



3 INFORMATION ON LAFARGE

3.3 Business description - Gypsum

Gypsum

Gypsum wallboard (also known as “plasterboard”) and other gypsum-based products (e.g. plaster, plaster blocks, joint compounds and related products such as metal studs and accessories) are used primarily to offer gypsum-based building solutions for constructing, finishing or decorating interior walls and ceilings in residential, commercial and institutional construction projects throughout the world, as well as for sound and thermal insulating partitions. Other gypsum-based products include industrial plaster (used for special applications such as moldings or sculptures) and self-leveling floor-screeds.

We believe that we are the third largest manufacturer of gypsum wallboard worldwide. At the end of 2007, we had production facilities in 28 countries. Our consolidated businesses operated 39 wallboard plants (with an annual production capacity of approximately 1,180 million m²) and 32 other plants which produced primarily plaster, plaster blocks or joint compounds as well as three wallboard paper plants.

Products

WALLBOARD

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

We regularly seek to expand and improve the range of our wallboard products. Our recently introduced SYNIA™ wallboard, a new generation wallboard with all four edges tapered, is designed to help installers achieve top quality finishes in many applications. It has

been launched in four countries to date and has met spectacular success with installers, posting sales of over 7 million m².

OTHER PRODUCTS

We also produce gypsum plaster, plaster blocks, joint compounds, metal studs, anhydrite binders for self-leveling floor screeds and industrial plasters, which are intended for the construction and decorating industries. Sales of such products accounted for approximately 35% of our Gypsum Division sales in 2007.

Production and facilities information

Gypsum wallboard exploits the crystal-line structure of gypsum (calcium sulfate dihydrate – a naturally occurring mineral common in sedimentary environments), within which water molecules are physically locked. Wallboard is made by grinding and heating gypsum to release the trapped water molecules, mixing the residue with water to form a slurry, extruding the slurry between two continuous sheets of paper, and then drying and cutting the resulting board into proper sizes. When drying, the slurry rehydrates into gypsum crystals, which interlock with each other and “grow” into the liner paper, giving the board its strength. We use both naturally occurring gypsum and synthetic gypsum to produce wallboard. Synthetic gypsum is produced as a by-product of certain chemical manufacturing and electrical power production operations. At the end of 2007, our consolidated businesses operated 22 gypsum quarries worldwide, including 16 in Europe. Some of our plants have entered into long-term supply contract, with third parties to supply natural gypsum. Generally, we obtain synthetic gypsum under long-term contracts, most of which contain one or more options to renew. Occasionally, depending on our supply needs and local market conditions, we enter into contracts for shorter periods. We believe our current supply of gypsum, both natural and synthetic, is adequate for present and foreseeable operating levels.

Paper and gypsum account for approximately 25% and 13%, respectively, of our wallboard production costs. We produce about half of our wallboard paper at our own mills in France and Sweden, and at one mill in the United States operated through a joint venture. The major raw material for our paper is recycled paper fiber.

Customers

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

Markets

DESCRIPTION OF MARKETS AND OF OUR POSITION IN THESE MARKETS

Seven producers hold approximately 81% of today's worldwide wallboard market. These companies are Georgia Pacific, Knauf, Lafarge, National Gypsum, Saint-Gobain, U.S. Gypsum and Yoshino. These companies operate gypsum wallboard plants and usually own the gypsum reserves they use to produce their wallboard.

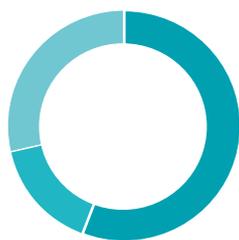
The gypsum wallboard industry is highly competitive. Because wallboard is expensive to transport and does not travel well in large quantities, producers compete on a regional basis, primarily based on price, product range, product quality, and customer service. Our largest competitors in Western Europe are Saint-Gobain and Knauf, and in the United States they are U.S. Gypsum, National Gypsum and Saint-Gobain.

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



BREAKDOWN BY GEOGRAPHIC MARKET

The following presentation shows the percentage contribution made by each of these regions to our 2007 Gypsum Division sales in euros.



GYPSUM DIVISION SALES BY GEOGRAPHIC AREA

	%
■ Western Europe	55.9
■ North America	15.6
■ Other regions	28.5
TOTAL	100.0

WESTERN EUROPE

(56% OF THE DIVISION'S 2007 SALES)

Western Europe is the second largest worldwide regional wallboard market. The technical performance of products and systems plays a critical role in this market. The region as a whole consumed close to 1.6 billion m² of wallboard in 2006, based on our estimates. We sold 289 million m² of wallboard in Western Europe in 2007, 283 million m² in 2006 and 273 million m² in 2005.

In 2007, we started operating a new wallboard plant in the United Kingdom, with an annual capacity of 25 million m². In Spain, we have a minority interest in a wallboard plant and three plaster plants.

NORTH AMERICA

(16% OF THE DIVISION'S 2007 SALES)

North America is the largest worldwide regional wallboard market. The region as a whole consumed close to 3.7 billion m² of wallboard in 2006, based on our estimates. We sold 191 million m² of wallboard in North America in 2007, 214 million m² in 2006 and 213 million m² in 2005.

In 2006, we upgraded and doubled the capacity of our Buchanan, New York, wallboard plant to 60 million m². In 2007, we expanded the capacity of our wallboard plant in Silver Grove, Kentucky to 150 million m². In July 2007 we closed our wallboard plant in Cornerbrook, Canada.

OTHER MARKETS

(28% OF THE DIVISION'S 2007 SALES)

We also conduct wallboard and related operations in other markets. In Poland, in 2006 we purchased a formulated products business with a capacity of 50,000 tonnes. In Romania, in order to support the market expansion, during 2007 Lafarge tripled its plant's production capacity. In Ukraine, a plant with plasterboard capacity of 15 million m², extendable to 30 million m² was completed at the end of 2007.

In Turkey, we operate a wallboard plant and a construction plaster plant near Ankara through a joint venture with Dalsan Insaat. Together, we have started to build a new wallboard plant in Istanbul, which is expected to be completed in early 2008, and in 2006 we completed an investment that doubled plaster production capacity in Ankara.

In South Africa, in addition to its existing manufacturing line for gypsum components, Lafarge completed the construction of a plasterboard plant with a capacity of 15 million m² in mid 2007.

In Algeria, Lafarge built a plaster plant with a capacity of 150,000 tonnes in 2007. In Saudi Arabia, Lafarge signed a joint venture agreement in 2005 with local players to build a new plaster plant with a capacity of 150,000 tonnes that became operational in 2007. In Morocco, we operate a plaster plant with a capacity of 140,000 tonnes.

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

In Latin America, through companies we control jointly with the Etex group, we operate one wallboard plant in each of

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Argentina, Brazil and Chile and a plaster plant in each of Brazil and Chile. In 2007, we began the construction of a wallboard plant with a capacity of 15 million m² with a joint venture partner in Colombia. In Mexico, Lafarge operates through a joint venture with a majority partner, the Comex group. The joint venture built a new wallboard plant that began operations in January 2007.

In Asia, we conduct gypsum wallboard and related operations through a 50/50 joint venture with Boral Limited, which we manage jointly. The joint venture operates three wallboard plants in South Korea, three in China, one in Malaysia, three in Thailand and two wallboard plants in Indonesia. It also has several plaster and metal stud plants in these countries. The joint venture is building a new wallboard plant in Central West China, which should increase its annual capacity in China to more than 50 million m² annually. In 2007 the capacity of the joint venture's Dangjin plant in South Korea was doubled to 75 million m². In mid-2006, the joint venture completed the construction of a plasterboard plant in the Ho Chi Minh City area of Vietnam. This plant is the first plasterboard plant to be built and operated in Vietnam. The joint venture is building a wallboard plant in Rajasthan, India, which is expected to be completed in early 2008.

Our wallboard and related products sales in emerging markets totaled 390 million euros and 336 million euros during 2007 and 2006, respectively. These sales accounted for 24.7% and 20.5% of our total wallboard and related product sales for each respective year.