABILITIES							**37,075**

(1) *Cash and cash equivalents, deferred tax assets and derivative instruments.*
(2) *Deferred tax liability, financial debt, derivative instruments and equity.*

DECEMBER 31, 2012

(million euros)	Western Europe	North America	Central and Eastern Europe	Middle East and Africa	Latin America	Asia	Total
STATEMENT OF INCOME							
Gross revenue	3,271	3,375	1,293	4,423	961	2,832	
Less: intersegment	(90)	-	(23)	(140)	-	(86)	
EXTERNAL REVENUE	**3,181**	**3,375**	**1,270**	**4,283**	**961**	**2,746**	**15,816**
EBITDA	**507**	**558**	**256**	**1,242**	**296**	**564**	**3,423**
Depreciation and amortization	(191)	(198)	(81)	(329)	(40)	(171)	(1,010)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	**316**	**360**	**175**	**913**	**256**	**393**	**2,413**
Net gains (losses) on disposals	-	10	-	1	-	42	53
Other operating income (expenses)	(357)	(65)	(36)	(71)	(4)	(13)	(546)
Including impairment on assets and goodwill	*(178)*	*(7)*	*(19)*	*(5)*	*-*	*(3)*	*(212)*
OPERATING INCOME	**(41)**	**305**	**139**	**843**	**252**	**422**	**1,920**
OTHER INFORMATION							
Capital expenditures	156	112	121	142	72	172	775
Capital employed	4,081	5,060	2,686	11,560	1,332	3,938	28,657
STATEMENT OF FINANCIAL POSITION							
Segment assets	5,244	5,632	3,007	12,701	1,550	5,073	33,207
Of which investments in associates	*156*	*20*	*42*	*204*	*40*	*8*	*470*
Assets held for sale	1,849	431	-	-	-	-	2,280
Unallocated assets (1)							3,977
TOTAL ASSETS							**39,464**
Segment liabilities	1,956	1,675	359	1,110	217	893	6,210
Liabilities associated with assets held for sale	348	40	-	-	-	-	388
Unallocated liabilities and equity (2)							32,866
TOTAL EQUITY AND LIABILITIES							**39,464**

(1) *Cash and cash equivalents, deferred tax assets and derivative instruments.*
(2) *Deferred tax liability, financial debt, derivative instruments and equity.*

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B) INFORMATION BY PRODUCT LINE

(million euros)	External revenue December 31, 2013	External revenue December 31, 2012	Gross revenue December 31, 2013	Gross revenue December 31, 2012
Cement	9,657	10,373	10,333	11,085
Aggregates & concrete	5,451	5,353	5,469	5,367
Other products	90	90	90	90
Eliminations			(694)	(726)
TOTAL	**15,198**	**15,816**	**15,198**	**15,816**

C) GEOGRAPHIC AREA INFORMATION

(million euros)	DECEMBER 31, 2013 External revenue	DECEMBER 31, 2013 Non-current segment assets (1)	DECEMBER 31, 2012 External revenue	DECEMBER 31, 2012 Non-current segment assets (1)
WESTERN EUROPE	**3,256**	**5,705**	**3,181**	**4,231**
Of which:				
France	*1,794*	*2,322*	*1,855*	*2,344*
United Kingdom (3)	*1,015*	*1,624*	*822*	*-*
NORTH AMERICA	**3,137**	**4,196**	**3,375**	**4,700**
Of which:				
United States (2)	*1,079*	*1,149*	*1,307*	*1,368*
Canada (2)	*2,058*	*796*	*2,068*	*894*
CENTRAL AND EASTERN EUROPE	**1,145**	**2,547**	**1,270**	**2,642**
MIDDLE EAST AND AFRICA	**4,067**	**10,384**	**4,283**	**11,444**
Of which:				
Egypt	*368*	*2,137*	*459*	*2,491*
Algeria	*629*	*3,003*	*584*	*3,133*
Nigeria	*598*	*1,272*	*572*	*1,319*
LATIN AMERICA	**869**	**1,188**	**961**	**1,310**
Of which:				
Brazil	*608*	*772*	*666*	*905*
ASIA	**2,724**	**3,561**	**2,746**	**3,939**
TOTAL	**15,198**	**27,581**	**15,816**	**28,266**

(1) *Non-current segment assets include goodwill, intangible assets, property, plant and equipment and investments in associates.*
(2) *Non-current segment assets excluding goodwill.*
(3) *Increase of non-current segment assets due to the creation of the Lafarge Tarmac joint venture (see Note 3.1).*

D) MAJOR CUSTOMERS

The Group has no reliance on any of its customers.

NOTE 5 NET GAINS (LOSSES) ON DISPOSALS

2013

Net gains on disposals amount to 295 million euros and are notably composed of a 182 million euros gain on the sale of the Group's Cement operations in Honduras, 106 million euros gain further to the loss of control resulting from the contribution of the Group's Mexican cement assets to the new entity formed with Elementia and 42 million gain upon completion of the Lafarge Tarmac joint venture *(see Note 3).*

2012

Net gains on disposals amount to 53 million euros and are notably composed of a 40 million euros gain on the sale of most of the Group's minority position in Lafarge Aso Cement in Japan and 8 million euros on the disposal of cement, Aggregates & Concrete assets in Missouri and in Oklahoma in the United States.

The effect of capital gains and losses on the tax rate is mentioned in the Note 22 (a).

NOTE 6 OTHER OPERATING INCOME (EXPENSES)

Components of other operating income (expenses) are as follows:

(million euros)	YEARS ENDED DECEMBER 31, 2013	2012
Impairment losses on goodwill	-	(162)
Impairment losses on intangible assets and property, plant and equipment	(125)	(50)
IMPAIRMENT LOSSES	**(125)**	**(212)**
Restructuring costs	(157)	(204)
Litigation	(6)	(5)
Other income	26	14
Other expenses	(88)	(139)
OTHER OPERATING INCOME (EXPENSES)	**(350)**	**(546)**

2013

Other operating income (expenses) mainly comprises restructuring costs and impairment losses on assets in Western and Eastern Europe for an amount of 282 million euros. Restructuring costs include basically employees' termination benefits and are notably due to the Group's costs reduction plan in Western Europe. During the period, cash out amounted to 174 million euros.

2012

Other operating income (expenses) mainly comprises impairment losses on goodwill in Greece, depreciation of some assets in Europe and restructuring costs for 204 million euros in various locations. Restructuring costs include mostly employees' termination benefits. They are mainly due to the Group's costs reduction plans in France and in North America. During the period, cash out amounted to 183 million euros.

NOTE 7 EMISSION RIGHTS

The Group records emission rights of CO_2 according to principles described in Note 2.25.

In 2013, allowances that were allocated to the Group cement plants in the European Union are equivalent to about 17.6 million tonnes of CO_2 emissions.

In 2013, the low level of activity in the European markets combined with our improved performance in kg of CO_2 per tonne of cement has led to a surplus of allowances. During 2013, the Group sold excess rights over actual emissions for an amount of 14.4 million euros (99 million euros in 2012).

For the year 2014, based on our estimate of allowances to be received and based on our current production forecasts, which may evolve in case of market trends different from those expected as at today, the allowances granted should exceed the needs of the Group on a consolidated basis.

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NOTE 8 FINANCIAL (EXPENSES) INCOME

Components of financial (expenses) income are as follows:

(million euros)	YEARS ENDED DECEMBER 31, 2013	2012
Interest expense	(929)	(1,000)
Net interest pension costs	(63)	(64)
Foreign currency exchange losses	(88)	(67)
Other financial expenses	(97)	(124)
FINANCIAL EXPENSES	**(1,177)**	**(1,255)**
Interest income	95	111
Dividends received from investments	2	2
Foreign currency exchange gains	36	44
Other financial income	3	3
FINANCIAL INCOME	**136**	**160**
NET FINANCIAL INCOME (EXPENSES)	**(1,041)**	**(1,095)**

Interest expense net of interest income and capitalized interest costs, amounts to 834 million euros as at December 31, 2013 (889 million euros as at December 31, 2012), which represents a decrease of 6%. This variation is mainly explained by:

- a decrease in average net indebtedness of 863 million euros in 2013 compared to 2012;
- an average interest rate on our gross debt of 6.2% in 2013, as compared to 6.2% in 2012 (7.4% in 2013 and 7.2% in 2012 on our net debt);
- capitalized interest costs for construction projects of 25 million euros in 2013 compared to 9 million euros for 2012.

The amount of foreign currency exchange gains and losses depends on the exchange risk exposure of loans and debts denominated in currencies different from the functional currencies of the company that carries this loan and/or this debt. These exchange differences mainly relate to amounts denominated in US dollars.

NOTE 9 EARNINGS PER SHARE

The computation and reconciliation of basic and diluted earnings per share for the years ended December 31, 2013 and 2012 are as follows:

	YEARS ENDED DECEMBER 31, 2013	2012
NUMERATOR (million euros)		
NET INCOME – ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**601**	**365**
Out of which net income from continuing operations	555	349
DENOMINATOR (in thousands of shares)		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**287,268**	**287,079**
Total potential dilutive shares	1,964	1,183
Weighted average number of shares outstanding – fully diluted	289,232	288,262
BASIC EARNINGS PER SHARE (euros)	**2.09**	**1.27**
DILUTED EARNINGS PER SHARE (euros)	**2.08**	**1.27**
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (euros)	**1.93**	**1.21**
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (euros)	**1.92**	**1.21**

For purposes of computing diluted earnings per share, stock options which would have an antidilutive effect on the calculation of the diluted earnings per share are excluded from the calculation.

In 2013, 4.9 million stock options were excluded from the diluted earnings per share calculation (7.0 million in 2012).

NOTE 10 GOODWILL

A) CHANGES IN GOODWILL

The following table displays the changes in the carrying amount of goodwill by operating segment:

(million euros)	Western Europe	North America	Central and Eastern Europe	Middle East and Africa	Latin America	Asia	Total
GOODWILL AT DECEMBER 31, 2011	**1,886**	**2,557**	**847**	**5,815**	**643**	**953**	**12,701**
Gross amount	2,093	2,557	847	5,923	643	1,017	13,080
Accumulated impairment	(207)	-	-	(108)	-	(64)	(379)
NET CARRYING AMOUNT AT JANUARY 1, 2012	**1,886**	**2,557**	**847**	**5,815**	**643**	**953**	**12,701**
Additions	5	9	-	3	-	-	17
Disposals	-	(86)	-	-	-	-	(86)
Impairment losses	(160)	-	(2)	-	-	-	(162)
Change in goodwill related to put options on shares of subsidiaries and other	1	-	5	-	-	(3)	3
Translation adjustments	-	(41)	4	(170)	(60)	4	(263)
Other movements	4	(2)	(38)	9	-	1	(26)
GOODWILL AT DECEMBER 31, 2012	**1,736**	**2,437**	**816**	**5,657**	**583**	**955**	**12,184**
Gross amount	2,104	2,437	818	5,763	583	1,022	12,727
Accumulated impairment	(368)	-	(2)	(106)	-	(67)	(543)
NET CARRYING AMOUNT AT JANUARY 1, 2013	**1,736**	**2,437**	**816**	**5,657**	**583**	**955**	**12,184**
Additions	361	-	-	5	-	-	366
Disposals	-	(72)	(42)	-	(30)	-	(144)
Translation adjustments	(11)	(114)	(17)	(445)	(89)	(118)	(794)
GOODWILL AT DECEMBER 31, 2013	**2,086**	**2,251**	**757**	**5,217**	**464**	**837**	**11,612**
Gross amount	2,454	2,251	759	5,323	464	904	12,155
Accumulated impairment	(368)	-	(2)	(106)	-	(67)	(543)
NET CARRYING AMOUNT AT DECEMBER 31, 2013	**2,086**	**2,251**	**757**	**5,217**	**464**	**837**	**11,612**

B) ACQUISITIONS AND DISPOSALS

2013

Acquisitions

CREATION OF THE JOINT VENTURE LAFARGE TARMAC

The creation of the joint venture Lafarge Tarmac occurred on January 7, 2013. A provisional allocation of the share of the fair value (50%) was completed and will be finalized during the first quarter of 2014 *(see Note 3)*:

- the provisional fair value of net assets acquired (50%) amounts to 1,156 million euros;
- the provisional residual goodwill arising from this operation amounts to 359 million euros.

Disposals

Changes in goodwill related to disposals made in 2013 *(see Note 3)* mainly concern:

- the share of goodwill allocated to the CGU aggregates & concrete North America affected by the disposal of aggregates assets in Georgia in the United States;
- the goodwill of cement CGUs in Ukraine, Mexico and Honduras.

2012

Acquisitions

No significant acquisition occurred in 2012.

Disposals

Changes in goodwill related to disposals made in 2012 are mainly related to the share of goodwill allocated to CGUs of the cement and aggregates & concrete assets affected by the disposal of our operations in the Missouri and Oklahoma (United States).

C) IMPAIRMENT TEST FOR GOODWILL

The Group's methodology to test its goodwill for impairment is described in *Note 2.12.*

Key assumptions

The evolution of the economic and financial, political and competitive context in the different countries may have an impact on the evaluation of recoverable amounts. Especially, key assumptions are the following:

- the market size, driven by expenditures in the residential and commercial construction sectors and for infrastructure in each country;
- the evolution of the products portfolio in association with the Group's innovation program;
- the market share of the Group and the level of prices based especially on supply – demand balance on the market;
- the costs evolution factors and mainly the evolution of energy costs;
- the country specific discount rate based on the weighted average cost of capital;
- the country specific perpetual growth rate.

These parameters are based on:

- a 10-year period plan established during the last quarter of the year in line with the budget exercise and approved by the heads of operating and functional matters, which details operating assumptions described above, based on the last trends known. Cash flows for the stabilized year are equal to or lower than the cash flows of the 10th year of the business plan;
- a country specific discount rate, which includes a country risk premium factoring political and economical risks of the country and takes into account if needed specific situations such as in some countries in Europe or the Middle East;
- a perpetual growth rate reflecting the long-term market trends in the construction segment in which the Group operates.

For Syria and Egypt, or Euro zone countries hit by the economic crisis such as Greece and Spain, the operating assumptions and discount rates used have been determined based on the specific country environment. These forecasts do not reflect any major disruption of the economical or geopolitical environment.

As described in *Note 2.12*, in performing the first step of the impairment test, the Group uses a multiple of Ebitda from 8.0 to 12.6 (7.6 to 12.5 in 2012) according to the corresponding activity.

When the Group determines the value in use of CGUs or groups of CGUs based on estimated discounted cash-flows (second step of the impairment test as described in *Note 2.12*), the discount rates and perpetual growth rates are included in the following segments as follow for the main regions where the Group operates:

	Discount rate		Perpetual growth rate	
	2013	2012	2013	2012
Western Europe	[8.0%-10.0%]	[7.0%-11.0%]	2.0%	2.0%
Central and Eastern Europe	[7.4%-9.0%]	8.0%	2.0%	2.0%
North America	7.2%	7.3%	1.4%	1.4%
Middle East and Africa	[8.0%-14.0%]	[8.6%-14.0%]	3.0%	3.0%
Asia	8.5%	[8.1%-12.4%]	3.0%	[2.0%-3.0%]

Discount rates are post-tax rates that are applied to post-tax cash flows. The use of these rates results in recoverable values that are identical to the ones that would have been obtained by using pre-tax rates applied to pre-tax cash flows.

The discount rates and perpetual growth rates are based on inflation assumptions in Euro-Zone or US Dollar-zone ("hard currency"). Therefore, the cash flows used for the calculation of the value in use are performed in local currency and then, are translated in "hard currency" taking into account the devaluation all along the business plan's length equal to the differential of inflation between local currency and "hard currency".

Main goodwill

CGUs generally correspond to one of the two activities in a country. The key assumptions used for the valuation of the main CGUs or groups of CGUs, covering about 50% of total Group goodwill together with the carrying amount of corresponding goodwill are detailed as follows:

Main CGUs

AT DECEMBER 31,

Cash Generating Units	2013			2012		
	Carrying value of goodwill (million euros)	Discount rate	Perpetual growth rate	Carrying value of goodwill (million euros)	Discount rate	Perpetual growth rate
Cement Algeria	1,455	8.5%	3.0%	1,507	8.6%	3.0%
Cement North America	1,355	7.2%	1.4%	1,421	7.3%	1.4%
Cement Egypt	1,109	11.5% (1)	3.0%	1,271	10.4%	3.0%
Aggregates & concrete North America	895	(2)	n/a	1,016	(2)	n/a
Cement Iraq	731	9.6%	3.0%	763	9.6%	3.0%

(1) *Equivalent to 14.5% in local currency.*

(2) *In 2013 and 2012, the aggregates & concrete North America CGU was estimated based on an Ebitda multiple of 12.6 and 12.5 respectively.*

In 2012, following the new country-based organization implemented, the goodwill of the Middle East and Africa region (1,130 million euros as at December 31, 2011) has been reallocated to the CGUs/groups of CGUs of this region as at January 1, 2012 mainly: Cement Nigeria (500 million euros), Cement Morocco (130 million euros), Cement Algeria (100 million euros), Cement Iraq (100 million euros) and 180 million euros to the CGUs Cement of Kenya, Uganda and Tanzania.

The other CGUs or groups of CGUs do not represent amounts which individually don't exceed more than 5% of total Group goodwill.

Sensitivity of recoverable amounts

The Group analyzed the sensitivities of the recoverable amounts to a reasonable possible change of a key assumption (notably to a change of one point in the discount rate and the perpetual growth rate). These analyses did not show a situation in which the carrying value of the main CGUs would exceed their recoverable amount, with the exception of the six CGUs referred to below.

For these six CGUs, the sensitivity of the recoverable amount to an independent change of one point in either the discount rate or the perpetual growth rate was as follows as at December 31, 2013:

Cash Generating Units (million euros)	Excess of estimated recoverable amount over carrying value Group's share	Sensitivity of the recoverable amount to one point increase/decrease in the			
		Discount rate		Perpetual growth rate	
		+1 PT	-1 PT	+1 PT	-1 PT
Cement Egypt	85	(180)	226	109	(87)
Cement Spain	86	(139)	193	112	(80)
Cement Greece	61	(93)	120	62	(49)
Cement Iraq	84	(161)	218	125	(93)
Cement Jordan	20	(25)	33	19	(14)
Cement Syria	23	(23)	27	9	(7)

For these six CGUs, the sensitivity estimated by the Group of the recoverable amount to reasonable changes of key assumptions included in 10-year period plans is reflected by the sensitivity to the discount rate presented above, especially:

- assumptions related to the market size and the date and rhythm of recovery notably in Euro zone countries;
- assumptions for prices evolution and costs reductions.

Impairment losses

2013

No impairment loss occurred in 2013.

2012

In 2012, the Group recorded an impairment loss of 160 million euros for the goodwill of the CGU Cement Greece, based on the value in use of this CGU which takes into account the deterioration of the economic environment in Greece leading to a drop in demand. After this impairment loss the residual goodwill of the CGU Cement Greece amounts to 312 million euros.

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NOTE 11 INTANGIBLE ASSETS

(million euros)	2013	2012
CARRYING AMOUNT AT JANUARY 1,	**620**	**652**
Additions	72	51
Disposals	-	(4)
Amortization	(82)	(81)
Impairment losses	(16)	-
Changes in scope and other changes	10	2
Translation adjustments	(30)	-
CARRYING AMOUNT AT DECEMBER 31,	**574**	**620**

For the years presented, no reversal of impairment charges has been recorded.

The following table presents details of intangible assets:

	AT DECEMBER 31,					
	2013			2012		
(million euros)	Cost	Accumulated amortization and impairment	Carrying value	Cost	Accumulated amortization and impairment	Carrying value
Software	511	391	120	492	365	127
Real estate development rights	44	30	14	89	61	28
Mineral rights	132	27	105	183	47	136
Other intangible assets	532	197	335	430	101	329
TOTAL INTANGIBLE ASSETS	**1,219**	**645**	**574**	**1,194**	**574**	**620**

For the years presented, "Other intangible assets" include only assets with finite useful lives.

In 2013, the overall Group's expenditure for products innovation and industrial process improvement were 114 million euros, compared to 116 million euros in 2012. The portion of this expenditure that was expensed as incurred was 77 million euros in 2013 (103 million euros in 2012).

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

A) CHANGES IN PROPERTY, PLANT AND EQUIPMENT

(million euros)	Mineral reserves and land	Buildings	Machinery, equipment, fixtures and fittings	Construction in progress	Investment subsidies	Total
Gross value	1,835	3,877	18,197	1,582	(61)	25,429
Accumulated depreciation	(409)	(1,708)	(7,761)	(10)		(9,887)
CARRYING AMOUNT AT JANUARY 1, 2012	**1,426**	**2,169**	**10,436**	**1,572**	**(61)**	**15,542**
Additions	24	11	91	746	(7)	865
Disposals	(6)	-	(16)	(24)	1	(45)
Other changes in scope	35	(12)	(194)	25	-	(146)
Depreciation	(28)	(159)	(745)	(1)	4	(929)
Impairment losses	(5)	(3)	(42)	-	-	(50)
Other changes	27	10	800	(846)	-	(9)
Translation adjustments	(5)	(18)	(199)	(14)	-	(236)
CARRYING AMOUNT AT DECEMBER 31, 2012	**1,468**	**1,998**	**10,131**	**1,458**	**(63)**	**14,992**
Gross value	1,904	3,788	18,130	1,467	(63)	25,226
Accumulated depreciation	(436)	(1,790)	(7,999)	(9)		(10,234)
CARRYING AMOUNT AT JANUARY 1, 2013	**1,468**	**1,998**	**10,131**	**1,458**	**(63)**	**14,992**
Additions	31	12	83	736	(7)	855
Disposals	(27)	(6)	(119)	(2)	1	(153)
Other changes in scope	389	(41)	757	16	-	1,121
Depreciation	(50)	(144)	(754)	-	3	(945)
Impairment losses	(21)	(27)	(40)	(21)	-	(109)
Other changes	58	113	400	(568)	-	3
Translation adjustments	(87)	(114)	(695)	(118)	2	(1,012)
CARRYING AMOUNT AT DECEMBER 31, 2013	**1,761**	**1,791**	**9,763**	**1,501**	**(64)**	**14,752**
Gross value	2,287	3,626	17,990	1,532	(64)	25,371
Accumulated depreciation	(526)	(1,835)	(8,227)	(31)		(10,619)

2013

"Other changes in scope" primarily include the opening balance sheet of the Lafarge Tarmac joint venture (United Kingdom) set up on January 7, 2013.

2012

"Other changes in scope" are mainly related to the disposal of the cement and Aggregates & Concrete assets in the Missouri and Oklahoma (United States).

B) FINANCE LEASE

The cost of property, plant and equipment includes 100 million euros and 115 million euros of assets under finance leases at December 31, 2013, and 2012, respectively. The remaining obligations on such assets amount to 33 million euros and 38 million euros at December 31, 2013, and 2012, respectively.

NOTE 13 INVESTMENTS IN ASSOCIATES

Investments in associates *(see Note 35)*, presented below, are not listed on a stock exchange and therefore do not have a public quote. Their reporting date is in line with that of the Group.

A) CHANGES IN INVESTMENT IN ASSOCIATES

(million euros)	2013	2012
AT JANUARY 1,	**470**	**604**
Share of net income (loss) of associates	19	5
Dividends received from associates	(10)	(10)
Acquisitions or share capital increases	207	3
Disposals and reduction in ownership percentage [1]	-	(129)
Other changes	(43)	(3)
AT DECEMBER 31,	**643**	**470**

(1) *In 2012 mainly corresponds to the disposal of our participation in Japan and to the decrease of our ownership percentage in Al Safwa (Saudi Arabia).*

Main events

MEXICO

In July 2013, the Group and Elementia have created an entity combining their cement assets in Mexico. The new entity formed is held at 47% by the Group and is recorded under equity method in the Group's consolidated financial statements. The value of the equity investment, which represents 47% of the fair value, amounts to 207 million euros at the date of the creation of the entity.

SINIAT GROUP

Following the disposal to Etex Group of the European and South American Gypsum operations, the Group retains a 20% interest in the partnerships, which combines the European and South American Gypsum activities of both groups and is accounted under equity method for 145 million euros as of December 31, 2013 and 163 million euros as of December 31, 2012 *(see Note 34)*.

AL SAFWA CEMENT COMPANY

In Saudi Arabia, the Group exercises a significant influence over the Al Safwa Cement Company in 2011, which is accounted under equity method for 110 million euros as of December 31, 2013 and 2012 further to the entrance of two new Saudi financial partners leading to a decrease in percentage owned from 50% to 25% in February 2012.

Information relating to the statement of income

The following table details the Group's share of the operations of associates:

	YEARS ENDED DECEMBER 31,	
(million euros)	2013	2012
Operating income before capital gains, impairment, restructuring and other	48	38
Net gain (losses) on disposals	-	(1)
Other operating income (expenses), net	(9)	-
Financial income (expenses)	(18)	(26)
Income tax	(2)	(6)
SHARE OF NET INCOME (LOSS) FROM ASSOCIATES	**19**	**5**

B) SUMMARIZED COMBINED STATEMENT OF FINANCIAL POSITION AND STATEMENT OF INCOME INFORMATION OF ASSOCIATES

Combined statement of financial position information at 100%

	AT DECEMBER 31,	
(million euros)	2013	2012
Non-current assets	2,927	2,555
Current assets	798	672
TOTAL ASSETS	**3,725**	**3,227**
Total equity	1,620	1,274
Non-current liabilities	1,473	1,371
Current liabilities	632	582
TOTAL EQUITY AND LIABILITIES	**3,725**	**3,227**

Combined statement of income information at 100%

	YEARS ENDED DECEMBER 31,	
(million euros)	2013	2012
Revenue	1,564	1,605
Operating income before capital gains, impairment, restructuring and other	163	136
Operating income	121	134
Net income	52	29

NOTE 14 JOINT VENTURES

The Group has several interests in joint ventures *(see Note 35).*

As of December 31, 2013, the joint ventures mainly relate to:

- Lafarge Tarmac Holdings Ltd., the joint venture between Lafarge UK and Tarmac Quarry Materials created on January 7, 2013, in which the Group has a 50% share *(see Note 3);*
- Lafarge Emirates Cement LLC, owned at 50% in the United Arab Emirates;
- several joint ventures in Morocco for the cement and aggregates & concrete activities, owned at 35%;
- several joint ventures in China;
- other joint ventures in the Middle East for the aggregates & concrete activity and in Bangladesh for the cement activity.

Lafarge Shui On China is 55% owned by Lafarge. It comprises the Chinese operations mainly in the Provinces of Sichuan, Yunnan, Guizhou and Chongqing. In 2013, Lafarge exercised its right to terminate the exit plan that was previously granted to our partner Shui On pursuant to an agreement signed on December 31, 2012. The Group still exercises a joint control on Lafarge Shui On China, which is accounted under the proportionate consolidation method as of December 31, 2013.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of joint ventures:

IMPACT ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AT DECEMBER 31,	
(million euros)	2013	2012
Non-current assets	2,933	2,081
Current assets	943	557
Non-current liabilities	398	345
Current liabilities	1,193	919

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IMPACT ON THE CONSOLIDATED STATEMENT OF INCOME

(million euros)	YEARS ENDED DECEMBER 31, 2013	2012
Revenue	2,133	1,128
Operating income before capital gains, impairment, restructuring and other	127	101
Operating income	68	87
Net income	11	13

NOTE 15 OTHER FINANCIAL ASSETS

Components of other financial assets are as follows:

(million euros)	AT DECEMBER 31, 2013	2012
Long-term loans and receivables	365	373
Available for sale investments	252	282
Prepaid pension assets	6	3
Restricted cash	33	40
TOTAL	**656**	**698**

LONG-TERM LOANS AND RECEIVABLES

Long-term loans and receivables include namely loans to our non-controlled subsidiaries (joint ventures and investments in associates) in China, in Nigeria and in Saudi Arabia.

AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are shares in equity securities that are not consolidated.

The table below presents the split of the fair value between the three levels of hierarchy:

- level 1: for equity securities listed on an active market, fair value is quoted price;
- level 2: for equity securities not listed on an active market and for which observable market data exist that the Group can use in order to estimate the fair value;
- level 3: for equity securities not listed on an active market and for which observable market data do not exist in order to estimate the fair value.

(million euros)	AT DECEMBER 31, 2013	2012
Level 1	-	-
Level 2	33	51
Level 3	219	231
AVAILABLE-FOR-SALE INVESTMENTS	**252**	**282**

For the level 3 category, the reconciliation from the beginning balances to the ending balances is as follows:

(million euros)	2013	2012
AT JANUARY 1,	**231**	**219**
Gains (losses) in statement of income/equity	-	-
Change in Scope	(3)	(20)
Other movements (including translation adjustments)	(9)	(8)
Reclassification in (out of) level 3	-	40
AT DECEMBER 31,	**219**	**231**

Following the delisting from the Moroccan stock market of Société Nationale d'Investissement, the Group reclassified its investment to Level 3 in 2012.

NOTE 16 INVENTORIES

Components of inventories are as follows:

(million euros)	AT DECEMBER 31, 2013	2012
Raw materials	444	449
Work-in-progress	14	8
Finished and semi-finished goods	721	739
Maintenance and operating supplies	606	640
INVENTORIES GROSS VALUE	**1,785**	**1,836**
Depreciation	(164)	(174)
INVENTORIES	**1,621**	**1,662**

The depreciation primarily relates to maintenance and operating supplies for 112 million euros and 111 million euros at December 31, 2013 and 2012, respectively.

The change in the inventories is as follows:

(million euros)	2013	2012
AT JANUARY 1,	**1,662**	**1,531**
Movement of the year	46	183
Scope effects and other changes	27	(24)
Translation adjustments	(114)	(28)
AT DECEMBER 31,	**1,621**	**1,662**

NOTE 17 TRADE RECEIVABLES

Components of trade receivables are as follows:

(million euros)	AT DECEMBER 31, 2013	2012
Gross trade receivables and advances on trade payables	2,213	2,042
Valuation allowance	(284)	(280)
TRADE RECEIVABLES	**1,929**	**1,762**

The change in the valuation allowance for doubtful receivables is as follows:

(million euros)	2013	2012
AT JANUARY 1,	**(280)**	**(233)**
Current year addition (1)	(33)	(84)
Current year release	10	27
Cancellation	16	10
Scope and other changes	(5)	-
Translation adjustments	8	-
AT DECEMBER 31,	**(284)**	**(280)**

(1) *Out of which 42 million euros related to receivables in Greece in 2012.*

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SECURITIZATION PROGRAMS

The Group entered into multi-year securitization agreements, with respect to trade receivables:

- the first one implemented in France in January 2000 for cement activity, renewed twice, has been extended to aggregates & concrete activity since September 2009. This is a five-year program from June 2010;
- the second one implemented in September 2009 in North America (United States and Canada) for a three-year period; this program was renewed in 2012 for a two-year period;
- the last one implemented in March 2010 both in Spain and the United Kingdom, also for a 5-year period, for some of the cement, aggregates & concrete activities of these two countries. This program was terminated and repaid early in December 2012.

Under these programs, some of the French and North American subsidiaries agree to sell, on a revolving basis, some of their accounts receivables. Under the terms of the arrangements, the subsidiaries involved in these programs do not maintain control over the assets sold and there is neither entitlement nor obligation to repurchase the sold receivables. In these agreements, the purchaser of the receivables, in order to secure his risk, only finances a part of the acquired receivables as it is usually the case for similar commercial transactions. As risks and benefits cannot be considered as being all transferred, these programs do not qualify for derecognition of receivables, and are therefore accounted for as secured financing.

Trade receivables therefore include sold receivables totalling 358 million euros and 371 million euros at December 31, 2013 and 2012, respectively.

The current portion of debt related to these programs includes 282 million euros and 300 million euros at December 31, 2013 and 2012, respectively.

The French securitization agreement is guaranteed by subordinated deposits and units totalling 76 million euros at December 31, 2013 (71 million euros at December 31, 2012).

NOTE 18 OTHER RECEIVABLES

Components of other receivables are as follows:

	AT DECEMBER 31,	
(million euros)	2013	2012
Taxes	285	314
Prepaid expenses	131	131
Interest receivables	18	27
Other current receivables	390	347
OTHER RECEIVABLES	**824**	**819**
Current portion	*797*	*779*
Non current portion	*27*	*40*

In 2013, "Other current receivables" mainly include:

- the receivables on disposals of assets and advances paid to suppliers for an amount of 29 million euros (50 million euros at December 31, 2012);
- the receivables from the employees for 15 million euros (15 million euros at December 31, 2012).

NOTE 19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, amounting to 3,346 million euros at December 31, 2013 (2,733 million euros at December 31, 2012), include cash equivalents totalling 1,389 million euros at December 31, 2013 (670 million euros at December 31, 2012) which are mainly time deposits.

NOTE 20 EQUITY

A) COMMON STOCK

At December 31, 2013, Lafarge common stock consisted of 287,365,397 shares with a nominal value of 4 euros per share.

At December 31, 2013, the total number of theoretical voting rights attributable to the shares is 402,435,045 after inclusion of the double voting rights attached to registered shares held for at least two years in the name of the same shareholders.

B) CAPITAL INCREASE AND DECREASE

In 2013, the capital increase amounting to 3 million euros resulted from the exercise of stock options *(see Note 21)*. There was no capital decrease.

In 2012, except for the exercise of stock options there was no capital increase, and there was no capital decrease.

C) DIVIDENDS

The following table indicates the dividend amount per share that the Group paid for the year 2012 as well as the dividend amount per share for 2013 proposed by our Board of Directors for approval at the Annual General Meeting of Shareholders to be held on May 7, 2014. Dividends on fully paid-up shares that have been held by the same shareholders in registered form for at least two years are increased by 10% over dividends paid on other shares. The number of shares eligible for this increased dividend for a shareholder is limited to 0.5% of all outstanding shares at the end of the financial year for which the dividend is paid.

(euros, unless otherwise indicated)	2013	2012
Total dividend (million)	289 (3)	289
Base dividend per share	1.00 (1)	1.00
Increased dividend per share (2)	1.10 (1)	1.10

(1) *Proposed dividend. As this dividend is subject to approval by shareholders at the Annual General Meeting, it has not been included as a liability in these financial statements as of December 31, 2013.*
(2) *See Section 6.2.5 (Articles of Association (Statuts) – Rights, preferences and restrictions attached to shares) for an explanation of our "Loyalty dividend".*
(3) *Based on an estimation of the number of shares eligible for dividends of 287,347,462 shares.*

D) TRANSACTIONS ON TREASURY SHARES

In 2013, the treasury shares decreased by 139,348 shares related to the performance stock plans which were vested and delivered to the employees (vs 76,165 shares in 2012).

E) OTHER COMPREHENSIVE INCOME NET OF INCOME TAX – PART ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY

The roll forward of other comprehensive income, net of income tax, for the part attributable to the owners of the parent company, is as follows:

	January 1, 2012	Gains/ (losses) arising during the year	Recycling to income statement	December 31, 2012	Gains/ (losses) arising during the year	Recycling to income statement	December 31, 2013
Available-for-sale financial assets	**21**	**-**	**-**	**21**	**(14)**	**-**	**7**
Gross value	31	-	-	31	(14)	-	17
Deferred taxes	(10)	-	-	(10)	-	-	(10)
Cash flow hedge instruments	**(29)**	**-**	**2**	**(27)**	**3**	**4**	**(20)**
Gross value	(41)	-	4	(37)	3	5	(29)
Deferred taxes	12	-	(2)	10	-	(1)	9
Actuarial gains/(losses)	**(743)**	**(176)**	**-**	**(919)**	**47**	**-**	**(872)**
Gross value	(1,070)	(240)	-	(1,310)	121	-	(1,189)
Deferred taxes	327	64	-	391	(74)	-	317
TOTAL OTHER RESERVES	**(751)**	**(176)**	**2**	**(925)**	**36**	**4**	**(885)**
TOTAL FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	**(280)**	**(430)**	**(9)**	**(719)**	**(1,623)**	**54**	**(2,288)**
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX	**(1,031)**	**(606)**	**(7)**	**(1,644)**	**(1,587)**	**58**	**(3,173)**

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F) NON-CONTROLLING INTERESTS

At December 31, 2013, the non-controlling interests amount to 1,951 million euros (2,082 million euros at December 31, 2012).

At December 31, 2013 and December 31, 2012, the Group's significant non-controlling interests are in Lafarge Cement Egypt S.A.E. (Egypt), Lafarge Malaysia Berhad (Malaysia), Lafarge Cement WAPCO Nigeria plc (Nigeria), Lafarge Zementwerke GMBH (Austria), Lafarge Cement Hungary Ltd. (Hungary), Bazian Cement Company Ltd. (Iraq) and, since 2013, Lafarge India PVT Ltd. (India) *(see paragraph G)*.

G) CHANGES IN OWNERSHIP INTERESTS WITH NO GAIN/LOSS OF CONTROL

As at December 31, 2013, changes in ownership interest with no gain/loss of control amount to 186 million euros, of which 177 million euros are related to a capital increase subscribed by a minority shareholder in Lafarge India PVT Ltd. (India).

As at December 31, 2012, changes in ownership interest with no gain/loss of control amount to (47) million euros, of which (38) million euros are related to the acquisition of a non-controlling interest in Lafarge Halla Cement Corporation (South Korea).

NOTE 21 SHARE BASED PAYMENTS

A) COMPENSATION EXPENSE FOR SHARE-BASED PAYMENTS

The Group recorded a compensation expense for share-based payments that is analysed as follow:

	YEARS ENDED DECEMBER 31,	
(million euros)	2013	2012
Stock options plans	4	6
Performance stock plans	10	5
Cash-settled plans	-	-
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	**14**	**11**

Stock options plans and performance stock plans

The compensation cost recognized includes the fair value amortization for all outstanding and non-vested plans, including the plans granted in 2013.

Total compensation cost related to non-vested and not yet recognized stock options plans and performance stock plans is 29 million euros which will be recognized on a straight-line basis over the vesting period from 2014 to 2017.

Cash-settled plans

Cash-settled plans had a non material impact on the Group's financial statements.

B) EQUITY-SETTLED INSTRUMENTS

Stock option plans

Lafarge S.A. grants stock option plans and employee stock purchase plans. Stock option plans offer options to purchase or subscribe to shares of the Group's common stock to executives, senior management, and other employees who have contributed significantly to the performance of the Group. The option exercise price approximates market value on the grant date. The options are vested after four years and expire ten years from the grant date.

See Section 3.5.2 (Stock-option plans) for more information.

Information relating to the Lafarge S.A. stock options granted is summarized as follows:

	2013 Options	2013 Weighted average exercise price (euros)	2012 Options	2012 Weighted average exercise price (euros)
OPTIONS OUTSTANDING AT JANUARY 1,	**8,455,389**	**59.09**	**8,511,063**	**66.25**
Options granted			789,920	36.00
Options exercised	(109,895)	30.74	(7,984)	30.74
Options cancelled and expired	(1,344,539)	56.32	(837,610)	76.34
OPTIONS OUTSTANDING AT DECEMBER 31,	**7,000,955**	**64.13**	**8,455,389**	**59.09**
OPTIONS EXERCISABLE AT DECEMBER 31,	**4,815,213**	**73.41**	**5,391,588**	**74.60**
Weighted average share price for options exercised during the year		49.57		31.78
Weighted average share price at option grant date (for options granted during the year)				36.39
Weighted average fair value of options granted during the year				7.12

Information relating to the Lafarge S.A. stock options outstanding at December 31, 2013 is summarized as follows:

Exercise price (euro)	Number of options outstanding	Weighted average remaining life (months)	Number of options exercisable
61.19	741,541	23	741,541
62.78	1,314,257	35	1,314,257
84.42	877,346	41	877,346
110.77	556,160	53	556,160
96.18	751,241	63	751,241
30.74	574,668	76	574,668
51.30	691,787	87	-
44.50	734,335	99	-
36.00	759,620	111	-
TOTAL	**7,000,955**		**4,815,213**

FAIR VALUE OF OPTIONS GRANTED

The Group estimated the fair value of the options granted based on the following assumptions:

Years ended December 31,	LAFARGE S.A. OPTIONS 2012
Expected dividend yield	2.5%
Expected volatility of stock	30.2%
Risk-free interest rate	2.6%
Expected life of the option (years)	7.0

The expected dividend yield assumption in 2012 was based on a prospective approach, according to market expectations by 2013.

The expected volatility assumption was determined based on the observation of historical volatility over periods corresponding to the expected average maturity of the options granted, partially adjusted to eliminate extreme deviations and better reflect long-term trends.

The Group assumes that the equivalent risk-free interest rate is the closing market rate, on the last trading day of the year, for treasury bills with maturity similar to the expected life of the options.

The Lafarge S.A. stock incentive plans were introduced on November 29, 1989. The Group assumes the estimated life of the outstanding option agreements based upon the number, of options historically exercised and cancelled since the plan's inception.

Performance stock plans

Lafarge set up a performance stock plan. The shares are granted to executives, senior management and other employees for their contribution to the continuing success of the business. For French resident employees, these shares will be issued following a three-year vesting period after the grant date (two years for 2010), but will remain unavailable for an additional two-year period. For non-French resident employees, the shares will be vested after four years.

See Section 3.5.3 (Performance share plans) for more information.

Information relating to the Lafarge S.A. performance stock plans outstanding at each December 31, is summarized as follows:

(million euros)	2013	2012
SHARES OUTSTANDING AT JANUARY 1,	**1,055,587**	**679,510**
Shares granted	636,920	483,967
Shares cancelled	(125,312)	(31,725)
Shares definitely alloted	(139,348)	(76,165)
SHARES OUTSTANDING AT DECEMBER 31,	**1,427,847**	**1,055,587**
Weighted average share price at option grant date	53.72	36.39

The Group estimated the fair value of the shares granted in 2013 and 2012 based on the following assumptions:

	YEARS ENDED DECEMBER 31,	
	2013	2012
Expected dividend yield	2.5%	2.5%
Post vesting transfer restriction discount	3.7%	4.0%

The expected dividend yield assumption is based on a prospective approach, according to market expectations by 2014.

A discount for post vesting transfer restrictions has been applied on shares granted to French resident employees for the three years following the vesting date.

C) CASH-SETTLED INSTRUMENTS

Stock Appreciation Rights (SAR)

In 2007 and 2008, Lafarge granted certain US employees equity instruments exclusively settled in cash, called Stock Appreciation Rights (SAR). The cash payment based on Lafarge's share price, is equal to the increase in the value of the Lafarge share from the time of the grant until the date of exercise.

The SAR strike price approximates market value on the grant date. SAR are granted for ten years. Grant rights vest at a rate of 25% each year starting on the first anniversary of the grant and are fully vested since 2012.

As at December 31, 2013, the number of exercisable SAR amounts to 567,545, and the average exercise price is 102.44 euros. The impact of this plan is not significant on the Group's financial statements.

Value Enhancement Bonus

In 2013, the Group granted to Executive Committee's members a long-term incentive program in the form of the allocation of a "Value Enhancement Bonus" designed to recognize strong growth in Lafarge's share price over the long term. This plan will be settled exclusively in cash.

At the end of a four-year period (2013 to 2017), and only if 100% of the internal and external performance conditions attached to the program have been achieved, this program allows for the payment of a Value Enhancement Bonus. This will be calculated on the basis of the difference between Lafarge's share price at the end of the program and a stock price target set at 70 euros; this difference will be multiplied by the number of bonus units granted.

As at December 31, 2013, the number of outstanding rights amounts to 140,000, and the exercise price is 70 euros. The impact of this plan is not significant on the Group's financial statements.

NOTE 22 INCOME TAX

A) INCOME TAX

The components of the income tax expense for the reporting periods are as follows:

(million euros)	YEARS ENDED DECEMBER 31, 2013	2012
CURRENT INCOME TAX	**(482)**	**(498)**
Corporate income tax for the period	(490)	(450)
Adjustment of current tax of prior periods	13	(2)
Withholding tax on dividends	(57)	(31)
Other	52	(15)
DEFERRED INCOME TAX	**220**	**206**
Deferred taxes on origination or reversal of temporary differences & other movements	164	138
Reassessment of deferred tax assets	16	73
Adjustment of deferred tax of prior periods	-	(5)
Effect of changes in tax rates	40	-
INCOME TAX	**(262)**	**(292)**

The current corporate income tax expense in 2013 is slightly lower as compared to 2012: the increase in corporate income tax for the period (Canada notably) and withholding tax on dividends (exceptional distributions of dividends) is offset by the reversal of provisions, included in the line "Other" following the positive outcome of some litigation with tax authorities.

An analysis of the deferred tax (expense) income in respect of each temporary difference is presented in paragraph (c) "Change in deferred tax assets and liabilities". The deferred income tax in 2013 is slightly higher as compared to 2012 due to:

- the recognition of deferred tax assets on some non-recurring expenses;
- the positive effect on deferred tax of changes in tax rates in the United Kingdom and Greece.

B) EFFECTIVE TAX RATE

The Group's effective tax rate is based on income before income tax, excluding the share of net income (loss) of associates, namely 979 million euros for 2013 and 825 million euros for 2012.

For the years ended December 31, 2013 and 2012, the Group's effective tax rate is reconciled to the same tax rate of 34.43%. This rate elected by the Group does not take into account the additional contribution of 10.7% as enacted in France by the Loi de Finances for 2014, based on the following grounds: i) this contribution is a temporary measure; ii) the French tax group is not a tax payer in 2013; iii) the impact of the reassessment of deferred taxes that will be reversed in 2014 is deemed not to have a material impact on the Group's consolidated financial statements.

The reconciliation is as follows:

(%)	YEARS ENDED DECEMBER 31, 2013	2012
Statutory tax rate	34.4	34.4
Effect of foreign tax rate differentials	(9.1)	(15.6)
Withholding taxes and other costs on dividends and service & royalties fees	8.7	8.1
Changes in enacted tax rates	(4.1)	-
Capital gains taxed at a different rate	(7.9)	2.9
Impact of impairment loss on goodwill and other assets	1.7	7.6
Nonrecognition of deferred tax assets and provisions for tax exposure	2.1	(7.6)
Other effects	1.0	5.6
EFFECTIVE TAX RATE	**26.8**	**35.4**

Effect of foreign tax rate differentials

The effect of foreign tax rate differentials has a lower favourable impact on the effective tax rate due to the increase of the relative weight of results in high tax rate jurisdictions and to a lower contribution of some lower tax rate jurisdictions. The main contributors to tax rate differentials are Algeria, Canada and Malaysia.

Changes in enacted tax rates

The amount of deferred tax assets in Greece has been reassessed following the increase in tax rate from 20% to 26%. In the United Kingdom, deferred tax liabilities have been reassessed following the decrease of tax rate from 23% to 20%. Those two changes decreased the effective tax rate by 4.1%.

Capital gains taxed at a different rate

In 2013, Group disposals, notably in Honduras, the loss of control in Mexico and the implementation of the joint venture Lafarge Tarmac in the United Kingdom generated low-taxed gains which decreased the effective tax rate by 9.9%. Conversely, asset disposals in the United States generated a higher taxable result than the accounting result which was offset against the recognized tax losses of the US tax group, thus increasing the effective tax rate by 2.0%.

In 2012, asset disposals in the United States generated a higher taxable result than the accounting result which had been offset against the recognized tax losses of the US tax group, thus increasing the effective tax rate by 4.4%. This caption also comprised the effect of the sale of the Group's interests in Lafarge Aso Cement in Japan which had generated a low-taxed capital gain.

Impact of impairment loss on goodwill and other assets

The impairment loss on other assets, which was partially not tax deductible, increased the effective tax rate by 1.7% in 2013 compared to 0.8% in 2012. In 2012, the goodwill impairment loss amounting to 162 million euros was not tax deductible and had increased the effective tax rate by 6.8%.

Non-recognition of deferred tax assets and provisions for tax exposure

The Group has re-estimated some of its deferred tax assets on tax loss carry forwards and on taxable temporary differences following the reassessment of the recoverability of these assets and the outcome of some litigation with tax authorities. Such re-evaluation increased the effective tax rate by 2.1%.

Other effects

Other effects include notably the impact of the new measure enacted by the Loi de Finances for 2012 in France, which limits the tax deduction of interest charges to 85% of their net amount. Such effect increased the effective tax rate by 3.6% as at December 31, 2013 compared to 4.8% as at December 31, 2012.

In 2013, other effects include also the positive impact for 3.5% of the five-year tax holiday obtained in Nigeria, retroactively from December 2011.

C) CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES

The movements in net deferred tax assets from 176 million euros as at December 31, 2012 to 167 million euros as at December 31, 2013 as presented in the consolidated statement of financial position are as follows:

(million euros)	January 1, 2013	(Expense) income	Recorded in other comprehensive income	Scope effects	Other changes	Translation adjustments	December 31, 2013
Pensions and other post-employment benefits	494	(7)	(74)	-	-	(20)	393
Property, plant and equipment	(1,486)	76	-	(140)	-	101	(1,449)
Net operating loss and tax credit carry forwards	1,610	117	-	(77)	-	(23)	1,627
Net capital loss carry forwards	239	(23)	-	18	-	(4)	230
Valuation allowance	(757)	45	-	(19)	-	12	(719)
Provisions, current liabilities & others, net	76	12	(1)	-	-	(2)	85
NET DEFERRED TAXES POSITIONS – ASSET (LIABILITY)	**176**	**220**	**(75)**	**(218)**	**-**	**64**	**167**

(million euros)	January 1, 2012	(Expense) income	Recorded in other comprehensive income	Scope effects	Other changes	Translation adjustments	December 31, 2012
Pensions and other post-employment benefits	457	(25)	64	-	1	(3)	494
Property, plant and equipment	(1,560)	(2)	-	34	20	22	(1,486)
Net operating loss and tax credit carry forwards	1,448	193	-	(1)	(21)	(9)	1,610
Net capital loss carry forwards	257	(24)	-	(1)	1	6	239
Valuation allowance	(832)	68	-	1	11	(5)	(757)
Provisions, current liabilities & others, net	101	(4)	(2)	1	(19)	(1)	76
NET DEFERRED TAXES POSITIONS – ASSET (LIABILITY)	**(129)**	**206**	**62**	**34**	**(7)**	**10**	**176**

In 2013, in addition to the deferred tax income accounted for in the consolidated statement of income, a net deferred tax expense of 75 million euros has been recorded mainly related to actuarial gains in other comprehensive income.

Scope effects are mostly composed of the implementation of the joint venture Lafarge Tarmac in the United Kingdom and the asset disposals in the United States.

D) TAX LOSS AND CAPITAL LOSS CARRY FORWARDS

At December 31, 2013, the Group has net operating loss (NOL) and tax credit carry forwards of approximately 5,131 million euros, and capital loss carry forwards of 1,144 million euros, which will expire as follows:

(million euros)	NOL and tax credits carry forwards	Long term capital loss carry forwards	Total
2013	122	-	122
2014	50	-	50
2015	72	-	72
2016	102	-	102
2017 and thereafter	4,785	1,144	5,929
TOTAL	**5,131**	**1,144**	**6,275**

Deferred tax assets have been recognized on all tax losses and a valuation allowance has been recorded when it is not probable that such deferred tax assets will be recoverable in a foreseeable future or when tax losses are uncertain to be used due to risks of diverse interpretations with regard to the application of tax legislation.

The analyses performed based on the most recent forecasts approved by the management conclude that it is probable that such assets will be recoverable in a foreseeable future, notably in France, United States and Spain where these net assets amounted to 888 million euros as at December 31, 2013. As at December 31, 2013, based on the most reasonable estimate of taxable results, net deferred tax assets of the French tax group amount to 549 million euros and should be recoverable within 12 years.

In France, since 2011, given the action plans implemented to reduce the level of indebtedness at Group level and the financial expenses of the French tax group, the deferred tax assets on the tax loss carry forwards, along with tax assets relating to taxable temporary differences, have been recognized.

In the United States, the deferred tax assets on the tax loss carry forwards, along with tax assets relating to taxable temporary differences recognized for an amount of 223 million euros should be recoverable within 3 years.

In Spain, since 2012, the deferred tax assets generated each year by the tax group have been depreciated.

E) TAX AUDITS

The financial year ended December 31, 2013 and prior years are open to tax audits by the respective tax authorities in the jurisdictions in which the Group has or had operations. Various tax authorities have proposed or levied adjustments for additional tax in respect of prior years.

In jurisdictions where notices of adjustments have been received, the Group has challenged almost all of the proposed assessments and is proceeding with discussions with relevant tax authorities.

As at December 31, 2013 the Group has covered its most reasonable estimate of the charge which may ultimately result from such on-going tax audits considering notably the technical merits of its positions towards tax authorities, possible settlements in certain countries and disputes that the Group could initiate.

The Group regularly reviews the assessment of such risk taking into account the evolution of audits and disputes.

NOTE 23 PENSION PLANS, END OF SERVICE BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

The Group's post-employment benefits vary in accordance with local legal requirements and each specific subsidiary benefit policies. They are composed of both defined contribution and defined benefits plans.

For defined contribution plans, the Group's obligations are limited to periodic payments to third party organizations, which are responsible for the financial and administrative management of the funds. The pension costs recognized for these plans correspond to the contributions paid during the period. The total contribution paid in 2013 and 2012 (excluding mandatory social security plans organized at state level) for continuing operations is 35 million euros and 43 million euros, respectively.

Only defined benefit plans create future obligations for the Group. Defined benefit pension plans and end of service benefits constitute 95% of the Group's post-retirement obligations. The balance relates mainly to post-employment medical plans. These obligations are estimated on a regular basis by independent actuaries using assumptions, which may vary over time.

The following tables present the valuation of defined benefits plans, for both funded and unfunded plans.

Funded plans are mainly pension plans located in the United Kingdom and in North America. These obligations are funded through Group's and employees' contributions to external funds which are third party legal entities, which investments are subject to fluctuations in the financial markets.

Unfunded plans are mainly retirement indemnities schemes or end of service benefits, as well as post-employment medical plans, which benefits are vested only if the employee is in the Group at the retirement date. A provision is recognized, with no funding obligation. For active employees, the payment of benefits remains uncertain and the provision is 536 million euros at the end of 2013. For retirees under post-employment medical plans, the provision is 314 million euros at the end of 2013.

	AT DECEMBER 31,					
	Funded Plans		Unfunded Plans		Total	
(million euros)	2013	2012	2013	2012	2013	2012
COMPONENTS OF NET PERIODIC PENSION COST						
Net service cost	33	37	24	38	57	75
Plan amendment, curtailment and settlement	(15)	(20)	(12)	1	(27)	(19)
Administrative expenses and taxes	5	4	-	-	5	4
Net operating expense	**23**	**21**	**12**	**39**	**35**	**60**
Net financial expense	**28**	**25**	**35**	**39**	**63**	**64**
NET PERIODIC PENSION COST	**51**	**46**	**47**	**78**	**98**	**124**
CHANGE IN DEFINED BENEFIT OBLIGATION						
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT JANUARY 1,	**4,713**	**4,407**	**950**	**905**	**5,663**	**5,312**
Net service cost	33	37	24	38	57	75
Interest cost	189	207	35	39	224	246
Employees contributions	-	-	-	-	-	-
Plan amendments[(1)]	(3)	-	(18)	-	(21)	-
Curtailments[(2)]	(20)	(10)	(7)	(23)	(27)	(33)
Settlements[(3)]	(1)	(79)	2	-	1	(79)
Special termination benefits	13	16	11	24	24	40
Business combinations/Divestitures	-	-	(2)	-	(2)	-
Benefits paid	(228)	(239)	(77)	(95)	(305)	(334)
Actuarial (gains)/losses related to change in demographic assumptions	66	-	3	-	69	-
Actuarial (gains)/losses related to change in financial assumptions	50	257	(29)	85	21	342
Actuarial (gains)/losses related to experience effects	12	63	(5)	(17)	7	46
Foreign currency translations	(173)	54	(37)	(6)	(210)	48
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT DECEMBER 31,	**4,651**	**4,713**	**850**	**950**	**5,501**	**5,663**

(1) *Including in 2013, the plan amendment of post-retirement healthcare coverage in the United States.*
(2) *Including in 2013, the frozen of main pension plans decided in the United States from December 31st, 2018.*
(3) *Corresponding in 2012 to the buy-out of pension rights in the United States: a decrease of the obligation by 79 million euros generating a gain of 26 million euros.*
See Note 23 (a).

(million euros)	Funded Plans 2013	Funded Plans 2012	Unfunded Plans 2013	Unfunded Plans 2012	Total 2013	Total 2012
	AT DECEMBER 31,					
CHANGE IN FAIR VALUE OF PLAN ASSETS						
FAIR VALUE OF PLAN ASSETS AT JANUARY 1,	**4,074**	**3,855**	**-**	**-**	**4,074**	**3,855**
Interest income	163	182	-	-	163	182
Actuarial gain/(loss) related to experience effects	216	147	-	-	216	147
Employer contributions	81	129	-	-	81	129
Employees contributions	-	-	-	-	-	-
Benefits paid	(228)	(239)	-	-	(228)	(239)
Administrative expenses and taxes	(7)	(4)	-	-	(7)	(4)
Settlements [(1)]	(1)	(53)	-	-	(1)	(53)
Special termination benefits	5	-	-	-	5	-
Business combinations/Divestitures	-	-	-	-	-	-
Foreign currency translations	(151)	57	-	-	(151)	57
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31,	**4,152**	**4,074**	**-**	**-**	**4,152**	**4,074**
Actual return on plan assets	379	329	-	-	379	329
COMPONENTS OF AMOUNTS RECORDED IN FINANCIAL STATEMENTS						
Present value of defined benefit obligation	4,651	4,713	850	950	5,501	5,663
Fair value of plan assets	4,152	4,074	-	-	4,152	4,074
FUNDED STATUS OF THE PLAN	**(499)**	**(639)**	**(850)**	**(950)**	**(1,349)**	**(1,589)**
Unrecognized assets due to asset ceiling limitations	(1)	(2)	-	-	(1)	(2)
NET (LIABILITY)/ASSET RECORDED IN THE STATEMENT OF FINANCIAL SITUATION	**(500)**	**(641)**	**(850)**	**(950)**	**(1,350)**	**(1,591)**
Of which Other financial assets	*6*	*3*	*-*	*-*	*6*	*3*
Of which Pension & other employee benefits	*(506)*	*(644)*	*(850)*	*(950)*	*(1,356)*	*(1,594)*

(1) *Corresponding in 2012 to the buy-out of pension rights in the United States: payments by the fund of 53 million euros (see Note 23 (a)).*

The Group has not recognized any right to reimbursement for the years presented.

The main actuarial assumptions made to account for pensions and end of service benefits are as follows:

(%)	United States	Canada	United Kingdom	Euro Zone
AS AT DECEMBER 31, 2013				
Discount rate	4.80	4.75	4.40	3.30
Salary increase rate	3.50	3.50	n/a	2.50-3.50
AS AT DECEMBER 31, 2012				
Discount rate	4.00	4.30	4.25	3.00
Salary increase rate	4.00	3.50	n/a	2.50-3.50

The discount rates are determined by reference to the rate of return of long-term high-grade corporate bonds. They are selected from yield curves build by external experts based on public panel of bonds with rating AA, usually considered as references. The Group has ensured the relevance of these curves.

An increase of the discount rate assumption by 0.5 percentage point at December 31, 2013 would have led to a decrease in the valuation of the obligations of the main benefit plans located in the United Kingdom and North America, by approximately 335 million euros.

A large number of plans located in the United Kingdom and North America provide benefits which are not linked to the salary, therefore the salary increase rate assumption has no significant impact on these plans (a decrease of the salary increase rate by 0.5 percentage point at December 31, 2013 would have led to a decrease in the valuation of the obligations of the plans located in the United Kingdom and North America, by approximately 9 million euros).

In the United Kingdom, pension indexation assumptions are based on inflation index RPI and CPI, which increase respectively from 2.8% and 2.1% at the end of 2012 to 3.35% and 2.35% at the end of 2013.

A decrease of the pension indexation rates assumptions by 0.5 percentage point at December 31, 2013 would have led to a decrease in the valuation of the obligations of the benefit plan located in the United Kingdom, by approximately 251 million euros.

The duration of the plans is an indicator of the weighted-average of future benefit payments duration. For the most significant benefit plans located in the United Kingdom and North America, the duration is around 15 years.

Benefits are paid to the beneficiaries of the various defined benefit plans of the Group either by assets held by pension funds in case of funded plan or directly by the Group for unfunded plans. Expected benefits payments for the next five years are presented in the following table:

	Funded plans	Unfunded plans	Total
2014	234	71	305
2015	234	54	288
2016	241	52	293
2017	248	61	309
2018	255	59	314
TOTAL	**1,212**	**297**	**1,509**

A) PENSION PLANS

The main defined benefit pension plans provided to employees by the Group are located in the United Kingdom and North America (United States and Canada). The related pension obligations represent 60% and 25%, respectively, of the Group's total defined benefit plan obligations.

United Kingdom

In the United Kingdom, the Group's pension obligations are mainly administered through a pension fund, governed by an independent Board of Trustees. The Trustees are composed of representatives of the Group, employees and retirees, and an independent expert. The Board is required by law to act in the interest of the beneficiaries and is responsible for the investment policy with regard to the assets and for the administration of the benefits.

In October 2011, vested rights (based on salary and years of service within the Group) have been frozen: active members of the scheme will no more acquire rights in the defined benefit plan. The defined benefit obligation includes benefits for deferred members (who have not yet solved their pensions rights) (41% of the obligation) and current pensioners (59% of the obligation).

If necessary, the plan is funded by employer contributions which amount is determined under the regulations every three years, based on plan valuation carried out by independent actuaries, so that the long-term financing services is ensured.

The last funding valuation is being carried out based on the June 30, 2012 fund situation.

Based on the June 2009 valuation, the employer has contributed 21 million of British pounds in 2013 and should contribute 25 million pounds in 2014. This, however will have to be reassessed based on the results of the June 2012 valuation still to be filed with the UK Pensions Regulator.

The Board of Trustees' primary objective is to ensure that it can meet its obligations to the beneficiaries of the plan both in the short and long term. Subject to this primary objective, the Board of Trustees aims to maximise the long-term investment return whilst minimising the risk of non-compliance with any statutory funding requirements. The Board of Trustees is responsible for the plan's long-term investment strategy but has delegated strategy design and monitoring to an Investment Committee and employs a fiduciary manager to implement and manage the plan's investments.

A strategy has been designed to target an asset value equal to 100% of the liability value. In 2013, this objective has been translated into two main asset categories:

- a portfolio of instruments that provides a reasonable match to changes in liability values, which includes government bonds, corporate bonds and derivatives

Bonds generally have a credit rating that is no lower than "A/BBB" and have quoted market prices in an active market.

Liability Driven Investment portfolio is mainly composed of swaps. Fair value is estimated with models that rely on observable market data;

- a portfolio of return-seeking assets, which include shares, real estate and alternative assets classes

Shares instruments represent investments in equity funds and direct investments which have quoted market prices in an active market.

Alternative asset classes are used for both risk management and return generation purposes, and its fair value is based on market values.

Real estate may comprise investments in listed real estate funds or direct investments. Real estates that are held directly are valued annually by an independent expert.

The fiduciary manager is responsible for the selection and deselection of underlying investment managers and funds as well as managing the asset allocation of the plan within agreed guidelines

Fair value of Investments funds is based on a mixture of market values and estimates. As at 31 December 2013, 70% was based on estimates and as at 31 December 2012, 51.5% was based on estimates.

Cash and cash equivalents are invested with financial institutions that have at least an "A/BBB" rating.

The table below shows the assets allocation for the pension plan located in the United Kingdom:

	United Kingdom	
(%)	2013	2012
Shares	20	44
Government bonds	7	29
Corporate bonds	18	14
Real Estate	4	4
Liability Driven Investment	30	-
Alternatives	12	-
Investment funds	6	8
Cash and cash equivalents	2	1
Other	1	-
TOTAL	**100**	**100**

North America

In North America (United States and Canada), defined pension benefits are granted through various plans, for which employer contribution rate is governed by the minimum and maximum deductible amount under income tax.

The defined benefits obligation of the North American plans includes benefits for active members (37% of the obligation), deferred members (10% of the obligation) and current pensioners (53% of the obligation).

If necessary, pension plans are funded by contributions from the Group and employees based on annual valuations conducted by independent actuaries according to the rules of regulatory authorities of pension funds in the United States and Canada.

The Group's commitments through these funds are managed to limit acquisition of future rights by closing certain funds to new entrants and to optimize their management by the merger of different funds.

In 2012, a transaction was offered to deferred members (beneficiaries who do not acquire new pension rights and have not yet liquidated their retirement) in the United States in order to buy their vested pension rights. In exchange for a lump-sum payment, these beneficiaries waive their future pension rights. This operation has resulted in additional contribution into the American pension funds of 19 million euros to reach minimum funding requirements. The funds paid to beneficiaries of 53 million euros and the Group's pension obligation decreased by 79 million euros. This operation was accounted for as a settlement and led to recognize a gain of 26 million euros in 2012.

In 2013, the Group has decided to freeze the main benefit pension scheme in the United States as at December 31, 2018. From this date, vested rights will be frozen and active members will no more acquire rights in the defined benefit plan. This plan amendment led to recognize a gain of 21 million euros in the Group's operating income in 2013.

The expected level of employer contributions for various pension plans is about 76 million euros in 2014, versus 52 million euros in 2013.

Lafarge North America delegates various responsibilities to two specific Investment Committees, both in the United States and in Canada. These committees define long-term investment strategies for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing a portion of plan assets in long term bonds which perform similarly to the liabilities of the plan so as to protect against changes to bond yields.

These strategies are revised at least once a year and as often as necessary, especially in the case of significant market developments or changes in the structure of the plans' participants.

These strategies take into account pension masters trust's objectives, benefit obligations and risk capacities. Investment Committees delegate the implementation of investment policies in accordance with investment strategies as well as various principles and objectives to external providers. Plans' assets are managed by external providers in accordance with respective investment strategies.

F

The table below shows the assets allocation for the pension plans located in North America:

	North America	
(%)	2013	2012
U.S. Equities	32	31
Canadian Equities	10	11
Overseas Equities	17	18
Corporate bonds	40	40
Cash and cash equivalents	1	-
TOTAL	**100**	**100**

All instruments have quoted market prices in an active market. Corporate bonds generally have a credit rating that is no lower than "A/BBB". Fair value is based on market prices.

Risk exposure

The main risks the Group is exposed through pension funds in the UK and North America are:

- asset volatility: the defined benefit obligation is calculated using a discount rate set with reference to the rate of return of high-grade corporate bonds; if the return on financial assets is below this rate, a deficit is created. The financial plan assets (shares, bonds..) have generally a higher return than the discount rate over the long term but are volatile in the short-term, especially since they are measured at fair value for the purposes of the annual financial statements of the Group. The allocation of financial assets is monitored to ensure that it remains appropriate given the scheme's long term objectives;
- changes in bond yields: a decrease in corporate bond rates leads to an increase in the pension obligation as recorded by the Group, although this increase is partially offset by an increase in the value of the financial plan assets (for private corporate bonds);
- life expectancy: most of the benefits guaranteed by the schemes are lifetime benefits; increasing life expectancy thus leads to increase the liabilities;
- inflation: a significant portion of the United Kingdom plan's benefit obligations is indexed to inflation. An increase in inflation leads to an increase of the obligation (although, in most cases, ceilings are set to protect the regime against hyper inflation). Most financial assets are either not affected by or low correlated to inflation, meaning that an increase in inflation will also increase the deficit. The US pension funds no longer expose the Group to a significant risk to inflation given that benefits are not indexed to inflation.

B) END OF SERVICE BENEFITS

End of service benefits are generally lump sum payments based upon an individual's years of credited service and annual salary at retirement or termination of employment. The primary obligations for end of service benefits are in France, Greece, South Korea and Nigeria. These schemes are unfunded.

In Greece, the last austerity law led in 2012 to a change of plan reducing benefits. Accordingly, a curtailment gain of 7 million euros was recognized in operating income.

In Nigeria, the local management has negotiated in 2012 a change in plan reducing the level of the benefits. Accordingly, a curtailment gain of 7 million euros was recognized in operating income.

C) OTHER POST-EMPLOYMENT BENEFITS

In North America, and to a lesser extent in France, in Morocco, in Jordan and in Brazil, certain subsidiaries provide healthcare and insurance benefits to retired employees. These obligations are unfunded.

In 2013, following the health care reform in the United States, US post-retirement medical plans were modified: from January 1, 2014, retirees above 65 years old will not be covered by these plans, the federal health care system ensuring these populations. Accordingly, this plan amendment led to recognize a gain of 25 million euros in operating income in 2013.

In North America, the assumed healthcare cost trend rate used in measuring the accumulated post-employment benefit obligation differs between US and Canadian plans.

At the end of 2013, the rate used was 7.5% in the US plan, decreasing to 5% in 2019, and 6.4% in the Canadian plan, decreasing to 5% in 2018.

At the end of 2012, the rate used was 8% in the US plan, decreasing to 5% in 2019, and 7.1% in the Canadian plan, decreasing to 5% in 2018.

NOTE 24 PROVISIONS

(million euros)	Restructuring provisions	Site restoration and environmental provisions	Other provisions	Total
AT JANUARY 1, 2012	**40**	**218**	**504**	**762**
Current year addition	75	33	120	228
Current year release	(29)	(20)	(58)	(107)
Cancellation	(9)	(12)	(54)	(75)
Other changes	(3)	2	(35)	(36)
Translation adjustments	-	-	(8)	(8)
AT DECEMBER 31, 2012	**74**	**221**	**469**	**764**
Current portion				*127*
Non-current portion				*637*
AT JANUARY 1, 2013	**74**	**221**	**469**	**764**
Current year addition	38	27	42	107
Current year release	(32)	(21)	(53)	(106)
Cancellation	(12)	(8)	(62)	(82)
Other changes	6	48	(10)	44
Translation adjustments	(1)	(12)	1	(12)
AT DECEMBER 31, 2013	**73**	**255**	**387**	**715**
Current portion				*124*
Non-current portion				*591*

The restructuring provisions mainly include the employee termination benefits.

Other provisions include:

- 131 million euros (225 million euros as at December 31, 2012) of provisions for tax risks and litigation, of which competition litigation *(see Note 29);*
- 84 million euros (117 million euros as at December 31, 2012) of provisions related to actual damages, costs and insurance and re-insurance.

NOTE 25 FINANCIAL DEBT

The financial debt split is as follows:

	AT DECEMBER 31,	
(million euros)	2013	2012
Long-term debt excluding put options on shares of subsidiaries	10,782	11,212
Put options on shares of subsidiaries, long-term	23	49
FINANCIAL DEBT	**10,805**	**11,261**
Short-term debt and current portion of long-term debt excluding put options on shares of subsidiaries	2,880	2,823
Put options on shares of subsidiaries, short-term	11	-
FINANCIAL DEBT (INCLUDING CURRENT PORTION OF LONG-TERM DEBT)	**2,891**	**2,823**
Total debt excluding put options on shares of subsidiaries	13,662	14,035
Total put options on shares of subsidiaries	34	49
TOTAL FINANCIAL DEBT	**13,696**	**14,084**

A) ANALYSIS OF DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES BY TYPE OF FINANCING

	AT DECEMBER 31,	
(million euros)	2013	2012
Debenture loans	10,309	10,501
Notes/Private placements	968	920
Bank loans and credit lines drawings	2,023	2,262
Commercial paper	7	-
Other debt	355	352
TOTAL DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES	**13,662**	**14,035**

Debenture loans, notes and private placements

The Group has a Euro Medium-Term Note (EMTN) program, which allows for a maximum issuable amount of 12,000 million euros. At December 31, 2013, 9,702 million euros had been issued under the EMTN program, including 8,863 million euros of debenture loans and 839 million euros of private placements included under Notes/ Private placements. The weighted average spot interest rate of EMTN issues is 6.6% as at December 31, 2013 with maturities ranging from 2014 to 2038.

At December 31, 2013, debenture loans, mainly consisting of bonds issued in euros, US dollars and British pounds, amount to 10,309 million euros (including 8,863 million euros issued under the EMTN program disclosed above). Weighted average interest rate of these debenture loans is 6.7% at December 31, 2013 (6.7% at December 31, 2012). Their maturities range from 2014 to 2036, with an average maturity of 4 years and 3 months.

Notes and private placements, mainly composed of shares denominated in euros and in US dollars, amount to 968 million euros at December 31, 2013 (including 839 million euros of private placements issued under the EMTN program disclosed above). Weighted average interest rate of these private placements is 8.2% at December 31, 2013 (6.4% at December 31, 2012).

Bank loans

At December 31, 2013, bank loans total 2,023 million euros and are primarily comprised of loans to Group subsidiaries in their local currencies.

The weighted average interest rate on bank loans is approximately 5.5% at December 31, 2013 (5.6% at December 31, 2012).

Additionally, the Group contracted in advance bank loans in 2013 for 250 million euros that could be used in May 2014.

Committed credit lines

At December 31, 2013, committed credit lines amount to 3,435 million euros, fully contracted at Lafarge S.A. level. These committed credit lines are unused and therefore fully available at December 31, 2013 as no drawdown has been done on them.

The average non-utilization fee of these credit lines stands at 74.5 basis points at December 31, 2013 (80 basis points at December 31, 2012). The average maturity of these credit facilities is 2.8 years at December 31, 2013 (2.5 years at December 31, 2012).

Additionnally, the syndicated credit facility signed in 2004 for a 5-year term and an initial amount of 1,850 million euros, has been amended successfully several times. Through the last amendment of March 19, 2012, the amount was reduced to 1,235 million euros and the maturity extended to July 28, 2015 for 1,200 million euros. This syndicated credit facility contains an optional exit mechanism, on an individual basis, if the consolidated net debt to Ebitda ratio is higher than 4.75. Such an event would not be considered an event of default and would have no impact on the status of the Group's other financing arrangements.

In addition, the Group has a 450 million euros undrawn financing at December 31, 2013 that the Group can use anytime. This specific financing set-up at October 12, 2012 is not considered in the committed credit lines amount disclosed above. Utilization of this financing would be considered as a private placement outside the EMTN program.

Commercial paper

The Group's euro denominated commercial paper program at December 31, 2013 allows for a maximum issuable amount of 3,000 million euros. Commercial paper can be issued in euros, US dollars, Canadian dollars, Swiss francs or British pounds. At December 31, 2013, commercial paper issued under this program totals 7 million euros (no amount as of December 31, 2012). This commercial paper bears an average interest rate close to the European inter-bank offer rate ("Euribor") for maturities generally ranging from 1 to 6 months. As of December 31, 2013, the weighted average interest rate of the euro denominated commercial paper is 0.7%

B) ANALYSIS OF DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES BY MATURITY

The following table details the contractual maturities of our various loan agreements (excluding put options on shares of subsidiaries), including the undiscounted contractual flows and future interests, based on the closest term the Group can be called for repayment. Under IAS 1, when the Group does not have the unconditional right to defer the term of a financing beyond 12 months, then the financing is accounted for in current liabilities regardless of probable renegotiation considered by the management in order to extend the maturity of the financial instrument.

(million euros)	2014 H1	2014 H2	Contractual flows – less than one year (incl. future interests)	Statement of Financial position – Current Liabilities	2015	2016	2017	2018
Short-term debt and bank overdrafts	704	195	899	887				
Debenture loans/Private placements	1,390	1,136	2,526	1,748	1,792	2,430	2,085	1,983
Other LT financings (including ST portion of LT debt)	141	185	326	245	405	541	95	162
TOTAL	**2,235**	**1,516**	**3,751**	**2,880**	**2,197**	**2,971**	**2,180**	**2,145**

(million euros)	More than 5 years	Contractual flows – more than one year (incl. future interests)	Statement of Financial position – Non Current Liabilities	Total Contractual flows (incl. future interests)	Statement of Financial position – December 31, 2013
Short-term debt and bank overdrafts				899	887
Debenture loans/Private placements	4,542	12,832	9,529	15,358	11,277
Other LT financing (including ST portion of LT debt)	255	1,458	1,253	1,784	1,498
TOTAL	**4,797**	**14,290**	**10,782**	**18,041**	**13,662**

The short-term debt that the Group can refinance on a medium and long-term basis through its committed credit facilities is classified in the statement of financial position under the section "Long-term debt" (7 million euros as at December 31, 2013 and no amount as at December 31, 2012). The net variation of this debt is shown in the cash flow statement in "proceeds from issuance of long-term debt" when it is positive, and in "repayment of long-term debt" when it is negative. At December 31, 2013, the net variation of this debt amounted to an increase of 7 million euros (compared to a decrease of 57 million euros at December 31, 2012).

C) ANALYSIS OF DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES BY CURRENCY

AT DECEMBER 31,

(million euros)	2013		2012	
	Before swaps	After swaps	Before swaps	After swaps
Euro (EUR)	9,829	9,954	9,413	10,198
US dollar (USD)	2,064	1,280	2,304	1,929
British pound (GBP)	664	706	1,126	514
Chinese yuan (CNY)	518	518	507	507
Indian rupee (INR)	96	118	56	140
Nigerian naira (NGN)	104	104	161	161
Russian ruble (RUB)	47	427	32	153
Other	340	555	436	433
TOTAL	**13,662**	**13,662**	**14,035**	**14,035**

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D) ANALYSIS OF DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES BY CATEGORY AND TYPE OF INTEREST RATE

	AT DECEMBER 31,			
	2013		2012	
(million euros)	Before swaps	After swaps	Before swaps	After swaps
Floating rate	1,975	3,805	2,171	3,014
Fixed rate below 6%	3,859	1,911	3,819	2,887
Fixed rate between 6% and 10%	7,118	7,181	7,321	7,411
Fixed rate 10% and over	710	765	724	723
TOTAL	**13,662**	**13,662**	**14,035**	**14,035**

The average spot interest rate of the debt after swaps, as at December 31, 2013, is 6.5% (6.4% as at December 31, 2012).

E) PARTICULAR CLAUSES IN FINANCING CONTRACTS

Financial covenants

At December 31, 2013, Lafarge S.A. loan contracts do not required any financial covenants.

Loan contracts requiring compliance with certain financial covenants existed in some of our subsidiaries. These subsidiaries are located in the following countries: Bangladesh, Ecuador, India, Pakistan, Qatar and United Arab Emirates. Debt with such financial covenants represents approximately 2% of the total Group debt excluding put options on shares of subsidiaries at December 31, 2013. For most of them, they have a low probability of being triggered. Our agreements and those of our subsidiaries also include cross-acceleration clauses. If we, or, under certain conditions, our material subsidiaries fail to comply with our or their covenants, then our lenders could declare default and accelerate a significant part of our indebtedness.

Given the split of these contracts on various subsidiaries and the quality of the Group liquidity protection, the existence of such clauses cannot materially affect the Group's financial situation.

Change of control clauses

Change of control clauses appear in several of the Lafarge S.A.'s committed credit facilities contracts, which amount to 3,400 million euros. As a consequence, in the event of a change in control of Lafarge S.A., these facilities will be automatically cancelled if undrawn or, if drawn upon, will require immediate repayment. Change of control clauses are also included in some debenture loans and private placements issued under the EMTN program, which amount to 7,802 million euros. In case of a change in control, the holders of these notes would be entitled, under certain conditions, to request their repayment.

F) PUT OPTIONS ON SHARES OF SUBSIDIARIES

As part of the acquisition process of certain entities, the Group has granted third party shareholders the option to require the Group to purchase their shares at a price determined on the basis of the market value. These shareholders are either international institutions, such as the European Bank for Reconstruction and Development, or private investors, which are essentially financial or industrial investors or former shareholders of the acquired entities. Assuming that all of these options were exercised, the purchase price to be paid by the Group, including debt and cash acquired, would amount to 34 million euros at December 31, 2013 (64 million euros at December 31, 2012).

Out of the outstanding put options at December 31, 2013, 11 million euros can be exercised in 2014. The remaining 23 million euros can be exercised in part starting in 2015 and in part starting in 2017.

Put options granted to non-controlling interests of subsidiaries are classified as debt of the Group. Out of the total options granted by the Group, the options granted to non-controlling interests amounted to 34 million euros and 49 million euros at December 31, 2013 and December 31, 2012, respectively, the remaining options were granted on shares of joint ventures.

The goodwill resulting from put options granted to non-controlling interests amounts is not significant.

Put options on shares of joint ventures are presented in Note 28 as "Commitments related to scope of consolidation".

NOTE 26 FINANCIAL INSTRUMENTS

A) DESIGNATION OF DERIVATIVE INSTRUMENTS FOR HEDGE ACCOUNTING

The Group uses derivative financial instruments to manage market risk exposures. Such instruments are entered into by the Group solely to hedge such exposures on anticipated transactions or firm commitments. The Group does not enter into derivative contracts for speculative purposes.

Certain derivative instruments are designated as hedging instruments in a cash flow or fair value hedge relationship in accordance with IAS 39 criteria.

Other derivatives are willingly not designated as hedges for accounting purposes under IAS 39, as changes in fair value of these derivatives are recorded in financial result in the Group statement of income, as well as the revaluation of underlying risk hedged.

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B) FAIR VALUES

The following table details the cost and fair values of financial instruments:

FINANCIAL INSTRUMENTS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31,

(million euros)	IAS 39 CATEGORY	Fair value category	2013 Carrying amount	2013 Fair value	2012 Carrying amount	2012 Fair value
ASSETS						
Cash	Financial assets at fair value through profit and loss	Lev 1	1,957	1,957	2,063	2,063
Cash equivalents	Loans and Receivables at amortized cost	Lev 2 (1)	1,389	1,389	670	670
Trade receivables	Loans and Receivables at amortized cost		1,929		1,762	
Other receivables	Loans and Receivables at amortized cost		824		819	
Other financial assets		Lev 2	656	656	698	698
Held-to-maturity investments	*Held-to-maturity financial assets at amortized cost*	*Lev 2*	-	-	-	-
Avalaible-for-sale financial assets	*Available for sale investments at fair value recognized in equity*	*See Note 15*	*252*	*252*	*282*	*282*
Financial assets held for trading	*Financial assets at fair value recognized in P&L*	*Lev 2*	-	-	-	-
Long-term loans and receivables	*Loans and Receivables at amortized cost*	*Lev 2*	*365*	*365*	*373*	*373*
Prepaid pension assets	*(excluding the IAS 39 scope)*		*6*		*3*	
Restricted cash	*Financial assets at fair value through profit and loss*	*Lev 1*	*33*	*33*	*40*	*40*
Derivative instruments – assets	See below	Lev 2	36	36	95	95
LIABILITIES						
Short-term debt and bank overdrafts (2)	Financial liabilities at amortized cost	Lev 2	887	887	930	930
Trade payables	Financial liabilities at amortized cost		2,224		1,985	
Other payables	Financial liabilities at amortized cost		1,521		1,647	
Debenture loans/private placements	Financial liabilities at amortized cost	Lev 1,2	11,277	12,439	11,421	12,418
Other long-term financial debt (including current portion)	Financial liabilities at amortized cost	Lev 2	1,498	1,512	1,684	1,665
Put options on shares of subsidiaries	-	Lev 2	34	34	49	49
Derivative instruments – liabilities	See below	Lev 2	16	16	61	61
DERIVATIVE INSTRUMENTS						
Interest rate derivative instruments			17	17	49	49
Designated as hedging instruments in cash flow hedge relationship		*Lev 2*	*6*	*6*	*27*	*27*
Designated as hedging instruments in fair value hedge relationship		*Lev 2*	*2*	*2*	*17*	*17*
Not designated as hedges for accounting purposes		*Lev 2*	*9*	*9*	*5*	*5*
Foreign exchange derivative instruments			2	2	(15)	(15)
Designated as hedging instruments in cash flow hedge relationship		*Lev 2*	-	-	*(2)*	*(2)*
Designated as hedging instruments in fair value hedge relationship		*Lev 2*	*1*	*1*	*(6)*	*(6)*
Not designated as hedges for accounting purposes		*Lev 2*	*1*	*1*	*(7)*	*(7)*
Commodities derivative instruments			1	1	-	-
Designated as hedging instruments in cash flow hedge relationship		*Lev 2*	*1*	*1*	-	-
Other derivative instruments			-	-	-	-
Equity swaps not designated as hedges for accounting purposes		*Lev 2*	-	-	-	-
Embedded derivatives not designated as hedges for accounting purposes		*Lev 2*	-	-	-	-

(1) *See Note 2.17 and Note 19.*

(2) *Of which 213 million euros of bank overdraft as at December 31, 2013 (274 million euros of bank overdrafts as at December 31, 2012) and 282 million euros of securitization (300 million euros of securitization as at December 31, 2012).*

Level 1: quoted on financial markets (Note 15).

Level 2: based on market observable data (Note 15).

Level 3: based on internal assumptions (Note 15).

The fair value of financial instruments has been estimated on the basis of available market quotations or the use of various valuation techniques, such as present value of future cash flows. However, the methods and assumptions followed to disclose fair value are inherently judgmental. Thus, estimated fair value does not necessarily reflect amounts that would be received or paid in case of immediate settlement of these instruments.

The use of different estimations, methodologies and assumptions could have a material effect on the estimated fair value amounts. The methodologies used are as follows:

- **cash and cash equivalents, trade receivables, trade payables, short-term bank borrowings:** due to the short-term nature of these balances, the recorded amounts approximate fair value;
- **other financial assets:** marketable securities quoted in an active market are carried at market value with unrealized gains and loss recorded in a separate component of equity. The fair value of securities that are not quoted in an active market and for which there is no observable market data on which the Group can rely to measure their fair value (219 million euros as at December 31, 2013 and 191 million euros as at December 31, 2012) is determined according to the most appropriate financial criteria in each case (discounted present value of cash flows, estimated selling price). If such fair value cannot be reliably measured, securities are carried at acquisition cost;
- **debenture loans:** the fair values of the debenture loans were estimated at the quoted value for borrowings listed on a sufficiently liquid market (12,399 million euros as at December 31, 2013, and 12,216 million euros as at December 31, 2012), or using internal models that rely on market observable data (40 million euros as at December 31, 2013 and 202 million euros as at December 31, 2012);
- **other long-term financial debt:** the fair values of long-term debt were determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using a rate which takes into account the Group's spread for credit risk at year end for similar types of debt arrangements;
- **derivative instruments:** the fair values of foreign exchange, interest rate, commodities and equity derivatives were calculated using valuation model based on observable market prices (interest rate, foreign exchange rate, credit risk, volatility).

C) FOREIGN CURRENCY RISK

In the course of its operations, the Group's policy is to hedge all material "operational" foreign currency exposures arising from its transactions using derivative instruments as soon as a firm or highly probable commercial and/or financial commitment is entered into or known. These derivative instruments are limited to forward contracts, foreign currency swaps and options, with a term generally less than one year.

This policy is implemented in all of the Group's subsidiaries, which are required to ensure its monitoring. When allowed by local regulations and when necessary, Group subsidiaries have to hedge their exposures with the Corporate Treasury department. A follow up of risks related to foreign exchange financial instruments is regularly done through internal reporting provided to the management.

The Group's policies tend to reduce potential "financial" foreign currency exposures by requiring all liabilities and assets of controlled companies to be denominated in the same currency as the cash flows generated from operating activities, the functional currency. The Group may amend this general rule under special circumstances in order to take into account specific economic conditions in a specific country such as, inflation rates, interest rates, and currency related issues such as convertibility and liquidity. As an example, the excess cash existing in entities in emerging markets are as much as possible invested in euros or dollars. When needed, currency swaps are used to convert debts, most often raised in euros, into foreign currencies.

See Section 5.1.1 (b) (Financial and market risks) of the Registration Document for more information on our exposure to foreign currency risk.

Foreign currency hedging activity

At December 31, 2013, all forward contracts have a maturity date of less than one year. The nominal amount of foreign currency hedging instruments outstanding at year-end is as follows:

	AT DECEMBER 31	
(million euros)	2013	2012
FORWARD CONTRACT PURCHASES AND CURRENCY SWAPS		
US dollar (USD)	1,111	801
British pound (GBP)	130	644
Other currencies	75	91
TOTAL	**1,316**	**1,536**
FORWARD CONTRACT SALES AND CURRENCY SWAPS		
US dollar (USD)	324	309
British pound (GBP)	46	198
Other currencies	689	557
TOTAL	**1,059**	**1,064**

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Details of the statement of financial position value of instruments hedging foreign currency risk

At December 31, 2013 and 2012, most of the Group's foreign currency derivatives were not designated as hedges for accounting purposes *(see Note 26 (a) (Designation of derivative instruments for hedge accounting))*. Changes in fair value were recorded directly in the consolidated statement of income.

	AT DECEMBER 31					
	2013			2012		
(million euros)	Derivatives fair value	Underlying reevaluation	Net impact	Derivatives fair value	Underlying reevaluation	Net impact
ASSETS						
Non-current derivative instruments	-	-	-	-	-	-
Current derivatives instruments	14	-	14	8	-	8
Net reevaluation of financial loans and borrowings denominated in foreign currencies	-	-	-	-	4	4
LIABILITIES						
Non-current derivative instruments	-	-	-	-	-	-
Current derivative instruments	12	-	12	23	-	23
Net reevaluation of financial loans and borrowings denominated in foreign currencies	-	7	7	-	-	-
NET IMPACT ON EQUITY	**2**	**(7)**	**(5)**	**(15)**	**4**	**(11)**

D) INTEREST RATE RISK

The Group is primarily exposed to fluctuations in interest rates based upon the following:

- price risk with respect to fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of fixed-rate assets and liabilities;
- cash flow risk for floating rate assets and liabilities. Interest rate fluctuations have a direct effect on the financial income or expense of the Group.

In accordance with established policies, the Group seeks to mitigate these risks using, to a certain extent, interest rate swaps and options.

A follow up of risks related to interest rate financial instruments is regularly done through internal reporting provided to the management.

Interest rate risk derivatives held at December 31, 2013 were mainly designated as hedging instruments in:

- cash flow hedge relationship for derivatives used to hedge cash flow risk;
- fair value hedge relationship for derivatives used to hedge price risk.

See Section 5.1.1 (b) (Financial and market risks) of the Registration Document for more information on our policy and procedure to interest rate risk.

Interest rate hedging activity

	AT DECEMBER 31, 2013							
	Less than one year		1 to 5 years		More than 5 years		Total	
(million euros)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Debt [(1)]	1,796	1,084	6,733	630	3,158	261	11,687	1,975
Cash and cash equivalents	-	(3,346)	-	-	-	-	-	(3,346)
NET POSITION BEFORE HEDGING	**1,796**	**(2,262)**	**6,733**	**630**	**3,158**	**261**	**11,687**	**(1,371)**
Hedging instruments	130	(130)	(1,960)	1,960	-	-	(1,830)	1,830
NET POSITION AFTER HEDGING	**1,926**	**(2,392)**	**4,773**	**2,590**	**3,158**	**261**	**9,857**	**459**

(1) *Debt excluding put options on shares of subsidiaries.*

The notional value of interest rate derivative instruments at year-end is as follows:

MATURITIES OF NOTIONAL CONTRACT VALUES AT DECEMBER 31,2013 [1]

(million euros)	Average rate	2014	2015	2016	2017	2018	> 5 years	Total
Pay fixed (designated as cash flow hedge)								
Euro	4.6%	42	-	-	-	-	-	42
Other currencies	8.6%	74	-	-	54	-	-	128
Pay floating (designated as fair value hedge)								
Euro	0.3%	-	-	500	1,000	500	-	2,000
Other currencies	-	-	-	-	-	-	-	-
Other interest rate derivatives								
Euro	-	-	-	-	-	-	-	-
Other currencies	-	-	-	-	-	-	-	-
TOTAL		**116**	**-**	**500**	**1,054**	**500**	**-**	**2,170**

(1) *The notional amounts of derivatives represent the face value of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

MATURITIES OF NOTIONAL CONTRACT VALUES AT DECEMBER 31, 2012 [1]

(million euros)	Average rate	2013	2014	2015	2016	2017	> 5 years	Total
Pay fixed *(designated as cash flow hedge)*								
Euro	4.5%	58	42	-	-	-	-	100
Other currencies	7.1%	57	91	-	-	-	-	148
Pay floating *(designated as fair value hedge)*								
Euro	0.7%	300	-	-	-	100	400	800
Other currencies	1.2%	76	245	-	-	-	-	321
Other interest rate derivatives								
Euro	-	-	-	-	-	-	-	-
Other currencies	1.4%	331	-	-	-	-	-	331
TOTAL		**822**	**378**	**-**	**-**	**100**	**400**	**1,700**

(1) *The notional amounts of derivatives represent the face value of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

Details of the statement of financial position value of instruments hedging interest rate risk

AT DECEMBER 31

	2013			2012		
(million euros)	Impact on derivatives	Impact on underlying	Net impact	Impact on derivatives	Impact on underlying	Net impact
ASSETS						
Non-current derivative instruments	13	-	13	27	-	27
Current derivative instruments	9	-	9	59	-	59
LIABILITIES						
Long-term debt	-	2	2	-	17	17
Non-current derivative instruments	2	-	2	8	-	8
Current derivative instruments	3	-	3	29	-	29
NET IMPACT ON EQUITY	**17**	**(2)**	**15**	**49**	**(17)**	**32**

F

E) COMMODITY RISK

The Group is subject to commodity risk with respect to price changes mainly in the electricity, natural gas, petcoke, coal, oil refined products and sea freight markets.

The Group uses financial instruments to manage its exposure to these risks. At December 31, 2013 and 2012, these derivative instruments were mostly limited to swaps and options. A follow up of risks related to commodity financial instruments is regularly done through internal reporting provided to the management.

See Section 5.1.1 (b) (Financial and market risks) of the Registration Document for more information on our commodity risk hedging policy and procedure.

Commodities hedging activity

The notional value of commodity derivative instruments at year-end is as follows:

MATURITIES OF NOTIONAL CONTRACT RESIDUAL VALUES AT DECEMBER 31, 2013 (1)

(million euros)	2014	2015	2016	2017	2018	> 5 years	Total
Natural Gas (Nymex)	3	-	-	-	-	-	3
Heating Oil (Nymex)	-	-	-	-	-	-	-
Sea Freight (PANAMAX)	-	-	-	-	-	-	-
Gasoil	16	-	-	-	-	-	16
Fuel Oil	10	-	-	-	-	-	10
Power	15	3	-	-	-	-	18
Others	-	-	-	-	-	-	-
TOTAL	**44**	**3**	**-**	**-**	**-**	**-**	**47**

(1) *The notional residual amounts of derivatives represent the residual value at December 31 of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

MATURITIES OF NOTIONAL CONTRACT RESIDUAL VALUES AT DECEMBER 31, 2012 (1)

(million euros)	2013	2014	2015	2016	2017	> 5 years	Total
Natural Gas (Nymex)	-	-	-	-	-	-	-
Heating Oil (Nymex)	-	-	-	-	-	-	-
Sea Freight (PANAMAX)	-	-	-	-	-	-	-
Gasoil	17	-	-	-	-	-	17
Fuel Oil	16	-	-	-	-	-	16
Power	9	-	-	-	-	-	9
Others	3	-	-	-	-	-	3
TOTAL	**45**	**-**	**-**	**-**	**-**	**-**	**45**

(1) *The notional residual amounts of derivatives represent the residual value at December 31 of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

Details of the statement of financial position value of instruments hedging commodities risk

Commodities derivative instruments held at December 31, 2013 and 2012 were all designated as hedging instruments in the cash flow hedge relationship.

Statement of financial position values of commodity derivative instruments are as follows:

	AT DECEMBER 31	
(million euros)	2013	2012
ASSETS		
Non-current derivative instruments	-	-
Current derivative instruments	1	1
LIABILITIES		
Non-current derivative instruments	-	-
Current derivative instruments	-	1
NET IMPACT ON EQUITY	**1**	**-**

F) COUNTERPARTY RISK FOR FINANCIAL OPERATIONS

The Group is exposed to credit risk in the event of a counterparty's default. The Group implemented policies to limit its exposure to counterpart risk by rigorously selecting the counterparties with which it executes financial agreements. These policies take into account several criteria (rating assigned by rating agencies, assets, equity base) as well as transaction maturities.

The Group's exposure to credit risk is limited and the Group believes that its counterparty management risk is cautious and in line with market practices but this may not prevent the Group's financial statements from being significantly impacted in case of systemic crisis.

Counterparty risk valuation in the Group's derivative instruments fair value is not significant.

Given the existence of compensation clauses in case of default in most of Lafarge S.A.'s ISDA or FBF contracts, the Group net exposure related to derivative instruments in assets and liabilities (respectively 36 million euros and 16 million euros as of December 31, 2013) would be 30 million euros and 10 million euros. A potential compensation not compliant with IAS 32 criteria would then amount to 6 million euros.

G) LIQUIDITY RISK

The Group implemented policies to limit its exposure to liquidity risk. As a consequence of this policy, a significant portion of the Group's debt has a medium or long-term maturity. The Group also maintains committed credit lines with various banks which are primarily used as a back-up for the debt maturing within one year as well as for the short-term financings of the Group and which contribute to the Group's liquidity.

See Section 2.4 (Liquidity and capital resources) of the Registration Document and Note 25 for more information on our exposure to liquidity risk.

H) CAPITAL RISK MANAGEMENT

The Group manages equity from a long-term perspective taking the necessary precautions to ensure its sustainability, while maintaining an optimum financial structure in terms of the cost of capital, the Return On Equity for shareholders and security for all counterparties with which it has ties.

Within this framework, the Group reserves the option, with the approval of shareholders, to issue new shares or to reduce its capital. The Group also has the power to adapt its dividend distribution policy. The Group wishes to adjust its dividend distribution to its financial performances, notably to earnings per share.

In accordance with common market practices, in managing its financial structure, the Group strives to maintain the cash flow from operations to net debt ratio within a predefined range.

Based on the 2013 financial statements, the cash flow from operations to net debt ratio was 12.5% compared to 14.0% at year-end 2012.

See Section 2.2.4 (Reconciliation of non-GAAP financial measures) of the Registration Document for more information on the Group's definition of the indicators net debt, equity and cash flow from operations.

See Section 2.4.3 (b) (Net debt and net debt ratios) of the Registration Document for more information on the net-debt-to-equity ratio and the cash flow from operations to net debt ratio for each of the periods presented.

I) CREDIT RISK

Credit risk is defined as the risk of default by a counterpart with respect to its contractual obligations or its payment of debts when due.

The Group is exposed to credit risks in its operations.

The Group's maximum exposure to credit risk as of December 31, 2013 on its short-term receivables is presented in the following table:

	AT DECEMBER 31
(million euros)	2013
Trade receivables (see Note 17)	1,929
Other receivables (see Note 18)	797
TOTAL	**2,726**

The Group considers that the credit risk on overdue and not depreciated receivables is not material.

In fact, the Group sells its products to thousands of customers, and customers usually order quantities to meet their short-term needs. Outstanding amounts per customer are, on an individual basis, not significant. The general terms of payment are different across countries however, the Group's average days of payment is around 46 to 60 days.

The Group has implemented procedures for managing and depreciating receivables, which are set by each country. A monthly review of the working capital is performed at both country and Group level, aiming to verify that the monitoring of trade receivables, through the days' receivable ratio, is compliant with the Group's commercial policies.

In addition, the Group has loans and long term-receivables for a total amount of 365 million euros and 373 million euros as at December 31, 2013 and 2012, respectively *(see Note 15).*

NOTE 27 OTHER PAYABLES

Components of other payables are as follows:

	AT DECEMBER 31,	
(million euros)	2013	2012
Accrued payroll expenses	470	465
Accrued interest	352	340
Other taxes	145	159
Payables to suppliers of fixed assets	169	315
Other accrued liabilities	385	368
OTHER PAYABLES	**1,521**	**1,647**
Current portion	*1,447*	*1,567*
Non-current portion	*74*	*80*

"Other accrued liabilities" include payables to suppliers for non-operating services and goods, and payables to joint ventures and associates.

NOTE 28 OFF BALANCE SHEET COMMITMENTS

The procedures implemented by the Group allow all the major commitments to be identified and prevent any significant omissions.

(million euros)	Less than 1 year	1 to 5 years	More than 5 years	At December 31, 2013	At December 31, 2012
COMMITMENTS GIVEN					
Commitments related to operating activities					
Capital expenditures and other purchase obligations	404	722	591	1,717	1,913
Operating leases	210	458	212	880	1,034
Other commitments	244	39	97	380	533
Commitments related to financing					
Securities pledged	6	-	86	92	102
Assets pledged	101	236	49	386	441
Other guarantees	81	195	-	276	193
Scheduled interest payments (1)	849	2,140	1,357	4,346	4,015
Net scheduled obligation on interest rate swaps (2)	(3)	(33)	-	(36)	(11)
Commitments related to scope of consolidation					
Indemnification commitments	31	524	-	555	449
Put options to purchase shares in joint ventures	-	-	-	-	15
COMMITMENTS RECEIVED					
Unused committed credit lines	-	3,435	-	3,435	3,435
Other available financing facilities	-	-	450	450	450
Bank loans that could be used in May 2014	-	150	100	250	-

(1) *Scheduled interest payments associated with variable rate are computed on the basis of the rates in effect at December 31. Scheduled interest payments include interest payments on foreign exchange derivative instruments.*

(2) *Scheduled interest payments of the variable leg of the swaps are computed based on the rates in effect at December 31.*

1) COMMITMENTS GIVEN

a) Commitments related to operating activities

In the ordinary course of business, the Group entered into contracts for long term supply for raw materials and energy. Off-balance sheet commitments related to these contracts amount to 1,410 million euros as of December 31, 2013.

The Group is committed as lessee in operating leases for land, building and equipment. The amount in off-balance sheet commitments corresponds to future minimum lease payments. Total rental expense under operating leases was 225 million euros and 222 million euros for the years ended December 31, 2013, and 2012.

Future expected funding requirements or benefit payments related to our pension and post-employment benefit plans are not included in the above table because future long-term cash flows in this area are uncertain. Refer to the amount reported under the “current portion” of pension and other employee benefits liabilities in the statements of financial position or in Note 23 for further information on these items.

b) Commitments related to scope of consolidation

As part of its divestment transactions, the Group has granted indemnification commitments, for which the exposure is considered remote, for a total maximum amount still in force at December 31, 2013 of 555 million euros.

In addition, the European Bank for Reconstruction and Development (EBRD) increased late 2009 by 15% its minority stake in our Cement operations in Russia. Starting from December 2015, the Group will have the right to buy back this additional minority stake at fair market value. Assuming that this call option is not exercised, the Group could be induced to sell all or part of its own stake to a third party or to the EBRD.

2) COMMITMENTS RECEIVED

Pursuant to a settlement agreement dated June 21, 2012 (which has been approved by Lafarge’s Board of Directors and that will be presented to the next Shareholders’ Meeting), Orascom Construction Industries S.A.E (OCI) paid to Lafarge 73 million euros as a global settlement amount to settle warranties triggered by Lafarge from the acquisition in 2008 of the Cement activities of OCI, except two specific items for which warranties are maintained.

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NOTE 29 LEGAL AND ARBITRATION PROCEEDINGS

In the ordinary course of its business, Lafarge is involved in certain number of judicial and arbitral proceedings. Lafarge is also subject to certain claims and lawsuits which fall outside the scope of the ordinary course of its business, the most significant of which are summarized below.

The amount of provisions made is based on Lafarge's assessment of the level of risk on a case-by-case basis and depends on its assessment of the basis for the claims, the stage of the proceedings and the arguments in its defense, it being specified that the occurrence of events during proceedings may lead to a reappraisal of the risk at any moment.

COMPETITION

Germany – Cement: On April 14, 2003, the German competition authority (the Bundeskartellamt), announced that it was imposing fines on the major German cement companies, including on our subsidiary Lafarge Zement, for anti-competitive practices in Germany. Further to the different steps of procedures and decisions from this date, and following a final judgment by the Federal Supreme Court on April 9, 2013, the final net payment borne by our subsidiary pursuant to this procedure amounted to 18.4 million euros.

In parallel to the above closed case, starting in 2006, a civil action was brought before the Dusseldorf District Court ("Landgericht") by third parties claiming for damages resulting from such anti-competitive practices in Germany. Procedures took place and, on December 17, 2013, the "Landgericht" of Düsseldorf rejected the damage claim and also upheld its position that the claims are time-barred. Claimants lodged an appeal to the Court of Appeal ("Oberlandesgericht") against the verdict.

India – Cement: An investigation started in 2011 against the major players of the cement Indian market. Further to this investigation, by an Order dated June 21, 2012, the Competition Commission of India has found cement manufacturers in violation of the provisions of the Competition Act, 2002, which deals with anticompetitive agreements. The Commission has imposed a penalty on 11 cement manufacturers, including our subsidiary Lafarge India PVT Limited. The Commission has also imposed a penalty on the Indian Cement Manufacturers Association. The penalty imposed on Lafarge India PVT Limited amounts to 4.8 billion rupees (56 million euros[(1)]), out of a total amount of penalty of 60 billion rupees (703 million euros[(1)]). Lafarge India PVT Limited vigorously challenges the merits of this order and, on August 31, 2012, lodged an appeal with the Competition Appeal Tribunal (the "CAT") as well as a request for a stay of the collection of the penalty until final Judgment of the CAT. On May 17, 2013, further to different initial procedural steps, the CAT issued an Order, granting a conditional stay, subject to the deposit of 10% of the penalty imposed by the Commission. Hence, Lafarge India PVT deposited the corresponding amount (*i.e.* 6.7 million euros) on June 24, 2013, while requesting the Tribunal to rectify and reduce this amount due to a calculation error. The application to rectify the amount of deposit will be heard along with the main appeal. Hearings on the merits of the case will resume in February 2014 and a final Order by the CAT may be expected in the course of 2014. No provision has been recorded.

United States – Canada – Gypsum: Commencing in December 2012, a series of antitrust cases have been filed against the entire wallboard industry, including Lafarge North America Inc., in federal courts located in several cities, including Philadelphia, Chicago and Charlotte in the United Sates of America. All these cases have now been consolidated in the Eastern District of Pennsylvania and Plaintiffs have filed a Consolidated Complaint. Plaintiffs generally allege that the industry colluded to raise prices in the years 2012 and 2013. The plaintiffs do not allege any direct evidence of an agreement among the defendants, and instead rely largely on alleged circumstantial evidence. Lafarge North America Inc. believes these lawsuits are without merit and intends to vigorously defend the litigation. No provision has been recorded.

Then, in September 2013, two class actions were filed, respectively in the jurisdictions of Quebec and Ontario (the latest on behalf of potential claimants in Canada) against the members of the wallboard industry, including our subsidiaries Lafarge Canada Inc. and Lafarge North America Inc. The Plaintiffs allege generally that the industry colluded to raise prices between September 2011 and the date of the claim. Based on the information available at this stage on these recently served actions, our subsidiaries believe they are without merit and intend to vigorously defend the litigation. No provision has been recorded.

Also on competition matters, there are two industry-wide inquiries which do not constitute judicial proceedings and for which no provision has been recorded.

Europe – Cement: In November 2008, the major European cement players, including Lafarge, were investigated by the European Commission for alleged anti-competitive practices. By a letter dated December 6, 2010, the Commission notified the parties of the opening of an official investigation (which does not however constitute a statement of objection), while reminding them that at that stage, it did not have conclusive evidence of anti-competitive practices. The alleged offences, which will be the subject of the detailed investigation, involve any possible restrictions of commercial trade in or upon entry to the European Economic Area, market sharing, and coordination of prices on the cement and related markets (concrete, aggregates). In the case of Lafarge, seven countries are quoted: France, the United Kingdom, Germany, Spain, the Czech Republic, Greece and Austria. Lafarge answered to the Commission's various requests for information. In November 2011, further to the answer by Lafarge of the last questionnaire received, the Commission notified Lafarge an injunction to waive any reserve to the answer and provide any further information deemed necessary to complete its investigation, under the threat of a penalty. Lafarge promptly complied with this new request for information and lodged a lawsuit with a view to obtaining the annulment of such injunction decision. By letter received on January 15, 2013, the European Commission confirmed that no penalty will be imposed to Lafarge under this injunction and, accordingly, Lafarge withdrew the lawsuit aiming to obtain its annulment. During the third quarter of 2012, European officials visited the French, German and European cement association. The completion date of this investigation is unknown and no conclusion can be drawn at this stage.

United Kingdom (UK) – Cement: On January 18, 2012, the UK Office of Fair Trading ("OFT") announced that it had referred the aggregates, cement and ready-mixed concrete markets (the "Industry") in the UK to the Competition Commission (the "Commission") for an in-depth sector investigation. The Commission conducted this market investigation in relation to the supply of those products. On May 21, 2013, the Commission published its provisional findings report (the "Preliminary Report"), alleging the existence of combination of structural and conduct features giving rise to an adverse effect on competition in the UK cement market. On June 25, 2013, Lafarge-Tarmac ("LT") responded to the Preliminary Report, strongly contesting

(1) *Translated using the closing exchange rate.*

the provisional findings and possible remedies. Then, on October 8, 2013, the Commission published its provisional decision on remedies, requiring LT to divest one cement plant together with certain ready-mixed plants (if required by a prospective purchaser) and two slag granulators ("Divestiture Package") and imposing some behavioural remedies notably related to the publication of cement market data and price announcement letters. LT responded to this provisional decision on remedies in November 2013. On January 14, 2014, the Commission's final report (the "Final Report") was published, confirming the Divestiture Package (except that there is no need for LT to divest the two slag granulators) and the behavioural remedies. LT disputes the conclusions of the Commission and is reviewing its options taking into account the best interests of its employees, customers and shareholders[(1)].

OTHER PROCEEDINGS

United States – Hurricane Katrina: Late in 2005, several class actions and individual lawsuits were filed in the United States District Court for the Eastern District of Louisiana. In their Complaints, plaintiffs allege that our subsidiary, Lafarge North America Inc. (LNA), and/or several other defendants including the federal government, are liable for death, bodily and personal injury and property and environmental damage to people and property in and around New Orleans, Louisiana. Some of the referenced complaints claim that these damages resulted from a barge under contract to LNA that allegedly breached the Inner Harbor Navigational Canal levee in New Orleans during or after Hurricane Katrina. On May 21, 2009, the Court denied plaintiffs' Motion for Class Certification.

The Judge trial involving the first few plaintiffs commenced in late June 2010. In a ruling dated January 20, 2011, the Judge ruled in favor of LNA. These plaintiffs filed a Notice of Appeal, but then withdrew it. Our subsidiary then filed a Motion for Summary Judgment against all the remaining plaintiffs. A Hearing was held by the Court in October 2011 and a decision was handed down on March 2012 granting Summary Judgment in LNA's favour and against all remaining cases filed in the Federal Court. Plaintiffs appealed this decision but afterward, voluntarily dismissed their appeal. A new case was filed against LNA on September 16, 2011 by the Parish of Saint Bernard in Louisiana State Court. LNA moved to remove the case to Federal Court before the same Judge who had the main litigation and has won that Motion. LNA then moved for Summary Judgment against the Parish of Saint Bernard and won this Motion. Plaintiffs have appealed this ruling on January 3, 2013 and in a Decision dated December 19, 2013, a three judge panel of the Court of Appeals reversed and remanded the case back to the Trial Court for a Jury Trial.

Lafarge North America Inc. vigorously defends itself in this ongoing action. Lafarge North America Inc. believes that the claims against it are without merit. No provision has been recorded.

In connection with acquisitions made in past years, Lafarge or its subsidiaries are or may be faced with various demands or complaints, including those from minority shareholders.

In connection with disposals made in the past years, Lafarge and its subsidiaries provided customary warranties notably related to accounting, tax, employees, product quality, litigation, competition, and environmental matters. Lafarge and its subsidiaries received or may receive in the future notice of claims arising from said warranties. In particular, arbitration was ongoing between Lafarge's subsidiaries and the buyer of one of our businesses which was claiming a total of 59 million US dollars (42.8 million euros[(2)]). By a final and binding decision delivered in August 2013, the arbitration tribunal accepted part of the plaintiffs' claims, ordering our subsidiaries to pay 16.6 million US dollars (12 million euros[(2)]) in damages (plus 2 million US dollars (1.5 million euros[(2)]) in costs) and rejecting the remaining claims in the amount of 43 million US dollars (31.2 million euros[(2)]).

In view of the current analysis, it is globally concluded that no significant provision has to be recognized in this respect.

Finally, certain Group subsidiaries have litigation and claims pending in the normal course of business. The resolution of these matters should not have any significant effect on the Company's and/or the Group's financial position, results of operations and cash flows. To the Company's knowledge, there are no other governmental, legal or arbitration proceedings which may have or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

NOTE 30 RELATED PARTIES

Lafarge has not entered into any transaction with any related parties as defined under paragraph 9 of IAS 24, except for information described hereafter and in paragraph B) disclosed in Note 31.

Transactions with associates and with joint ventures were not material for the years presented except for a loan granted to our associate in Nigeria (Unicem) amounting to 86 million euros as at December 31, 2013 (86 million euros as at December 31, 2012).

See Note 35 (List of significant subsidiaries, joint ventures and investments in associates as at December 31, 2013).

Transactions with other parties or companies related to the Group are as follows:

Within the scope of the purchase of Orascom Building Materials Holding S.A.E. (OBMH) in 2008, the holding company of the Cement activities of Orascom Construction Industries S.A.E. (OCI), Lafarge S.A. has received indemnification guarantees *(see Note 28 about the settlement agreement related to warranties granted by Orascom Construction Industries)* and entered into a cooperation agreement with OCI. Mr Nassef Sawiris is Chief Executive Officer and Director of Orascom Construction Industries N.V., parent company of OCI and Director of Lafarge S.A., and Mr Jérôme Guiraud is a member of Audit comittee of OCI and a director of Lafarge S.A. The cooperation agreement dated December 9, 2007 aims to allow OCI to participate in tenders in respect of the construction of new plants in countries where OCI has the capability to meet certain of Lafarge's construction needs.

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(1) *For an update as of the date of filing of this Registration Document, please refer to Section 5.1. page 148 (Risks related to competition and competition low investigations).*

(2) *Translated using the closing exchange rate.*

At this stage, the construction agreements entered into with the OCI Group are considered to be arms length business transactions, intervening within the framework of consortia, OCI being one of the members. There is no conflict of interest between Mr Nassef Sawiris and Lafarge on this subject. Under these agreements, the outstanding balances with the OCI Group are not significant as at December 31, 2013.

From time to time Directors of the Group, or their related entities, may purchase or sell goods from the Group. These purchases or sales are on the same terms and conditions as those entered into by other Group employees, suppliers or customers.

Certain business relationships between the Group, its Directors and related parties are described in Section 3.1.4 (Materiality tests on business relationships between the Company and its Directors) of the Registration Document *(see also the description of related party agreements and commitments detailed in the special report of the statutory auditors on page F96).*

NOTE 31 EMPLOYEE COSTS AND COMPENSATION TO DIRECTORS AND EXECUTIVE OFFICERS FOR SERVICES

A) EMPLOYEES AND EMPLOYEE COSTS

	AT DECEMBER 31,	
	2013	2012
Management staff	10,581	11,690
Non-management staff	44,241	46,341
TOTAL NUMBER OF EMPLOYEES (1)	**54,822**	**58,031**
Of which: companies accounted for using the proportionate method	*9,458*	*7,050*

(1) *The headcounts at 100% of our fully consolidated and proportionately consolidated subsidiaries amounted to 63,687 as of December 31, 2013 and 64,337 as of December 31, 2012.*

	YEARS ENDED DECEMBER 31	
(million euros)	2013	2012
TOTAL EMPLOYEES COSTS	**2,239**	**2,425**
Of which: companies accounted for using the proportionate method	*232*	*111*

B) COMPENSATION TO DIRECTORS AND EXECUTIVE OFFICERS' FOR SERVICES

The table below presents the compensation by Lafarge S.A. and its subsidiaries to executives who are, at closing date or have been during the period, members of the Board of Directors or of the Group Executive Committee. The Group Executive Committee is composed as defined in Section 3.3 – Executive Officers – of the Registration Document:

	YEARS ENDED DECEMBER 31	
(million euros)	2013	2012
Board of Directors(1)	0.6	0.7
Senior Executives	16.5	24.0
Short-term benefits (fixed salary and variable)	*11.1*	*10.4*
Post-employment benefits(2)	*0.8*	*10.7*
Other long-term benefits	*0.8*	*-*
Share-based payments(3)	*3.8*	*2.9*
TOTAL	**17.1**	**24.7**

(1) *Directors' fees.*
(2) *Change for the year in post-employment benefit obligation.*
(3) *Expense of the year estimated in accordance with principles described in Note 2.24.*

NOTE 32 SUPPLEMENTAL CASH FLOW DISCLOSURES

A) CASH FLOW INFORMATION RELATED TO INVESTING ACTIVITIES

The cash flows from investments in subsidiaries and joint venture include the purchase price consideration paid for the acquisitions less the cash acquired. No significant acquisition settled in cash occurred in 2013 and in 2012.

The cash flows from disposal of assets include the selling price, net of disposal costs and tax and less the cash disposed of. The impact of the disposals in the statement of income is detailed in Note 5. The main disposals in 2013 are more fully described in Note 3.

	YEARS ENDED DECEMBER 31	
	2013	2012
CASH FLOWS FROM DISPOSALS OF ASSETS	**1,105**	**413**
of which:		
Disposal of our gypsum activities (United States)	498	-
Disposal of our cement operations in Honduras	144	-
Creation of the joint venture Lafarge Tarmac and disposal of business portfolio	112	-
Disposal of aggregates assets in Georgia (United States)	115	-
Disposal of our cement operations in Ukraine	83	-
Disposal of our investment in Venezuela	20	20
Disposal of our cement, aggregates & concrete activities in Missouri and Oklahoma (United States)	-	307
Disposal of our minority investment in Japan	-	82
Others	133	4

B) CASH FLOW INFORMATION RELATED TO FINANCING ACTIVITIES

The lines "Acquisitions/disposals of ownership interests with no gain/loss in control" reflect the cash impact of acquisition and disposal of non-controlling interests (minority interests), net of related acquisition/disposal costs *(see Note 2).*

2013

No material acquisitions of ownership interests with no gain of control occurred in 2013.

"Disposals of ownership interests with no loss of control" amounts to 188 million euros and essentially includes the cash proceeds arising from the disposal of non controlling interests in India.

2012

"Acquisitions of ownership interests with no gain of control" amounts to 147 million euros and essentially includes puts exercised on non-controlling interests in Ukraine (59 million euros) and acquisition of non-controlling interests in South Korea (32 million euros).

"Disposals of ownership interests with no loss of control" amounts to 21 million euros and essentially includes the cash proceeds arising from the disposal of non controlling interests in Philippines.

NOTE 33 AUDITORS' FEES AND SERVICES

This table sets out the amount of fees billed for each of the last two financial years by each of our auditors, Deloitte & Associés and Ernst & Young et Autres, in relation to audit services, audit-related services, tax and other services provided to us.

	DELOITTE & ASSOCIES				ERNST & YOUNG ET AUTRES			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
(million euros)	2013	2012	2013	2012	2013	2012	2013	2012
AUDIT FEES								
Audit, attestation and review of individual and consolidated financial statements	6.3	6.3	92%	84%	5.7	5.8	85%	84%
Lafarge S.A.	*1.6*	*1.5*	*23%*	*20%*	*1.4*	*1.4*	*21%*	*20%*
Subsidiaries fully and proportionately consolidated	*4.7*	*4.8*	*69%*	*64%*	*4.3*	*4.4*	*64%*	*64%*
Audit-related fees (1)	0.4	1.1	6%	15%	0.8	0.9	12%	13%
Lafarge S.A.	*0.2*	*0.7*	*3%*	*10%*	*0.2*	*0.1*	*3%*	*1%*
Subsidiaries fully and proportionately consolidated	*0.2*	*0.4*	*3%*	*5%*	*0.6*	*0.8*	*9%*	*12%*
SUB-TOTAL	**6.7**	**7.4**	**98%**	**99%**	**6.5**	**6.7**	**97%**	**97%**
OTHER FEES								
Tax fees (2)	0.1	0.1	2%	1%	0.2	0.2	3%	3%
Legal and employment fees	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
SUB-TOTAL OTHER FEES	**0.1**	**0.1**	**2%**	**1%**	**0.2**	**0.2**	**3%**	**3%**
TOTAL FEES	**6.8**	**7.5**	**100%**	**100%**	**6.7**	**6.9**	**100%**	**100%**

(1) *Audit-related fees are generally fees billed for services that are closely related to the performance of the audit or review of financial statements. These include due diligence services related to acquisitions, consultations concerning financial accounting and reporting standards, attestation services not required by statute or regulation, information system reviews.*

(2) *Tax fees are fees for services related to international and domestic tax compliance, including the review of tax returns and tax services regarding statutory, regulatory or administrative developments and expatriate tax assistance and compliance.*

NOTE 34 SUBSEQUENT EVENTS

SALE OF THE MINORITY STAKE IN EUROPEAN AND SOUTH AMERICAN GYPSUM OPERATIONS

On February 12, 2014, the Group completed the sale of its 20% minority stake in European and South American gypsum operations for a cash consideration of 145 million euros.

SALE OF AGGREGATES QUARRIES IN MARYLAND (USA)

On February 12, 2014, the Group completed the sale of five aggregates quarries and related assets in Maryland (USA) to Bluegrass Materials for a total enterprise value of 320 million US dollars.

NOTE 35 LIST OF SIGNIFICANT SUBSIDIARIES, JOINT VENTURES AND INVESTMENTS IN ASSOCIATES AT DECEMBER 31, 2013

The companies listed below are consolidated using the full method, the proportionate method or the equity method based on the principles of consolidation described in Note 2.2 and meet at least one of the following criteria:

- contribution of over 25 million euros to the Group revenue;
- contribution of over 250 million euros to the Group total assets.

Companies	Country	Cement	Aggregates & Concrete	Other	% of interest	Consolidation Method
Lafarge Ciment de M'sila "LCM"	Algeria	■	–	–	99.99	Full
Lafarge Bétons Algérie "LBA"	Algeria	–	■	–	99.50	Full
Lafarge Ciment d'Oggaz "LCO"	Algeria	■	–	–	99.99	Full
Lafarge Logistique Algérie "LLA"	Algeria	■	–	–	99.50	Full
Lafarge Zementwerke GmbH	Austria	■	–	–	70.00	Full
Lafarge Surma Cement Limited	Bangladesh	■	–	–	29.44	Proportionate
Groupement SCB Lafarge	Benin	■	–	–	50.00	Proportionate
Centralbeton LTDA	Brazil	–	■	–	99.75	Full
Industria e comercio de extraçao de Areia Khouri Ltda	Brazil	■	–	–	99.75	Full
Lafarge Brasil SA	Brazil	■	–	–	99.76	Full
Concretran S/A	Brazil	–	■	–	100.00	Full
Cimenteries du Cameroun	Cameroon	■	–	–	54.73	Full
Lafarge Canada Inc.	Canada	■	■	■	100.00	Full
Lafarge Chongqing Cement Co., Ltd.	China	■	–	–	43.68	Proportionate
Lafarge Dujiangyan Cement Co. Ltd.	China	■	–	–	33.47	Proportionate
Lafarge Shui On (Dongjun) Cement Co., Ltd.	China	■	–	–	55.00	Proportionate
Zunyi Sancha Lafarge Shui On Cement Co., Ltd.	China	■	–	–	55.00	Proportionate
Lafarge Cement a.s.	Czech Republic	■	–	–	67.98	Full
Lafarge Cementos, SA	Ecuador	■	–	–	98.57	Full
Lafarge Cement Egypt S.A.E.	Egypt	■	–	–	53.70	Full
Lafarge Ready Mix S.A.E.	Egypt	–	■	–	100.00	Full
Granulats Bourgogne Auvergne	France	–	■	–	70.00	Full
Lafarge Bétons de l'Ouest	France	–	■	–	100.00	Full
Lafarge Bétons Sud Est	France	–	■	–	100.00	Full
Lafarge Bétons Sud Ouest	France	–	■	–	100.00	Full
Lafarge Bétons France	France	–	■	–	100.00	Full
Lafarge Ciments	France	■	–	–	100.00	Full
Lafarge Ciments Distribution	France	■	–	–	100.00	Full
Lafarge Ciments Réunion	France	■	–	–	82.92	Full
Lafarge Granulats Ouest	France	–	■	–	100.00	Full
Lafarge Granulats France	France	–	■	–	100.00	Full
Lafarge Granulats Sud	France	–	■	–	100.00	Full
Société des Ciments Antillais	France	■	–	–	69.73	Full
Béton Chantiers Charente Limousin	France	–	■	–	81.38	Full
Etex Dryco S.A.S.	France	–	–	■	20.00	Equity
Lafarge Zement Karsdorf GmbH	Germany	■	–	–	100.00	Full
Lafarge Zement Wössingen GmbH	Germany	■	–	–	100.00	Full
Heracles General Cement Company S.A.	Greece	■	–	–	88.99	Full
Lafarge Cement Hungary Ltd.	Hungary	■	–	–	70.00	Full

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Companies	Country	Cement	Aggregates & Concrete	Other	% of interest	Consolidation Method
Lafarge India PVT Limited	India	■	–	–	85.97	Full
Lafarge Aggregates & Concrete India Private Limited	India	–	■	–	85.97	Full
Pt Lafarge Cement Indonesia	Indonesia	■	–	–	100.00	Full
Bazian Cement Company Limited	Iraq	■	–	–	70.00	Full
United Cement Company Limited	Iraq	■	–	–	60.00	Full
Lafarge Company for Construction Contracting and General Trading, Ltd.	Iraq	–	■	–	51.00	Full
Arabian Concrete Supply Cement	Jordan	–	■	–	25.64	Full
Jordan Cement Factories Company PSC	Jordan	■	–	–	50.28	Full
Bamburi Cement Ltd.	Kenya	■	–	–	58.60	Full
Lafarge Halla Cement Corporation	Korea	■	–	–	97.23	Full
Lafarge Cement Malawi Ltd.	Malawi	■	–	–	100.00	Full
CMCM Perniagaan sdn bhd	Malaysia	■	–	–	51.00	Full
Lafarge Malaysia Berhad	Malaysia	■	–	–	51.00	Full
Lafarge Cement sdn bhd	Malaysia	■	–	–	51.00	Full
Lafarge Concrete (Malaysia) sdn bhd	Malaysia	–	■	–	47.56	Full
Lafarge (Mauritius) Cement Ltd.	Mauritius	■			58.36	Full
ELC Tenedora Cementos, S.A.P.I. de C.V.	Mexico	■	–	–	47.00	Equity
Lafarge Ciment (Moldova) SA	Moldova	■	–	–	95.31	Full
Lafarge Betons	Morocco	–	■	–	34.64	Proportionate
Lafarge Ciments	Morocco	■	–	–	34.93	Proportionate
United Cement Company of Nigeria Ltd.	Nigeria	■	–	–	35.00	Equity
Ashakacem plc	Nigeria	■	–	–	58.60	Full
Lafarge Cement WAPCO Nigeria plc	Nigeria	■	–	–	60.00	Full
Lafarge Pakistan Cement Limited	Pakistan	■	–	–	73.22	Full
Lafarge Holdings (Philippines) Inc.	Philippines	■	–	–	100.00	Full
Lafarge Cement S.A.	Poland	■	–	–	100.00	Full
Lafarge Kruszywa i Beton	Poland	–	■	–	100.00	Full
Readymix Qatar W.L.L.	Qatar	–	■	–	49.00	Proportionate
Lafarge Ciment (Romania) S.A.	Romania	■	–	–	98.56	Full
OAO Lafarge Cement	Russia	■	–	–	75.00	Full
Upravlyayushchaya Kompaniya “Karelnerud” LLC	Russia	–	■	–	51.00	Full
AlSafwa Cement Company	Saudi Arabia	■	–	–	25.00	Equity
Lafarge Beocinska Fabrika Cementa	Serbia	■	–	–	100.00	Full
Lafarge Cement Singapore Pte Ltd.	Singapore	■	–	–	51.00	Full
Lafarge Aggregates South Africa (Pty.) Ltd.	South Africa	–	■	–	100.00	Full
Lafarge Gypsum (Pty.) Ltd.	South Africa	–	–	■	100.00	Full
Lafarge Industries South Africa (Pty.) Ltd.	South Africa	■	■	–	100.00	Full
Lafarge Aridos y Hormigones, S.A.U.	Spain	–	■	–	100.00	Full
Lafarge Cementos, S.A.U.	Spain	■	■	–	100.00	Full
Lafarge Mahaweli Cement (Private) Limited	Sri Lanka	■	–	–	90.00	Full
Cementia Trading AG	Switzerland	■	–	–	100.00	Full
Lafarge Cement Syria	Syria	■	–	–	98.67	Full
Mbeya Cement Company Limited	Tanzania	■	–	–	62.76	Full
Dalsan Alci Sanayi Ve Ticaret AS	Turkey	–	–	■	50.00	Proportionate
Hima Cement Ltd.	Uganda	■	–	–	71.01	Full
Klesivskiy Karier Nerudnykh Kopalyn “Technobud”	Ukraine	–	■	–	51.00	Full

Companies	Country	Cement	Aggregates & Concrete	Other	% of interest	Consolidation Method
Lafarge Emirates Cement LLC	United Arab Emirates	■	–	–	50.00	Proportionate
Lafarge Tarmac Holdings Ltd.	United Kingdom	■	■	–	50.00	Proportionate
Lafarge Building Materials Inc.	USA	■	–	–	100.00	Full
Lafarge North America Inc.	USA	■	■	■	100.00	Full
Lafarge Cement Zambia plc	Zambia	■	–	–	84.00	Full
Lafarge Cement Zimbabwe Limited	Zimbabwe	■	–	–	76.46	Full

STATUTORY ACCOUNTS DECEMBER 31, 2013

STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company annual financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company annual financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company annual financial statements. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

FOR THE YEAR ENDED DECEMBER 31, 2013

To the Shareholders,
In compliance with the assigned entrusted to us by your Annual General Meeting, we hereby report to you for the year ended December 31, 2013 on:
- the audit of the accompanying annual financial statements of Lafarge,
- the justification of our assessments,
- the specific verifications and information required by law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these annual financial statements, based on our audit.

I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection to obtain audit evidence about the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the annual financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as of December 31, 2013 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code *(Code de Commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

Note "2.3 Financial assets" to the annual financial statements describes the accounting policies and methods applied to investments and states that the earnings outlooks are established based on currently available information and take into account the current economic crisis or political instability affecting some of the Group's markets. They do not reflect any possible major disruption of the current economical or geopolitical environment. Our procedures consisted in reviewing available documents and assessing the reasonableness of adopted valuations and the appropriateness of the information disclosed in the notes to the annual financial statements.

The assessments were made as part of our audit of the annual financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the annual financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the annual financial statements, or with the underlying information used to prepare these annual financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information. In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris-la-Défense, February 28, 2014

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG et Autres	
French original signed by		French original signed by	
Arnaud de Planta	Frédéric Gourd	Alain Perroux	Nicolas Macé

COMMENTS ON INCOME AND FINANCIAL POSITION STATEMENTS

The financial statements for year 2013 show a net income after tax of 462 million euros to be compared with 103 million euros in 2012.

- This variation results from the following events:
  - the increase in operating income of 33 million euros mainly due to the reduction of costs invoiced by certain subsidiaries;
  - strong increase of 354 million euros in dividends received;
  - non recurring loss of 23 million euros that mainly corresponds to a provision for bonus shares grants;
  - the income tax amount includes 70 million euros already received or receivable from subsidiaries in the group tax regime.
- The main variations in the statement of financial position are:
  - the change in the gross value of shares of subsidiaries (-217 million euros) is due to the reduction of capital of Sabelfi snc;
  - the increase in provisions for losses and contingencies of 22 million euros due to an additional provision for the grant of bonus shares;
  - the net increase in borrowings, loans and short and long term advances to Group entities for 39 million euros;
  - the decrease in equity of 183 million euros, before profit, resulting from the appropriation of the previous year's net income;
  - the decrease in net debt (458 million euros) which stood at 11,339 million euros at December 31, 2013.

On December 31, 2013 gross debt includes bonds for 11,420 million euros, borrowings from Group companies for 353 million euros and other borrowings from financial institutions for 776 million euros.

APPROPRIATION OF EARNINGS

It will be proposed to the General Meeting an appropriation of the earnings for financial year 2013 that allows a normal dividend of 1.00 euro per share and a loyalty dividend of 1.10 euro per share, as follows:

Origins:	
Earnings	462,306,368.34
Retained earnings [(1)]	1,560,046,716.95
TOTAL	**2,022,353,085.29**
Appropriation:	
Legal reserve	6,267,035.53
Dividend	
- First dividend (5% of the par value of the share)	57,469,492.40
- Additional dividend (total dividend – first dividend)	229,877,969.60
- Maximum amount of the 10% increase	1,919,358.60
- Total dividend	289,266,820.60
Retained earnings	1,726,819,229.16
TOTAL	**2,022,353,085.29**

(1) *After adjustments relating to events not taken into account on the date on which the appropriation of earning submitted to the previous Shareholders' Meeting was completed (a) dividend received in relation to new shares giving right to dividend created before the dividend detachment date, which amounted to 75,399 euros, (b) dividend received in relation to shares previously held by the Company and which were no longer held by the Company on the dividend detachment date, which amounted to 139,198 euros, (c) loss of the right to the 10% increase of the dividend for some registered shares before payment of the dividend, corresponding to 119,470.70 euros.*

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We remind the Shareholders' Meeting that the dividends distributed in previous years were as follows:

Year	2012	2011	2010
Number of shares	287,255,502	287,247,518	286,453,779
Normal dividend per share	1.00	0.50	1.00
Loyalty dividend per share	1.10	0.55	1.10

STATEMENT OF INCOME

		YEARS ENDED DECEMBER 31,	
(million euros)	NOTES	2013	2012
Production sold (services)		506	517
Provision reversals	3	21	15
Operating Revenue		**527**	**532**
Other purchases and external charges		(350)	(381)
Duties and taxes		(11)	(7)
Employee expenses		(153)	(150)
Depreciation and amortization	3	(24)	(23)
Provision allowance	3	(24)	(39)
Operating expenses		**(562)**	**(600)**
OPERATING INCOME		**(35)**	**(68)**
Income from investments	4	1,218	915
Interest and similar income	5	78	54
Foreign exchange gains		33	23
Provision reversals	6	4	6
Financial Income		**1,333**	**998**
Interest and similar expenses	7	(814)	(817)
Foreign exchange losses		(31)	(23)
Provision allowance	6	(14)	(14)
Financial Expenses		**(859)**	**(854)**
NET FINANCIAL INCOME/(COST)		**474**	**144**
CURRENT OPERATING INCOME BEFORE TAX		**439**	**76**
EXCEPTIONAL INCOME/(LOSS)	8	**(23)**	**(39)**
Income tax credit/(expense)	9	46	66
NET INCOME		**462**	**103**

BALANCE SHEET

ASSETS

AT DECEMBER 31,

(million euros)	NOTES	2013 Gross amount	2013 Depreciation, amortization, impairment	2013 Net amount	2012 Net amount
Intangible assets and property, plant and equipment	*10*	**233**	**140**	**93**	**92**
Financial assets [1]	*11*	**25,754**	**-**	**25,754**	**25,994**
Investments	*28*	25,272	-	25,272	25,485
Long-term receivables from investments	*21*	471	-	471	498
Other financial assets		11	-	11	11
NON-CURRENT ASSETS		**25,987**	**140**	**25,847**	**26,086**
Other receivables	*21*	2,396	1	2,395	3,851
Marketable securities	*12*	1	-	1	11
Cash and cash equivalents		1,209	-	1,209	385
CURRENT ASSETS		**3,606**	**1**	**3,605**	**4,247**
Debenture redemption premiums	*14*	26	-	26	36
Cumulative translation adjustments	*14*	278	-	278	206
TOTAL ASSETS		**29,897**	**141**	**29,756**	**30,575**
(1) *Of which less than one year*				*25*	*27*

EQUITY AND LIABILITIES (BEFORE APPROPRIATION)

AT DECEMBER 31,

(million euros)	Notes	2013	2012
Common stock		1,149	1,149
Additional paid-in capital		9,856	9,853
Revaluation reserves		3	3
Legal reserve		109	103
Other reserves		649	649
Retained earnings		1,560	1,752
Net income for the year		462	103
Tax-driven provisions		1	1
NET EQUITY	*15*	**13,789**	**13,613**
PROVISIONS FOR LOSSES AND CONTINGENCIES	*16*	**175**	**153**
Debenture issues		11,420	11,250
Bank borrowings [1]		769	582
Other loans and commercial paper		360	361
Financial debt	*18*	**12,549**	**12,193**
Tax and employee-related liabilities		48	69
Other liabilities	*21*	2,863	4,295
LIABILITIES [2]		**15,460**	**16,557**
Cumulative translation adjustments	*14*	332	252
TOTAL EQUITY AND LIABILITIES		**29,756**	**30,575**
(1) *Of which current bank overdrafts*		*10*	*18*
(2) *Of which less than one year*		*4,885*	*5,636*

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STATEMENT OF CASH FLOWS

(million euros)	YEARS ENDED DECEMBER 31, 2013	2012
CASH FLOW FROM OPERATIONS (1)	**518**	**175**
Change in working capital	8	(936)
NET CASH FROM OPERATING ACTIVITIES (I)	**526**	**(761)**
Capital expenditure	(26)	(23)
Investments	-	-
Repayment of investments	217	-
Net decrease in loans and miscellaneous	27	650
Disposals of assets	-	-
NET CASH FROM INVESTING ACTIVITIES (II)	**218**	**627**
Proceeds from issuance of common stock	3	-
Dividends paid	(289)	(145)
NET CASH USED IN/FROM CAPITAL TRANSACTIONS (III)	**(286)**	**(145)**
(INCREASE) / DECREASE IN NET DEBT (I+II+III)	**458**	**(279)**
NET DEBT AT YEAR END	**11,339**	**11,797**
Debt	12,549	12,193
Marketable securities	(1)	(11)
Cash and cash equivalents	(1,209)	(385)

(1) *Cash flow from operations mainly comprises net income (+462 million euros) before depreciation and amortization (+37 million euros), provisions (+19 million euros) .*

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT EVENTS OF THE PERIOD

Lafarge S.A. issued a new bond for a total amount of 750 million euros (see Note 18).

NOTE 2 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the provisions set forth in the French General Chart of Accounts ("Plan Comptable Général" – CRC regulation 99-03).

The accounting policies applied by the Company are described below:

2.1 INTANGIBLE ASSETS

Intangible assets are recorded at acquisition cost and mainly include purchased software and related development costs.

These assets are amortized on a straight-line basis over five to seven years from the date of commissioning.

2.2 PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment are recorded at historical cost, except for those items purchased before December 31, 1976 that have been recorded based on their revalued amounts (legal revaluation).

Depreciation is recorded using the straight-line method (except for computer hardware, which is depreciated using the declining balance method) over the estimated useful life of items of property, plant and equipment as follows:

- buildings: 25 years;
- equipment: 3 to 10 years;
- vehicles: 4 years.

Accelerated depreciation classified in the balance sheet under tax driven provisions is recorded when the fiscally authorized period is less than the estimated useful life or when the depreciation method is different.

2.3 FINANCIAL ASSETS

Investments

The gross value of investments is equal to the purchase price excluding acquisition costs, after the 1976 revaluation adjustment for investments purchased before this date.

Acquisition costs are expensed in the fiscal year.

When the current value is less than the gross value, a provision for impairment is recognized in the amount of the difference. The current value is determined taking into account the share of net equity held, the earnings outlook or the quoted market price, if relevant. The earnings outlook is determined using either an estimated cash flows approach or a market approach (multiple of gross operating income). It is established based on currently available information and takes into account political and economical risks of the countries involved. These forecasts do not reflect any possible major disruption of the current economical or geopolitical environment. When the Company's share in the net equity of the investment is negative, a provision for contingencies is recorded, if justified.

Long-term receivables from investments

These are long-term loans granted to companies held directly or indirectly by Lafarge S.A. Long-term receivables from investments are recorded at their nominal value.

Long-term receivables from investments are distinguished from current accounts received or granted to subsidiaries, used for daily cash management.

An impairment loss is recognized in the event of risk of non-recovery.

Treasury shares

Lafarge S.A. treasury shares are classified as "Financial assets" in the balance sheet except when they are earmarked to cover purchase option plans and performance share plans.

2.4 MARKETABLE SECURITIES

Shares are valued in accordance with CRC regulation 2008-15.

Lafarge S.A. treasury shares are classified as "Marketable securities" in the balance sheet when they are earmarked to cover purchase option plans and performance share plans.

When plans are likely to be exercised and a cash outflow is probable, a provision for contingencies is recorded for the corresponding shares, equal to the difference between the value of shares allocated to the plans and the exercise price of each of the plans. For Lafarge S.A. employees, this provision is spread out over the vesting period.

When plans are not likely to be exercised, an impairment loss is recognized for the corresponding shares if the market price of the shares is lower than the gross value.

2.5 FOREIGN CURRENCY – DENOMINATED TRANSACTIONS

Payables and receivables denominated in foreign currencies are translated into euros using the period end closing exchange rate. The resulting unrealized exchange gains or losses are recorded in the translation adjustment accounts in the balance sheets.

Unrealized exchange losses are provided in full, except when offset by unrealized foreign exchange gains on payables and receivables or on off-balance sheet commitments expressed in the same currency and with similar maturities.

2.6 INTEREST RATE DERIVATIVES

Gains and losses on these contracts are calculated and recognized to match the recognition of income and expenses on the hedged debt.

2.7 BOND ISSUE AND REDEMPTION PREMIUMS

Bond issues to be redeemed with a premium are recognized in liabilities on the balance sheet for their total amount, including redemption premiums. An offsetting entry is then made for redemption premiums which are recognized in assets and amortized on a straight-line basis over the term of the bond issue. Other expenses and commission relating to these bonds are expensed in the financial year incurred.

2.8 NET EQUITY

Expenses relating to capital increases are deducted from additional paid-in capital.

2.9 PROVISIONS FOR LOSSES AND CONTINGENCIES

A provision is recognized when an obligation which is probable or certain will result in an outflow of resources with no offsetting entry.

2.10 INCOME TAX

Lafarge S.A., together with its French subsidiaries held directly or indirectly more than 95%, has elected to report income tax under the tax group regime as defined in article 223A and following of the French General Tax Code (CGI).

The tax savings resulting from the difference between the income tax recorded separately for each of the consolidated entities and the income tax calculated based on the taxable results of the consolidated group is recorded at Lafarge S.A.

Lafarge S.A. is liable to the French Treasury for the full tax charge calculated based on the profits and losses of all tax group companies.

2.11 RETIREMENT BENEFIT OBLIGATION

Provisions are recognized to cover termination benefits and other post-employment benefits. These provisions are based on periodic actuarial valuations performed using the projected unit credit method.

This method takes into account seniority, life expectancy and Company employee turnover, as well as salary increase and discounting assumptions.

Actuarial gains and losses resulting from a change in actuarial assumptions or experience adjustments are recognized when they exceed a corridor corresponding to 10% of the value of obligations. They are amortized over the average expected remaining service lives of the plans' beneficiaries.

NOTE 3 DEPRECIATION AND AMORTIZATION, OPERATING PROVISION (ALLOWANCE) REVERSAL

3.1 DEPRECIATION AND AMORTIZATION

(million euros)	2013	2012
Intangible assets	(21)	(20)
Property, plant and equipment	(3)	(3)
DEPRECIATION AND AMORTIZATION	**(24)**	**(23)**

3.2 OPERATING PROVISION (ALLOWANCE) REVERSAL

	2013		2012	
(million euros)	Allowance	Reversal	Allowance	Reversal
Pensions obligations and end-of-service benefits [1]	(23)	10	(20)	15
Other operating provisions	(1)	11	(19)	-
OPERATING PROVISION (ALLOWANCE) REVERSAL	**(24)**	**21**	**(39)**	**15**

(1) *See Note 17 "Pension benefit obligations" for more information.*

NOTE 4 FINANCIAL INCOME FROM INVESTMENTS

(million euros)	2013	2012
Dividends received from French subsidiaries	751	639
Dividends received from foreign subsidiaries	422	180
DIVIDENDS RECEIVED	**1,173**	**819**
INCOME ON LONG-TERM RECEIVABLES FROM INVESTMENTS	**45**	**96**
TOTAL FINANCIAL INCOME FROM INVESTMENTS	**1,218**	**915**

NOTE 5 INTEREST AND SIMILAR INCOME

Interest and similar income breaks down as follows:

(million euros)	2013	2012
Revenue from current account advances to Group companies	57	35
Other	21	19
INTEREST AND SIMILAR INCOME	**78**	**54**

NOTE 6 FINANCIAL PROVISION (ALLOWANCE) REVERSAL

Financial provision (allowances) reversals break down as follows:

	2013		2012	
(million euros)	Allowance	Reversal	Allowance	Reversal
Investment	-	4	-	-
Long term receivable for investment	-	-	-	4
IMPAIRMENT OF ASSETS	**-**	**4**	**-**	**4**
Foreign exchange loss	-	-	-	2
Other	(1)	-	-	-
PROVISIONS FOR LOSSES AND CONTINGENCIES	**(1)**	**-**	**-**	**2**
REDEMPTION PREMIUMS	**(13)**	**-**	**(14)**	**-**
TOTAL	**(14)**	**4**	**(14)**	**6**

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NOTE 7 INTEREST AND SIMILAR EXPENSES

Interest and similar expenses break down as follows:

(million euros)	2013	2012
Expenses on payables related to investments	(20)	(20)
Expenses on current account advances from Group companies	(14)	(25)
INTEREST AND OTHER EXPENSES ON INVESTMENTS	**(34)**	**(45)**
Interest on bond issues	(736)	(732)
Interest on bank borrowings	(23)	(29)
Interest on negotiable debt instruments	-	(1)
Other interest and financial expenses	(21)	(10)
OTHER INTEREST AND SIMILAR EXPENSES	**(780)**	**(772)**
TOTAL INTEREST AND SIMILAR EXPENSES	**(814)**	**(817)**

NOTE 8 EXCEPTIONAL INCOME (LOSS)

(million euros)	2013	2012
Gain (loss) on the disposal of assets	-	1
Performance share allotment plan	(24)	(24)
Other net exceptional items	1	(16)
EXCEPTIONAL INCOME (LOSS)	**(23)**	**(39)**

NOTE 9 INCOME TAX

(million euros)	2013	2012
Gain or (loss) from tax group regime	70	77
Income tax, withholding tax, other	(24)	(11)
INCOME TAX	**46**	**66**

At December 31, 2013, tax loss carry forwards attributable to the tax group totalled 2,662 million euros excluding the consequences of tax investigations.

NOTE 10 INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

The change in intangible assets and property, plant and equipment in the period breaks down as follows:

(million euros)	December 31, 2012	Increase	Decrease	December 31, 2013
INTANGIBLE ASSETS				
Gross amount	167	24	1	190
Accumulated amortization	(88)	(21)	-	(109)
Net amount	**79**	**3**	**1**	**81**
PROPERTY, PLANT & EQUIPMENT				
Gross amount	41	2	1	42
Accumulated amortization	(28)	(3)	(1)	(30)
Net amount	**13**	**(1)**	**-**	**12**
TOTAL	**92**	**2**	**1**	**93**

No impairment is recorded for intangible assets and property, plant and equipment.

NOTE 11 FINANCIAL ASSETS

(million euros) (Gross value)	December 31, 2012	Increase	Decrease	December 31, 2013
Investments [(1)]	**25,489**	**-**	**217**	**25,272**
Long-term receivables from investments	**498**	**25**	**52**	**471**
Other investment securities	10	-	-	10
Security deposit	1	-	-	1
Other financial assets	**11**	**-**	**-**	**11**
FINANCIAL ASSETS	**25,998**	**25**	**269**	**25,754**

(1) *The list of subsidiaries and investments is presented in Note 28 "Investments".*

The decrease in investments concerns the capital decrease of the subsidiary Sabelfi snc.

Long-term receivables are composed of long-term loans granted to directly or indirectly-held affiliated companies.

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NOTE 12 MARKETABLE SECURITIES

(million euros)	December 31, 2012	Increase	Decrease	December 31, 2013
Lafarge S.A. treasury shares [(1)]	11	-	10	1
MARKETABLE SECURITIES	**11**	**-**	**10**	**1**

(1) *See Note 13 "Lafarge S.A. treasury shares" for more information.*

NOTE 13 LAFARGE S.A. TREASURY SHARES

(number of shares)	December 31, 2012	Increase	Decrease	Reclassification	December 31, 2013
Share purchase option plan	-	-	-	-	-
Performance share plans	157,283	-	139,348	-	17,935
MARKETABLE SECURITIES	**157,283**	**-**	**139,348**	**-**	**17,935**

(in million euros)	December 31, 2012	Increase	Decrease	Reclassification	December 31, 2013
Share purchase option plan	-	-	-	-	-
Performance share plans	11	-	10	-	1
MARKETABLE SECURITIES	**11**	**-**	**10**	**-**	**1**

The decrease of 139,348 treasury shares corresponds to the 2009 performance stock which were vested and delivered to the employees.

The 17,935 Lafarge S.A. treasury shares earmarked to hedge the performance share plans had a market value of 1 million euros as of December 31, 2013.

NOTE 14 TRANSLATION ADJUSTMENTS AND BOND REDEMPTION PREMIUMS

(million euros)	2013	2012
Bond redemption premiums	26	36
Cumulative translation adjustments	278	206
ASSETS	**304**	**242**
Cumulative translation adjustments	332	252
LIABILITIES	**332**	**252**

Bond redemption premiums total 26 million euros as of December 31, 2013 compared to 36 million euros as of December 31, 2012. The 3 million euros new premiums and the 13 million euro depreciation and amortization expense explain the decrease by 10 million euros.

Cumulative translation adjustments result from the re-measurement of trade receivables, trade payables, loans and borrowings in local currencies at the end of fiscal year.

NOTE 15 NET EQUITY

15.1 SHARE CAPITAL

On December 31, 2013, the Company's share capital amounted to 1,149,461,588 euros, divided into 287,365,397 fully paid-up shares with a nominal value of four euros each. Taking into account double voting rights accruing to shares held in registered form for at least two years (115,069,648), the total number of voting rights attaching to the shares was 402,435,045 at December 31, 2013.

Changes in the share capital during the financial year ended December 31, 2013

The Company's share capital at December 31, 2012 amounted to 1,149,022,008 euros, divided into 287,255,502 shares with a nominal value of four euros each. Since December 31, 2012, the Company's share capital has increased by a total of 109,895 shares as a result of the following:

AMOUNT OF SUBSCRIPTIONS OR DEDUCTIONS (EUROS)

	Number of shares issued	Capital	Share premium	Total
Stock options exercice	109,895	439,580	2,938,592	3,378,172
TOTAL AT DECEMBER 31, 2013	**109,895**	**439,580**	**2,938,592**	**3,378,172**

Potential Share capital as of December 31, 2013

The number of shares as of December 31, 2013 could be increased by a maximum of 7,000,955 shares in the hypothetical scenario that stock options granted to employees existing on that date were exercised. 4,815,213 out of these existing stock options could have been exercised at December 31, 2013. The remaining 2,185,742 stock options can only be exercised upon expiry of a period of four years after their grant and subject to the performance conditions attached to some of these stock options being fulfilled.

15.2 CHANGE IN NET EQUITY

(million euros)	Common stock	Additional paid-in capital	Other reserves	Retained earnings	Net income	Total
NET EQUITY AS OF DECEMBER 31, 2012 *(before appropriation of 2012 income)*	**1,149**	**9,853**	**756**	**1,752**	**103**	**13,613**
Appropriation of 2012 income			6	(192)	(103)	(289)
Share capital increase	-	3				3
Net income for 2013					462	462
NET EQUITY AS OF DECEMBER 31, 2013 *(before appropriation of 2013 income)*	**1,149**	**9,856**	**762**	**1,560**	**462**	**13,789**

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NOTE 16 PROVISIONS FOR LOSSES AND CONTINGENCIES

Change in provisions for losses and contingencies break down as follows:

(million euros)	December 31, 2012	Addition	Utilization	December 31, 2013
Provisions for retirement benefit obligations [1]	60	24	10	74
Provision for share-based payment	49	30	10	69
Provision for tax	23	-	-	23
Other provisions for losses and contingencies	21	1	13	9
PROVISIONS FOR LOSSES AND CONTINGENCIES	**153**	**55**	**33**	**175**
Of which employee expenses		*6*	-	
Of which operating		*25*	*23*	
Of which financial		-	-	
Of which exceptional		*24*	*10*	
Of which tax		-	-	
TOTAL		**55**	**33**	

(1) *See Note 17 "Pension benefit obligations" for more information.*

In November 2008, the major European cement players, including Lafarge, were investigated by the European Commission for alleged anti-competitive practices. By a letter dated December 6, 2010, the Commission notified the parties of the opening of an official investigation (which does not however constitute a statement of objection), while reminding them that at that stage, it did not have conclusive evidence of anti-competitive practices. The alleged offences, which will be the subject of the detailed investigation, involve any possible restrictions of commercial trade in or upon entry to the European Economic Area, market sharing, and coordination of prices on the cement and related markets (concrete, aggregates). In the case of Lafarge, seven (7) countries are quoted: France, the United Kingdom, Germany, Spain, the Czech Republic, Greece and Austria. The Commission's investigation is ongoing and Lafarge answered to its various requests for information. In November 2011, further to the answer by Lafarge of the last questionnaire received, the Commission notified Lafarge an injunction to waive any reserve to the answer and provide any further information deemed necessary to complete its investigation, under the threat of a penalty. Lafarge promptly complied with this new request for information and lodged a lawsuit before the EU General Court with a view to obtaining the annulment of such injunction decision. As a new development, by letter received on January 15, 2013, the European Commission confirmed that no penalty will be imposed to Lafarge under this injunction. During the third quarter of 2012, European officials visited the French, German and European cement association. The completion date of this investigation is unknown and no conclusion can be drawn at this stage.

NOTE 17 PENSION BENEFIT OBLIGATIONS

Lafarge S.A.'s pension obligation comprises supplementary pension regimes and end-of-service benefits.

In 2007, the Company transferred its obligation relating to the supplementary defined benefit pension schemes of current retirees through an insurance contract with Cardif Assurance Vie. The premium paid amounted to 7 million euros in 2013, compared to 8 million euros in 2012. In accordance with French Regulations, the insurer guarantees pension indexation up to the amount of technical gains allocated to the contract, with any residual cost of pension indexation remaining with the Company.

Obligations for supplementary pension regimes and end-of service benefits were valued using the projected unit credit method.

The main assumptions underlying these valuations are outlined below:

(million euros, unless otherwise indicated)	2013	2012
Discount rate	3.30%	3.00%
Wage increase	2 à 5.5%	2 à 5.5%
Discounted value of the obligation	185	175
Fair value of pension fund assets	-	-
Actuarial gains/losses and impact of plan modifications not recognized	(111)	(115)
PROVISION FOR RETIREMENT BENEFIT OBLIGATIONS	**74**	**60**

NOTE 18 FINANCIAL DEBT

18.1 FINANCIAL DEBT BY NATURE

(million euros)	Amount outstanding at December 31, 2012	Increase	Decrease	Other movements [(1)]	Amount outstanding at December 31, 2013
Bond issues (excluding accrued interest)	10,956	750	500	(88)	11,118
Accrued interest on bond issues	294	302	294	-	302
BOND ISSUES	**11,250**	**1,052**	**794**	**(88)**	**11,420**
BANK BORROWINGS	**582**	**427**	**240**	**-**	**769**
Other loans and commercial paper	-	7	-	-	7
Long-term payables from investments	361	-	-	(8)	353
OTHER FINANCIAL DEBT	**361**	**7**	**-**	**(8)**	**360**
TOTAL FINANCIAL DEBT	**12,193**	**1,486**	**1,034**	**(96)**	**12,549**

(1) *Notably translation adjustments.*

In 2013, Lafarge S.A. issued a new bond worth a total of 750 million euros. The decrease in total debt corresponds to the repayment of a 500 million euros bond with a December 2013 maturity date.

The loans secured by Lafarge S.A. do not contain any clause requiring continuous compliance with certain financial ratios. However, the loans secured by some subsidiaries of the Group contain that type of clause. If we, or under certain conditions, our material subsidiaries, fail to comply with our or their covenants, then our lenders could declare default and accelerate a significant part of our indebtedness.

3,435 million euros of credit facilities are fully undrawn at December 31, 2013, out of which a syndicated credit facility of 1,200 million euros with a maturity at July 28, 2015. This syndicated credit facility contains an optional exit mechanism, on an individual basis, if the Group consolidated net debt to Ebitda of the Group ratio is higher than 4.75. Such an event would not be considered as an event of default and would have no impact on the status of Lafarge S.A.'s other financing arrangements.

In addition, we have a 450 million-euro undrawn financing at December 31, 2013 that we can use any time. This specific financing set-up at October 12, 2012 is not considered in the committed credit lines amount disclosed above. Utilization of this financing would be considered as a private placement outside the bond program.

Additionally Lafarge S.A. signed bank loans in 2013 for 250 million euros that could be used in May 2014.

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18.2 BOND ISSUES

(million euros)	Currency	Initial amount	Rate	Maturity	Amount outstanding at December 31, 2012	Amount outstanding at December 31, 2013
2002 bond	GBP	307	6.625%	15 years	245	240
2003 bond	EUR	500	5.448%	10 years	500	-
2004 bond	EUR	612	5.000%	10 years	612	612
2005 bond	EUR	500	4.250%	11 years	500	500
2005 bond	EUR	500	4.750%	15 years	500	500
2006 bond	USD	444	7.125%	30 years	455	435
2006 bond	USD	592	6.500%	10 years	606	580
2007 bond	EUR	500	5.375%	10 years	540	540
2008 bond	EUR	750	6.125%	7 years	750	750
2008 bond	USD	143	USD libor 3 m + 370 bp	5 years	152	-
2009 bond	USD	78	USD libor 3 m + 789 bp	4 years	76	-
2008 bond	USD	145	12.530%	25 years	-	145
2009 bond	USD	72	12.850%	25 years	-	72
2009 bond	EUR	250	8.500% (1)	8 years	250	250
2009 bond	EUR	150	8.100% (1)	8 years	150	150
2009 bond	EUR	1000	8.875% (1)	5 years	1000	1000
2009 bond	GBP	411	10.000% (1)	8 years	428	420
2009 bond	EUR	750	6.750% (1)	10 years	750	750
2009 bond	EUR	750	8.875% (1)	7 years	750	750
2010 bond	USD	412	6.200% (1)	5 years	417	399
2010 bond	EUR	500	6.250% (1)	8 years	500	500
2010 bond	EUR	1000	6.625% (1)	8 years	1000	1000
2012 bond	EUR	50	5.250%	5 years	50	50
2012 bond	EUR	175	5.000%	6 years	175	175
2012 bond	EUR	500	5.875%	7 years	500	500
2012 bond	EUR	50	euribor 3M + 2%	7 years	50	50
2013 bond	EUR	750	4.750%	7 years	-	750
Bond issues (excluding accrued interest)					**10,956**	**11,118**
Accrued interest on bond issues					294	302
BOND ISSUES					**11,250**	**11,420**

(1) *The interest rates shown take account of step-up clauses associated with these bonds following the downgrading of our long-term credit rating.*

18.3 BANK BORROWINGS

As of December 31, 2013, bank borrowings amount to 769 million euros and include 59 million euros maturing in 2014.

18.4 ANALYSIS OF FINANCIAL DEBT BY MATURITY

The following table details the contractual maturities of our various agreements, including the undiscounted contractual flows and future interest, based on the closest term Lafarge S.A. can be called for repayment.

Financial debts are accounted at their historical value. In the absence of a specific accounting standard, the Company evaluates if the circumstances and events could lead to a revision of future payments and estimates the most probable scenario to determine if the accounting value of the debt needs any adjustment analogous to their required by IAS 39.

When Lafarge S.A. does not have the unconditional right to differ the term of a financing beyond 12 months, then the financing is accounted as financial debt with a maturity of less than one year regardless probable renegotiation considered by the management in order to extend the maturity.

	2014 H1	2014 H2	Contractual flows – less than one year (incl. future interests)	2015	2016	2017	2018	More than 5 years	Contractual flows – more than one year (incl. future interests)	Total Contractual flows (incl. future interests)
Bond issues	1,377	976	2,353	1,761	2,385	2,085	1,972	4,534	12,737	15,090
Bank borrowings	21	53	74	111	336	11	110	210	778	852
Commercial paper	7	-	7	-	-	-	-	-	-	7
Long-term payables from investments	-	20	20	20	372	-	-	-	392	412
TOTAL	**1,405**	**1,049**	**2,454**	**1,892**	**3,093**	**2,096**	**2,082**	**4,744**	**13,907**	**16,361**

NOTE 19 DERIVATIVES

19.1 CURRENCY RISK

Lafarge S.A. uses forward purchases and sales of currencies and currency swaps to:

- refinance loans and borrowings granted to subsidiaries in a currency other than the euro;
- hedge the currency risk incurred by the Group's subsidiaries (firm commitments and highly probable transactions), bearing in mind that contracts negotiated with subsidiaries are hedged in exactly the same manner in the interbank market and do not give rise to a currency position for Lafarge S.A.

At December 31, 2013, most forward exchange contracts had a maturity date of less than one year.

The nominal and fair values of derivatives at the balance sheet date were as follows:

	At December 31, 2013		At December 31, 2012	
(million euros)	Notional	Fair value (1)	Notional	Fair value (1)
US dollar (USD)	1,002	(8)	692	(3)
Pound sterling (GBP)	129	-	643	(5)
Other currencies	38	-	64	(1)
FORWARD PURCHASES AND CURRENCY SWAPS	**1,170**	**(8)**	**1,399**	**(9)**
US dollar (USD)	159	2	141	1
Pound sterling (GBP)	46	-	198	1
Other currencies	433	8	345	(2)
FORWARD SALES AND CURRENCY SWAPS	**638**	**10**	**684**	**-**

(1) *The fair value of currency derivatives was calculated using market prices that Lafarge S.A. would pay or receive to unwind these positions.*

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19.2 INTEREST-RATE RISK

Lafarge S.A.'s exposure to interest rate fluctuations comprises two types of risks:

- a fair value risk arising from fixed-rate financial assets and liabilities: interest-rate fluctuations have an influence on their market value;
- a cash flow risk arising from floating-rate financial assets and liabilities: fluctuations in interest rates have a direct impact on the Company's future earnings.

As part of its general policy, Lafarge S.A. manages these two risk categories using, if necessary, interest-rate swaps.

The notional and fair values of interest rate derivatives at the balance sheet date were as follows:

AT DECEMBER 31, 2013 — NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE [1]

(million euros, unless otherwise indicated)	Average interest rate	2013	2014	2015	2016	2017	> 5 years	Total	Fair value [2]
INTEREST RATE SWAP									
Fixed-rate payer	4.6%	42	-	-	-	-	-	42	(1)
Fixed-rate receiver	0.3%	-	-	500	1,000	500	-	2,000	2

AT DECEMBER 31, 2012 — NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE [1]

(million euros, unless otherwise indicated)	Average interest rate	2013	2014	2015	2016	2017	> 5 years	Total	Fair value [2]
INTEREST RATE SWAP									
Fixed-rate payer	4.5%	58	42	-	-	-	-	100	(5)
Fixed-rate receiver	0.7%	300	-	-	-	100	400	800	15

(1) *The notional value of derivatives represents the nominal value of financial instruments traded with counterparties.*

(2) *The fair value of interest-rate swaps was calculated using market prices that Lafarge S.A. would have to pay or receive to unwind the positions.*

NOTE 20 FINANCIAL COMMITMENTS

Commitments given for 1,297 million euros include financial guarantees given for 1,166 million euros and vendor warranties given in connection with asset sales for 131 million euros. As of December 31, 2013, there are no securities or assets pledged.

NOTE 21 MATURITY OF RECEIVABLES AND LIABILITIES AT THE BALANCE SHEETS DATE

Gross value	Net amount at December 31, 2013	Falling due in		
		Less than one year	Between 1 and 5 years	Over 5 years
Long-term receivables from investments	471	25	420	26
Other financial assets	11	-	-	11
NON-CURRENT RECEIVABLES	**482**	**25**	**420**	**37**
Loans and current accounts granted to subsidiaries	2,371	2,371	-	-
Other	25	25	-	-
CURRENT RECEIVABLES	**2,396**	**2,396**	**-**	**-**
RECEIVABLES	**2,878**	**2,421**	**420**	**37**
Bond issues	11,420	1,914	6,304	3,202
Bank borrowings	769	59	510	200
Other financial debt	360	1	352	7
FINANCIAL DEBT	**12,549**	**1,974**	**7,166**	**3,409**
TAX AND EMPLOYEE-RELATED LIABILITIES	**48**	**48**	**-**	**-**
Borrowings and current accounts received from Group companies	2,819	2,819	-	-
Other [(1)]	44	44	-	-
OTHER LIABILITIES	**2,863**	**2,863**	**-**	**-**
LIABILITIES	**15,460**	**4,885**	**7,166**	**3,409**

(1) *Settlement periods: Law no. 2008-776 of August 4, 2008 on the modernization of the economy, known as the LME, and Decree no.2008-1492 of December 30, 2008 rendered for the application of article L. 144-6-1 of the French Commercial Code.*

The 44 million euros of other liabilities include trade payables for an amount of 20 million euros as of December 31, 2013 (French and foreign suppliers).

The following schedule presents trade payables from the invoice date:

(in million euros)	Debt due at year end	30 days from invoice date	Between 31 and 60 days from invoice date	> 61 days from invoice date	Total at December 31, 2013
Trade payables (including debt to suppliers of fixed assets)	5.4	4.8	7.4	2.2	19.8

(in million euros)	Debt due at year end	30 days from invoice date	Between 31 and 60 days from invoice date	> 61 days from invoice date	Total at December 31, 2012
Trade payables (including debt to suppliers of fixed assets)	2.7	4.3	8.8	3.4	19.2

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NOTE 22 INFORMATION REGARDING RELATED PARTIES

(million euros)	Net Amount	Of which Related parties	Of which Other investments
FINANCIAL ASSETS			
Investments	25,272	25,272	-
Long-term receivables from investments	471	471	-
FINANCIAL DEBT			
Other loans and commercial paper	360	353	-
OTHER RECEIVABLES			
Loans and current accounts	2,371	2,365	6
Other receivables	25	1	-
OTHER LIABILITIES			
Borrowings and current accounts	2,819	2,818	1
Other	44	1	-
NET INCOME FROM INVESTMENTS	**1,218**	**1,218**	**-**
INTEREST AND SIMILAR INCOME	**78**	**57**	**1**
INTEREST AND SIMILAR EXPENSES	**(814)**	**(34)**	**-**

Pursuant to the regulations of the ANC, the French standard-setting body, and article R. 123-198 11 of the French Commercial Code, on related parties, Lafarge S.A. hereby reports that it did not enter into any significant transaction considered not to be arms length business during 2013.

NOTE 23 COMPENSATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

(million euros)	2013	2012
Board of Directors	0.7	0.7
Executive management [1]	12.0	8.1

(1) *Executive Management comprises 11 members, including the Chief Executive Officer, as of December 31, 2013*

NOTE 24 AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2013	2012
Management	361	362
Supervisors and technicians	121	120
Other employees	28	26
TOTAL EMPLOYEES	**510**	**508**

NOTE 25 INDIVIDUAL RIGHTS TO TRAINING

In compliance with recommendation 2004F issued by the Urgent Issues Task Force of the French National Accounting Council (CNC) concerning accounting for individual rights to training, Lafarge did not record any provisions for training rights in the financial statements for the year ended December 31, 2013. Rights acquired at year-end 2013 are estimated at 38,827 hours.

NOTE 26 DEFERRED TAX POSITION – TAX BASE (HOLDING COMPANY ONLY)

(million euros)	2013	2012
DEFERRED TAX LIABILITIES		
Tax-driven provisions	1	1
Capital gains rolled over – Long term	1,849	1,849
DEFERRED TAX ASSETS		
Provision for pensions	74	60
Other provisions	21	26
Temporarily non-deductible expenses	-	-
TAX LOSSES CARRIED FORWARD		
Tax group losses	2,662	2,352
Revaluation account (1976) – tax free	3	3

NOTE 27 SUBSEQUENT EVENTS

There are no subsequent events to report

NOTE 28 INVESTMENTS

SUBSIDIARIES AND INVESTMENTS AT DECEMBER 31, 2013

(in million of currency unit)	Currency	Common stock(1)	Reserves and retained earnings(1)(2)	Share of capital held %	Book value of shares held(3) Gross	Book value of shares held(3) Net	Loans and advances granted and not repaid(3)	Guarantees & endorsements given by the Company(3)	Net revenues excluding tax at closing(1)	Net income (profit or loss) at closing(1)	Dividends received by the Company over the year(3)
A. DETAILED INFORMATION ON SUBSIDIARIES (1) AND INVESTMENTS (2) ET (3) BELOW											
1. SUBSIDIARIES (OVER 50% OF CAPITAL HELD BY THE COMPANY):											
Sofimo	EUR	1,055	16,386	100.00	16,676	16,676	1	-	-	798	527
Lafarge Gypsum International	EUR	798	354	100.00	934	934	-	-	-	58	218
Lafarge Centre de Recherche	EUR	23	2	100.00	23	23	9	-	-	2	2
Sabelfi snc	EUR	2,385	121	99.99	2,511	2,511	-	-	-	104	57
Lafarge Brasil	BRL	1,293	(485)	59.74	365	365	-	-	1,230	208	53
Lafarge North America Inc.	USD		6,036	87.53	4,709	4,709	-	-	4,418	384	312
2. INVESTMENTS (10 TO 50% OF CAPITAL HELD BY THE COMPANY)											
Ciments du Cameroun	CFA	5,600	32,280	43.65	15	15	-	-	83,811	29	-
Lafarge Zement GmbH	EUR	26	44	10.00	29	29	-	-	-	9	-
3. INVESTMENTS (LESS THAN 10% OF CAPITAL HELD BY THE COMPANY)											
B. GENERAL INFORMATION CONCERNING OTHER SUBSIDIARIES AND INVESTMENTS											
1. SUBSIDIARIES NOT INCLUDED UNDER A.1)											
French sudsidiaries (total)					5	5	-				4
Foreign sudsidiaries (total)					5	5	-				-
2. INVESTMENTS NOT INCLUDED UNDER A.2) AND A.3)											
French (total)					-	-	-				-
Foreign (total)					-	-	-				-
TOTAL					**25,272**	**25,272**	**10**				**1,173**

(1) *In local currency for foreign subsidiaries.*
(2) *Before appropriation of net income and interim dividend.*
(3) *In million euros.*

CHANGE IN THE FINANCIAL INCOME OF THE COMPANY DURING THE LAST FIVE YEARS (ARTICLES R. 225-81, R. 225-83, R. 225-102 OF THE FRENCH COMMERCIAL CODE)

	2013	2012	2011	2010	2009
A. CAPITAL STOCK					
Capital stock (in euros)	1,149,461,588	1,149,022,008	1,148,990,072	1,145,815,116	1,145,813,264
Number of existing shares of common stock	287,365,397	287,255,502	287,247,518	286,453,779	286,453,316
Maximum number of future shares to be created	7,000,955	8,455,389	8,511,063	9,099,072	8,060,756
through conversion of bonds					
through exercise of stock options	7,000,955	8,455,389	8,511,063	9,099,072	8,060,756
B. TRANSACTIONS FOR THE YEAR (IN THOUSANDS OF EUROS)					
a) Gross sales revenues[(1)]	1,846,797	1,542,723	1,536,243	1,322,722	1,625,520
b) Income before taxes, profit-sharing and amortization and provisions	472,361	109,709	88,208	(320,834)	213,495
c) Income taxes	46,183	65,750	68,352	76,060	118,439
d) Employee profit-sharing owed for the year	-	-	-	-	-
e) Income after taxes, profit sharing and amortization and provisions	462,306	102,842	205,507	49,032	254,309
f) Income distributed	289,267	289,341	144,550	287,903	575,207
including 10% increase[(2)]	1,919	2,028	1,002	1,683	3,028
Earnings per share (in euros)					
a) Income after taxes, employee profit-sharing but before amortization and provisions	1.80	0.61	0.84	(0.85)	1.16
b) Income after taxes, employee profit-sharing and amortization and provisions	1.61	0.36	0.72	0.17	0.89
c) Net dividend	1.000	1.000	0.500	1.000	2.000
Net loyalty dividend	1.100	1.100	0.550	1.100	2.200
C. PERSONNEL					
Number of employees at December 31	498	512	528	510	485
Payroll (in thousands of euros)[(3)]	104,210	102,597	94,773	92,799	78,315
Social benefits (in thousands of euros)[(4)]	49,149	47,494	47,369	48,098	35,088
Bonuses and profit-sharing paid (in thousands of euros)	2,507	1,388	1,732	2,142	1,592

(1) *Gross sales revenues represent the revenues from ordinary activities, which include the sold production (services) and finance income.*
(2) *Increase in the dividend for registered shares held for more than two years.*
(3) *Including retirement indemnities, provision for performance shares grants.*
(4) *Social organizations, charitable projects and other employee costs for impatriates, etc.*

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments with third parties.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code *(Code de Commerce)*, to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-31 of the French Commercial Code in respect of the performance of the agreements and commitments, already authorized by the Shareholders' Meeting and having continuing effect during the year, if any.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* relating to this engagement. These guidelines require that we agree the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE SHAREHOLDERS' MEETING

We hereby inform you that we have not been advised of any agreement or commitment authorized during the year to be submitted to the approval of the Shareholders' Meeting pursuant to Article L.225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

I. Agreements and commitments already approved during previous years and having continuing effect during the year

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, already approved by the Shareholders' Meeting in previous years, continued during the year.

With BNP Paribas

Board members concerned

Mrs. Hélène Ploix, a director of your Company, is also a director of BNP Paribas, and Mr. Baudouin Prot, a director of your Company, is also Chairman of the Board of Directors of BNP Paribas.

Transfer of retirement plans for French executives, senior executives and members of the Executive Committee to Cardif Assurance Vie, a subsidiary of BNP Paribas

The Board of Directors authorized the conclusion of three insurance contracts between your Company and Cardif Assurance Vie, a subsidiary of BNP Paribas, the purpose of which was to transfer defined-benefit retirement plans. These agreements were authorized by the Board of Directors at its meetings of August 1, 2007 and November 6, 2008 and approved by the Shareholders' Meetings of May 7, 2008 and of May 6, 2009.

As these agreements remained in force in 2013, the total amount of contributions allocated to retirement capital, expenses and other taxes and paid by your Company in respect of two of the current contracts with Cardif Assurance Vie amounted to €9.4 million for the year ended December 31, 2013.

II. Agreements and commitments already approved during previous years that were not implemented during the year

Furthermore, we have been informed that the following agreements and commitments, already approved by the Shareholders' Meeting in previous years, were not implemented during the year.

With Mr. Bruno Lafont, Chairman & CEO of your Company

Supplementary pension plan of Mr. Bruno Lafont

At its meeting on December 16, 2005, the Board of Directors authorized that Mr. Bruno Lafont will benefit from a supplementary pension plan guaranteeing a pension based on his salary as a corporate officer. The employment contract was suspended as from January 1, 2006, the date of Mr. Bruno Lafont's appointment as Chief Executive Officer. However, in his capacity as a corporate officer, he will continue to benefit from the supplementary retirement benefit.

Moreover, at its meeting on November 6, 2008, the Board of Directors authorized the amendment of two supplementary benefit plans. One of these amendments consists in including the Company's corporate officers as potential beneficiaries of these benefit plans, which would provide, under certain conditions, a retirement payment based on the last salaries received, irrespective of any other legal retirement benefits received by the retired individual. The Shareholders' Meeting of May 6, 2009 approved this agreement.

With Orascom Construction Industries SAE

Board members concerned
Mr. Nassef Sawiris, a director of your Company, is also Chief Executive Officer as well as director of Orascom Construction Industries N.V, a company holding (following an exchange offering) the majority of the shares of Orascom Construction Industries SAE, a company in which he was previously Chairman & CEO and director until the end of 2013.

Mr. Jérôme Guiraud, a director of your Company, is also a member of the Audit Committee of Orascom Construction Industries SAE, a company in which he was a director until the end of 2013.

Settlement agreement dated June 21, 2012 between Orascom Construction Industries SAE and your Company
The Orascom Building Materials share purchase agreement signed on December 9, 2007 between your Company and Orascom Construction Industries SAE (OCI) contained general warranties and specific indemnities. Further to negotiations following the triggering of some of the warranties and indemnities by your Company, the parties reached a settlement for an amount of €73 million to be paid by OCI to your Company, the warranties being maintained for two specific matters. This agreement was approved by the Shareholders' Meeting on May 7, 2013.

With NNS Holding Sàrl, Orascom Construction Industries SAE, Mr. Nassef Sawiris and other parties

Board members concerned
Mr. Nassef Sawiris, a director of your Company, is also Chief Executive Officer as well as director of Orascom Construction Industries N.V, a company holding (following an exchange offering) the majority of the shares of Orascom Construction Industries SAE, a company in which he was previously Chairman & CEO and director until the end of 2013. He was also a director of NNS Holding Sàrl.

Mr. Jérôme Guiraud, a director of your Company, is also a Board member of NNS Holding Sàrl and a member of the Audit Committee of Orascom Construction Industries SAE, a company in which he was a director until the end of 2013.

Amendment to the Shareholders' Agreement of December 9, 2007
At its meeting on March 15, 2012, the Board of Directors authorized the signature of an amendment to the Shareholders' Agreement for the purpose of maintaining, with respect to the 22.5 million shares issued to NNS Holding Sàrl via a reserved capital increase in 2008, the undertaking by NNS Holding Sàrl (i) to inform your company first of any planned share disposals until March 27, 2015 and (ii) not to sell these shares to any competitors of your company until the expiration date of the Shareholders' Agreement. This agreement was approved by the Shareholders' Meeting on May 15, 2012.

III. Agreements and commitments approved during the year

Furthermore, we have been informed of the continuation during the year of the following agreements and commitments, already approved by the Shareholders' Meeting on May 7, 2013 based on the Statutory Auditors' special report dated March 14, 2013, that were not implemented during the year.

With Mr. Bruno Lafont, Chairman & CEO of your Company

Mr. Bruno Lafont's suspended employment contract and severance compensation
At its meeting on July 27, 2011, the Board of Directors decided to maintain Mr. Bruno Lafont's suspended employment contract and to delete a clause of commitment of presence. This contract was approved by the Shareholders' Meeting on May 15, 2012. The employment contract was suspended as from January 1, 2006, the date of Mr. Bruno Lafont's appointment as Chief Executive Officer. It includes contractual severance compensation, payable subject to certain conditions, including a performance condition.

At its meeting on February 19, 2009, the Board of Directors authorized the amendments to Mr. Bruno Lafont's suspended employment contract, for the purpose of adapting the contractual severance compensation to the recommendations of the Afep Medef corporate governance code for listed companies regarding the compensation of executive corporate officers. This contract was approved by the Shareholders' Meeting on May 6, 2009.

The Shareholders' Meeting on May 7, 2013 confirmed the approval of these commitments relating to Mr. Bruno Lafont's suspended employment contract.

It is recalled that, following the automatic resumption of his employment contract in the event Mr. Bruno Lafont were to cease serving in his corporate offices (Chairman and Chief Executive Officer), the contractual severance compensation in case of dismissal (other than for gross negligence or serious misconduct) would only be owed to Mr. Bruno Lafont if a series of conditions were met:

- The first condition covers the event triggering the right to receive contractual severance compensation. The dismissal must take place after a change of control or after a change in the Company's strategy.
- The second condition is performance-based. This condition will be satisfied and the contractual 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 contractual severance compensation would be paid. If none of the criteria are satisfied, the condition would not be satisfied and no contractual 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:
  - (i) an after-tax average return on invested capital for the last three years greater than the Weighted Average Cost of Capital (WACC),
  - (ii) an EBITDA/Revenue ratio strictly greater than 18%, on average, for the last three years, and
  - (iii) an average bonus granted under the employment contract greater than 60% of the maximum bonus, on average, for the last three years.

The maximum amount of this contractual severance compensation would be equal to two years of total gross compensation received by Mr. Bruno Lafont for the most favorable of the three years preceding the date of his dismissal notice. This calculation basis is the same as for the dismissal compensation under the Collective Bargaining Agreement. In addition, so as to ensure that the total amount of the compensation due to Mr. Bruno Lafont in case of departure remains within this limit, such contractual severance compensation would be reduced by the amount of the dismissal compensation due to Mr. Bruno Lafont pursuant to and in compliance with the terms of the Collective Bargaining Agreement applicable to engineers and executives in the cement production industry, which apply to his employment agreement in view of his length of service within the Group (31 years). In application of mandatory French labor laws, the dismissal compensation is subject to the conditions set forth under the Collective Bargaining Agreement.

A job elimination or decrease in level of responsibilities would also constitute a case of dismissal providing entitlement to such compensations.

Conservation of rights relating to long-term compensation plans based on certain assumptions

At its March 13, 2013 meeting, pursuant to Article L.225-42-1 of the French Commercial Code, the Board of Directors, on the recommendation of the Remunerations Committee decided and confirmed that, in case of retirement, death or disability, Mr. Bruno Lafont will retain the rights from which he benefits or will benefit in relation to the attribution of share subscription or purchase options, the attribution of free shares, and other components of long-term (multi-year) compensation, subject to performance conditions. In case of death, the heirs of Mr. Bruno Lafont will retain the benefit of his rights. This commitment was approved during the Shareholders' Meeting on May 7, 2013.

Neuilly-sur-Seine and Paris-La Défense, February 28, 2014

The Statutory Auditors

DELOITTE & ASSOCIÉS
French original signed by

Arnaud de Planta
Frédéric Gourd

ERNST & YOUNG et Autres
French original signed by

Alain Perroux
Nicolas Macé

CROSS-REFERENCE TABLES

EC REGULATION 809/2004 CROSS-REFERENCE TABLE

In order to facilitate the reading of the present document as the form of the Registration Document, the cross-reference table below is used to identify the corresponding Sections.

	Items of Annex I to EC Regulation 809/2004		Location in this Report		Page
1	**PERSONS RESPONSIBLE**		Certification		181
2	**STATUTORY AUDITORS**				
	2.1	Name and address	5.3.1	Auditors	162
	2.2	Resignation or removal of statutory auditors	Not applicable		-
3	**SELECTED FINANCIAL INFORMATION**				
	3.1	Selected historical financial information	Profile	Selected financial data	6
	3.2	Selected financial information for interim periods	Not applicable		-
4	**RISK FACTORS**		5.1	Risk factors	146
5	**INFORMATION ABOUT LAFARGE**				
	5.1	History and development of the Company	1.1 1.1.2	Lafarge presentation History and development	10 10
	5.2	Investments	1.2.8 1.3.5 1.3.6	Recent acquisitions, partnerships and divestitures Expenditures in 2013 and 2012 Capital expenditures planned for 2014	27 41 41
6	**BUSINESS OVERVIEW**				
	6.1	Principal activities	1.3	Overview of operations	28
	6.2	Principal markets	1.3	Overview of operations	28
	6.3	Exceptional factors	1.2.8	Recent acquisitions, partnerships and divestitures	27
	6.4	Dependency of the issuer	Not applicable		-
	6.5	Competitive position	1.3	Overview of operations	28
7	**ORGANIZATIONAL STRUCTURE**				
	7.1	Description of the Group	6.2.8	Intra-group relations	180
	7.2	List of the issuer's significant subsidiaries	Note 35	(List of significant subsidiaries, joint ventures and investments in associates at December 31, 2013)	F71
8	**PROPERTY, PLANTS AND EQUIPMENT**				
	8.1	Existing or planned material tangible fixed asset	1.3.4 1.3.5 1.3.6	Mineral reserves and quarries Expenditures in 2012 and 2011 Capital expenditures planned for 2014	39 41 41
	8.2	Environment	4.4	Building the Circular Economy	130
9	**OPERATING AND FINANCIAL REVIEW**				
	9.1	Financial condition	2.1	Overview	44
	9.2	Operating results	2.3	Results of operations for the years ended December 31, 2013 and 2012	49
10	**CAPITAL RESOURCES**				
	10.1	Equity capital	2.4 Note 20	Liquidity and capital resources (Equity)	57 F41
	10.2	Cash flows	2.4	Liquidity and capital resources	57
	10.3	Financing and liquidity	2.4	Liquidity and capital resources	57

10.4	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, the issuer's operations	2.4 5.1.1(b)	Liquidity and capital resources Financial and market risks	57 150
10.5	Information regarding the anticipated sources of funds needed to fulfil certain commitments	2.4	Liquidity and capital resources	57
11	**RESEARCH & DEVELOPMENT, PATENTS AND LICENCES**	1.2.3(c) 1.2.7	Research & Development, keys to innovation Intellectual Property	18 26
12	**TREND INFORMATION**	2.1.2	Trend information and 2014 perspectives	44
13	**PROFIT FORECASTS OR ESTIMATES**	Not applicable		-
14	**ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT**			
14.1	Information on the members of administrative and management bodies	3.1.3 3.3	Information on Directors Executive Officers	66 96
14.2	Conflicts of interests	3.1.4 3.3	Independent Directors – Parity and diversity within the Board Executive Officers	84 96
15	**REMUNERATION AND BENEFITS**			
15.1	Remuneration and benefits granted	3.4 Note 31	Compensation and benefits (Employee costs and compensation to Directors and Executive Officers for services)	98 F68
15.2	Retirement plans	3.4 Note 31	Compensation and benefits (Employee costs and compensation to Directors and Executive Officers for services)	98 F68
16	**BOARD PRACTICES**			
16.1	Term of office of the Directors	3.1.3	Information on Directors	66
16.2	Service contracts providing for the grant of future benefits	3.1.4	Independent Directors – Parity and diversity within the Board	84
16.3	The Committees	3.2.2	Board of Directors' Committees	89
16.4	Declaration in terms of corporate governance	Declaration in terms of corporate governance - Governance Code of Reference 3.7	 Implementation of the Principle "Comply or explain" of the Afep-Medef Code	62 116
17	**EMPLOYEES**			
17.1	Number of employees	4.2.2	Employment, Employee diversity and skills	122
17.2	Shareholdings and stock-options	3.5.2 3.5.3 3.6.1	Stock option plans Performance share plans Directors, Chairman and Chief Executive Officer and Executive Officers Share Ownership	111 113 115
17.3	Employees' share ownership in the issuer's capital	3.5 6.1.4	Long-term incentives (stock options and performance shares plans) Employee Share Ownership	109 169
18	**MAJOR SHAREHOLDERS**			
18.1	Share capital distribution	6.1.1 6.1.3	Major shareholders and share capital distribution Threshold notifications imposed by law and declarations of intent	166 168
18.2	Voting rights	6.1.1 6.2.5(c)	Major shareholders and share capital distribution Rights, preferences and restrictions attached to shares	166 177
18.3	Information on the control of share capital	6.1.2 6.1.3	Shareholders' agreement Threshold notifications imposed by law and declarations of intent	167 168
18.4	Change of control	6.2.6	Change of control	179
19	**RELATED PARTY TRANSACTIONS**	Note 30 3.1.4	(Related parties) Independent Directors - Parity and diversity within the Board (Management of conflicts of interests)	F67 84
20	**FINANCIAL INFORMATION**			
20.1	Historical financial information	Consolidated financial statements		F5
20.2	Pro forma financial information	Not applicable		-
20.3	Financial statements	Consolidated financial statements		F5
20.4	Auditing of historical annual financial information	Consolidated financial statements - statutory auditors' report		F3
20.5	Age of latest financial information	Consolidated financial statements		F5

20.6	Interim and other financial information	Not applicable		-
20.7	Dividend policy	Note 20	(Equity)	F41
20.8	Legal and arbitration proceedings	Note 29	(Legal and arbitration proceedings)	F66
20.9	Significant change in the issuer's financial or trading position	Note 34	(Subsequent events)	F70
21	**ADDITIONAL INFORMATION**			
21.1	Share capital			
	• Share capital	6.2.1	Share Capital	172
	• Securities not representing capital	6.2.3	Securities non representative of share capital - Bonds	174
	• Shares owned by the Company	6.2.2	Shares owned by the Company	173
	• History of the capital	6.2.1	Share Capital	172
21.2	Memorandum and articles of association	6.2.5	Articles of Association (statuts)	177
	• Corporate purpose	6.2.5 (a)	Corporate purpose	177
	• Statutory provisions or other with respect to the members of administrative and management bodies	6.2.5(b)	Board of Directors	177
	• Rights, preferences and restrictions attached to the shares	6.2.5(c)	Rights, preferences and restrictions attached to the shares	177
	• Changes to shareholder rights	6.2.5(d)	Changes to Shareholder' rights	178
	• Convocation and admission to the Shareholders' General Meetings	6.2.5(e)	Convocation and admission to the Shareholders' General Meetings	178
	• Change of control	6.2.6	Change of control	179
	• The crossing of thresholds	6.2.5(f)	Disclosure of holdings exceeding certain thresholds	179
22	**MATERIAL CONTRACTS**	6.2.7	Material contracts	179
23	**THIRD-PARTY INFORMATION, AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**	Not applicable		-
24	**DOCUMENTS ON DISPLAY**	6.2.9	Documents on display	180
25	**INFORMATION ON HOLDINGS**	6.2.8 Note 35	Intra-group relations (List of significant subsidiaries, joint ventures and investments in associates at December 31, 2011)	180 F71

ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

The table below identifies the sections of the Annual financial report (article 451 1 2 of the Monetary and Financial Code and article 222 3 of the General Regulations of the AMF) incorporated in the present Registration Document.

Item	Section of this report or Page
Lafarge SA statutory accounts	F75 - F95
Consolidated financial statements	F5 - F73
Management report (see cross-reference table below)	N/A
Certification	181
Statutory auditors' report on Lafarge S.A. financial statements	F74
Statutory auditors' report on the consolidated financial statements	F3
Auditors' fees and services	5.3.2
Report of the Chairman of the Board on internal control procedures and on corporate governance (article L.225 37 of the French Commercial Code)	Preamble to Chapter 3 3.1, 3.2, 3.4, 3.7, 5.1.2, 5.2.1, 6.2.5(e), 6.2.6
Statutory auditors' report on the Chairman's report (article L.225 235 of the French Commercial Code)	5.2.2

MANAGEMENT REPORT CROSS-REFERENCE TABLE

This Registration Document contains all the items of the Management report in accordance with the provisions of the French Commercial Code.

Item	Section of this report or Page
Activity and financial situation	Profile, 1.2, 1.3, 2.3, 2.4, F75
Recent events, trend information and perspectives	2.1
Research and Development	1.2.3 (c), 1.2.7
Principal risks, risk management and coverage (including use of derivative instruments)	5.1, 5.2, Note 26 (Consolidated financial statements)
Social and environmental data	4
Corporate officers (mandataires sociaux) and Executive Officers (appointments, compensation, transactions on shares)	3
Share capital and employee share ownership	6.2.1, 6.1.4
Treasury shares	6.2.2
Elements that could have an incidence in the event of a tender offer	6.2.6
Subsidiaries and affiliates	6.2.8, Note 35 (Consolidated financial statements)
Authorizations granted by the General Meeting	6.2.4
Table of the financial income during the last five years	F95
Additional information (accounting policies, dividends, settlement periods)	2.2, F75, Note 21 (Statutory accounts)

INCORPORATION BY REFERENCE

In accordance with article 28 of Commission rule (EC) n° 809/2004, the following information has been incorporated by reference in this Registration Document:

- section 1.4 (Overview of Operations) pages 27 to 41, chapter 2 (Operating and financial review and prospects) pages 43 to 62, as well as the statutory and consolidated financial statements for the financial year ending December 31, 2012, including the notes to the financial statements and the reports of the statutory auditors, set out on pages F3 to F76 and F77 to F98 of the 2012 Registration Document filed with the Autorité des marchés financiers on April 3, 2013 under number D.13.0276;
- section 3.4 (Our businesses) pages 32 to 44, chapter 4 (Operating and financial review and prospects) pages 47 to 66, as well as the statutory and consolidated financial statements for the financial year ending December 31, 2011, including the notes to the financial statements and the reports of the statutory auditors, set out on pages F3 to F72 and F73 to F92 of the 2011 Registration Document filed with the Autorité des marchés financiers on April 10, 2012 under number D.12.0315.

The sections of the Registration Document 2012 and 2011 which have not been incorporated by reference are either not significant for the investor or already covered in another section of the present Registration Document.

GLOSSARY

In this document, the following terms have the meanings indicated below:

"ACTIVITIES": One of the two activities of the Group, cement, aggregates and ready-Mix concrete. Since the reorganization of 2012, all activities in a country are placed under the responsibility of a country manager.

“COUNTRY”: the organization by country that replaced in 2012 the product -based organization.

“REGISTRATION DOCUMENT” or “ANNUAL REPORT”: the present document which is a free translation of the Document de référence filed with the Autorité des marchés financiers of France.

“GROUP” or **“LAFARGE”**: Lafarge S.A. and its consolidated subsidiaries.

“COMPANY” or **“Lafarge S.A.”**: our parent company Lafarge S.A., a société anonyme organized under French law.

“EMERGING MARKETS or COUNTRIES”: all markets or countries outside Western Europe and North America, except Japan, Australia and New Zealand.

“Tonne” or **“Tons”**: always refer all to metric tons.

“Dollars” or **“US dollars”**: unless otherwise specified, dollars of the United States of America.

“Pure aggregates”: core aggregates activities such as crushed stone, gravel and sand.

GRI: Global Reporting Initiative.

WBCSD – CSI: World Business Council for Sustainable Development – Cement Sustainability Initiative.

KPI: Key Performance Indicators.

“Corporate Officer”: under French law, the Chairman and Chief Executive Officer and the Board of Directors members are the “Corporate Officers” of Lafarge S.A.

UNITED STATES : United States of America

NB: Due to rounding of amounts and percentages, the addition of data in text or charts may not be totally consistent. Indeed, totals include decimals.

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