



RIGHTS ISSUE

Key terms and
rationale



Terms of transaction

Issuer

- Lafarge SA
-

Offering size

- €1.28 billion
 - Gross proceeds fully underwritten
-

Offering structure

- Capital increase with preferential subscription rights. Subscription will be possible on an irreducible and on a reducible basis.
 - Public offering in France and in the UK (mutual recognition)
 - Private placement to institutional investors in the rest of the world [under section 4(2) in the US]
-

Issue price/ratio

- €41 per new share
 - 4 new shares for 17 existing shares held
-

Lock-up

- 180 days
-

Joint lead managers

- BNP Paribas and JPMorgan

Timing of the offering

June 12

- Announcement of the terms of the rights issue
-

June 19

- **Start of subscription period:
listing and trading of rights**
-

July 2

- **End of subscription period**
-

July 15

- Settlement ; delivery and listing of new shares

Lafarge vision and strategy

- ◆ Reinforce Lafarge world leadership in building materials...
- ◆ ... relying on each of our four activities
- ◆ Deliver value creation through controlled growth and continuous performance improvement
- ◆ Excel at “multi-local” management
- ◆ Maintain strong financial discipline: financial strength is a must

Lafarge is committed to maintain strict financial discipline

- ◆ Notwithstanding the proposed rights issue, we will achieve our net debt reduction target of €1bn (excluding FX impact) for 2003 through:
 - Cash flow generation from operations through performance improvement
 - Disciplined capital expenditure (€1.2-1.3bn max.)
 - Working capital improvement program
 - Earmarked asset disposals (€400-600m)

- ◆ We intend to maintain our present dividend practice

Key objectives of offering

**Profitable
growth**

- ◆ **Enhance ability to invest in value-creating opportunities**
 - Internal and external value-creating development projects exist
 - We will continue to create value by seizing small to mid-size opportunities
 - Lafarge's ability to seize such opportunities is currently restrained

**Financial
strength
& flexibility**

- ◆ **Accelerate balance sheet strengthening**
 - By reducing debt further
 - Whilst optimising the timing of divestments
 - And preparing for the rebound

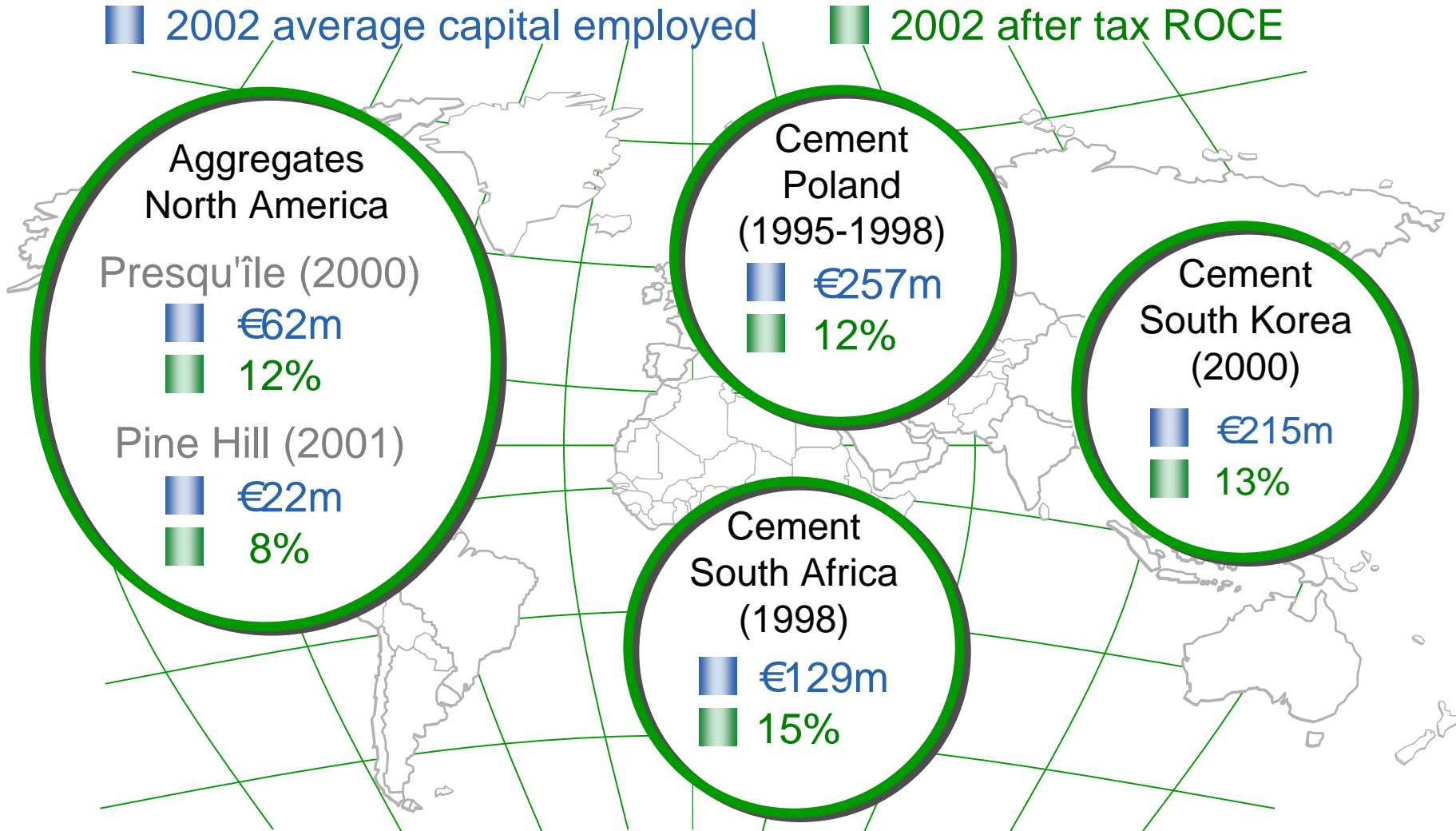
Highly selective development projects

- ♦ Selective small -and medium- size projects
- ♦ Predominantly in Cement (worldwide)
and in Aggregates (Europe and North America)
- ♦ Minimum 10% -11% after tax IRR

Track record in managing external development

- ◆ The Group has demonstrated its ability to generate value from acquisitions
 - Taking advantage of favorable market opportunities
 - Participating in market consolidation
 - Poland, Romania
 - Developing business in growth markets
 - South Korea, South Africa
 - Benefiting from dedicated and experienced development teams
 - History of seizing windows of opportunity

Track record in managing external development: examples



Track record of continuous performance improvement

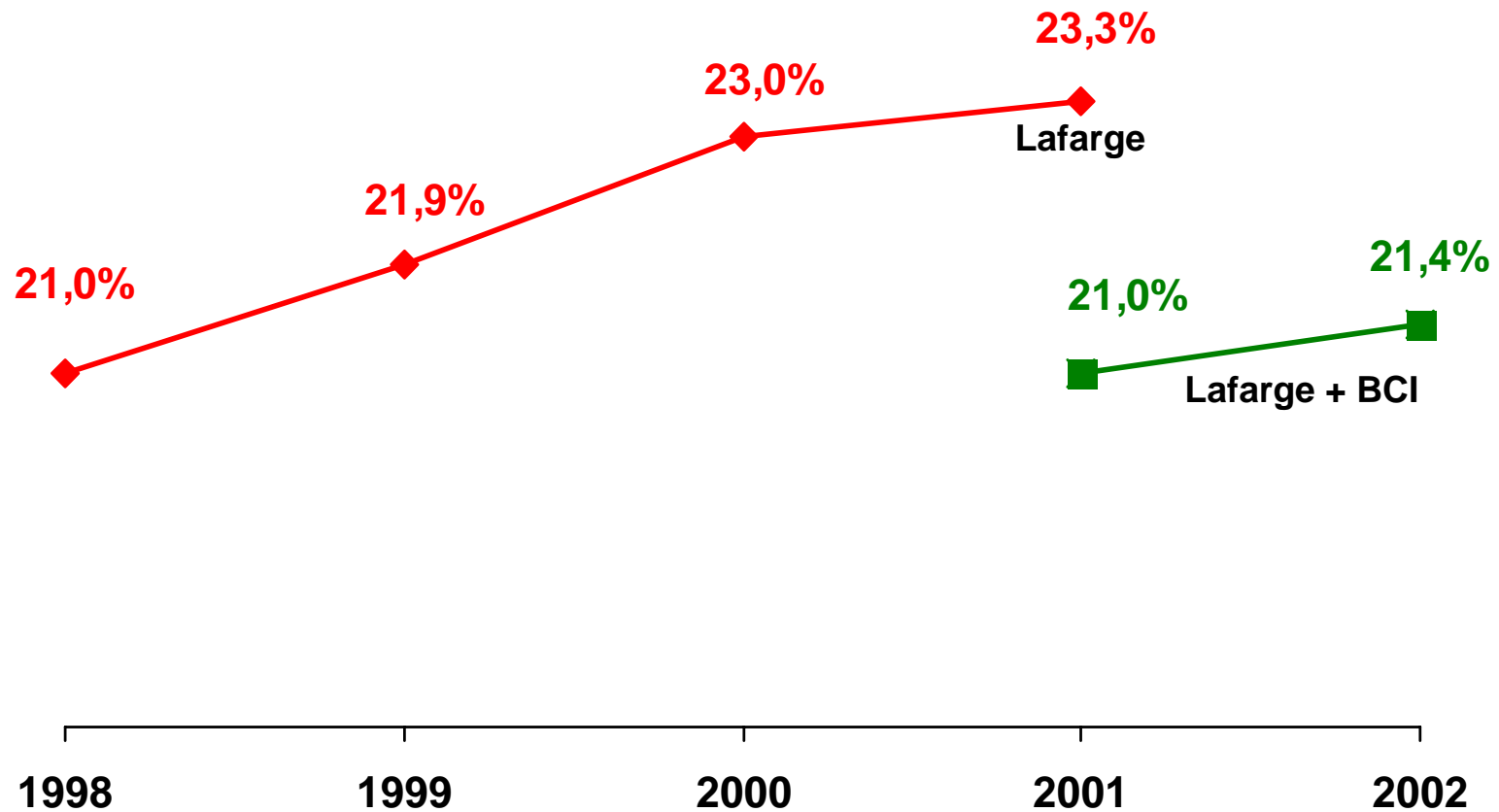
- ◆ Group performance programs are continuously rolled out and upgraded
 - “Advance” (Cement) ; “Top” / “Rock” / “Pave” (Aggregates and Concrete) ; “Spid” and “Booster” (Roofing) ; “Excellence is our commitment” (Gypsum)
- ◆ These programs incorporate:
 - A unique set of detailed benchmarking data
 - Operational best practices
 - Operating tools, models and processes to support effective implementation
 - Extensive training
- ◆ These programs are successfully used as a key integration tool
 - Blue Circle, South Korea in Cement
 - Southeastern US, Malaysia in Aggregates and Concrete

Track record of continuous performance improvement: examples

- ◆ Customer segmentation, product mix optimization and pricing policy
 - Aggregates ; Readymix Concrete (small customers and value added products) ; roofing components, specialty wallboards
- ◆ Industrial excellence
 - Improving plant reliability (Turkey, China in Cement)
 - Optimization of fuel mix and use of waste fuels (Romania, Brazil, France, Austria in Cement)
 - Manufacturing costs (Eastern Europe)
 - Capital efficiency (South Korea in Gypsum)
 - Purchasing: taking advantage of Group size and global presence through structured processes and dedicated organization
- ◆ Sustainable performance
 - Safety, CO² reduction

Track record of continuous performance improvement

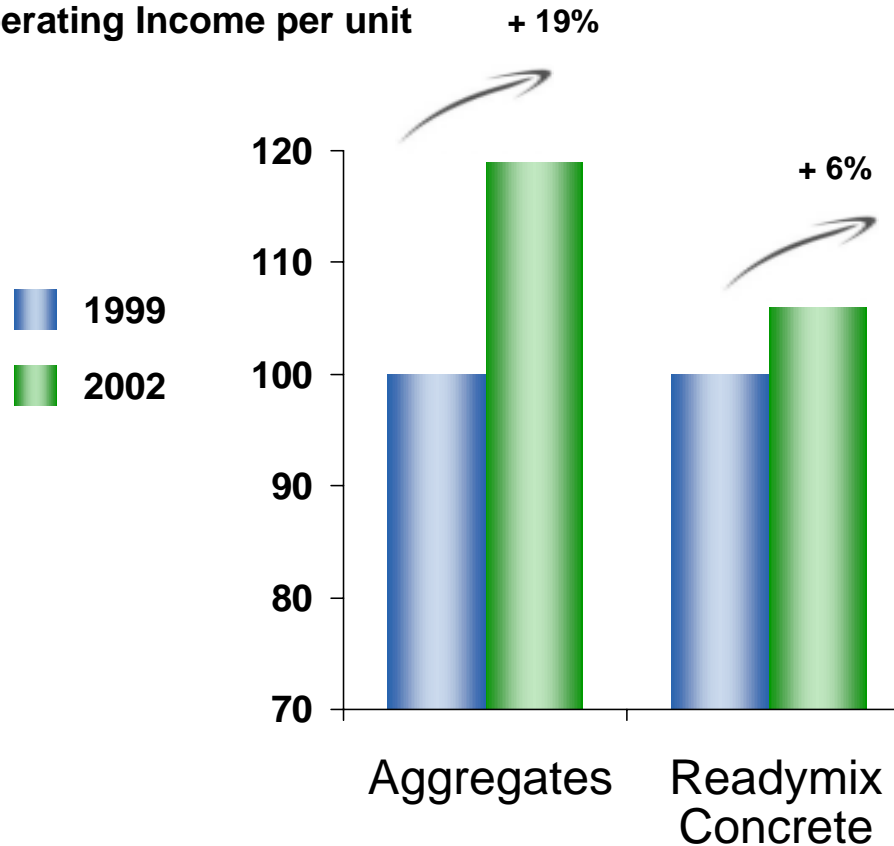
Cement: continuous improvement in operating margin



Track record of continuous performance improvement

Aggregates and Concrete: significant operational performance improvement

Evolution of Operating Income per unit



Base 100 in 1999

2003 outlook

- ◆ Uncertain economic environment
 - North America
 - Slight decline in overall US construction activity, good growth prospects in Canada
 - Western Europe
 - Overall soft markets with solid growth in Spain and continued recession in Germany
 - Emerging markets
 - Continued growth despite some possible risk areas
- ◆ Generally positive pricing outlook but a few difficult markets
- ◆ Ongoing benefit from fuel flexibility
- ◆ Negative foreign exchange translation impact

2004 major anticipated trends

- ◆ North America:
 - Positive impact of expected pick-up of US economy on non-residential construction
 - Solid public infrastructure spending
 - Slight decline in new housing
 - Overall global construction output back to long-term growth trend

2004 major anticipated trends (cont.)

- ◆ Western Europe:
 - Stable to slightly improving demand in France
 - Germany remains uncertain
 - Continuing growth in other Western European countries, fuelled by public infrastructure programs (UK, Italy, Spain)

- ◆ Emerging markets:
 - Steady growth in Eastern Europe
 - South East Asia in line with growth trends of the early nineties
 - Continuing steady growth in South Korea, India and China

Our key priorities

- ◆ Continued focus on performance improvement
- ◆ Remain committed to strict financial discipline
- ◆ Enhance Lafarge's ability to capture value creating opportunities
- ◆ Accelerate balance sheet strengthening