

Cement Group
Index to Consolidated Financial Statements

Consolidated statements of income
Consolidated balance sheets
Consolidated statements of cash flow
Consolidated statements of changes in equity
Notes to the consolidated financial statements

Cement Group
Consolidated statements of income

	Years ended December 31,			
	Notes	2005 (Note 2(z))	2005	2004
		<i>(million \$, except per share data)</i>	<i>(million euros, except per share data)</i>	
REVENUE	(3)	18,910	15,969	14,436
Cost of sales		(13,758)	(11,618)	(10,402)
Selling and administrative expenses		(2,361)	(1,994)	(1,833)
CURRENT OPERATING INCOME	(3)	2,791	2,357	2,201
Gains on disposals, net	(4)	44	37	91
Other operating income (expenses)	(5)	(186)	(157)	(218)
OPERATING INCOME	(3)	2,649	2,237	2,074
Finance (costs) income	(6)	(506)	(427)	(547)
Income from associates	(7)	45	38	74
INCOME BEFORE INCOME TAX		2,188	1,848	1,601
Income tax	(22)	(502)	(424)	(267)
NET INCOME		1,686	1,424	1,334
<i>Out of which:</i>				
GROUP SHARE		1,298	1,096	1,046
Minority interests		388	328	288
BASIC EARNINGS PER SHARE (EUROS)	(8)	7.57	6.39	6.26
DILUTED EARNINGS PER SHARE (EUROS)	(8)	7.51	6.34	6.13
BASIC AVERAGE NUMBER OF OUTSTANDING SHARES (IN THOUSANDS)	(8)	171,491	171,491	167,204

The accompanying Notes are an integral part of these consolidated financial statements.

Cement Group
Consolidated balance sheets

	At December 31,			
	Notes	2005 (Note 2(z))	2005	2004
	<i>(million \$, except per share data)</i>		<i>(million euros, except per share data)</i>	
ASSET				
NON-CURRENT ASSETS		24,327	20,543	18,241
Goodwill	(9)	7,870	6,646	5,998
Intangible assets	(10)	420	355	308
Property, plant and equipment	(11)	14,414	12,171	10,587
Investments in associates	(12)	445	376	372
Other financial assets	(14)	741	626	696
Derivative instruments	(26)	58	49	-
Deferred income tax asset	(22)	379	320	280
CURRENT ASSETS		8,706	7,352	6,259
Inventories	(15)	2,199	1,857	1,509
Trade receivables	(16)	3,241	2,737	2,264
Other receivables	(17)	1,095	925	727
Derivative instruments	(26)	116	98	209
Cash and cash equivalents	(18)	2,055	1,735	1,550
TOTAL ASSETS	(3)	33,033	27,895	24,500
LIABILITIES				
Common stock	(19)	834	704	684
Additional paid-in capital	(19-20)	7,479	6,316	6,013
Treasury shares		(116)	(98)	(102)
Retained earnings		2,398	2,025	1,337
Other reserves	(19)	83	70	32
Foreign currency translation		877	741	(182)
SHAREHOLDERS' EQUITY—PARENT COMPANY		11,555	9,758	7,782
Minority interests	(21)	3,045	2,571	2,119
EQUITY		14,600	12,329	9,901
NON-CURRENT LIABILITIES		11,410	9,635	9,774
Deferred income tax liability	(22)	671	567	632
Pension & other employee benefits liabilities	(23)	1,442	1,218	1,234
Provisions	(24)	1,165	984	920
Long-term debt	(25)	8,120	6,856	6,959
Derivative instruments	(26)	12	10	29
PUT OPTIONS ON SHARES OF SUBSIDIARIES	(27)	311	263	299
CURRENT LIABILITIES		6,712	5,668	4,526
Pension & other employee benefits liabilities, current portion	(23)	185	156	121
Provisions, current portion	(24)	146	123	118
Trade payables		1,984	1,675	1,424
Other payables	(28)	1,865	1,575	1,387
Income tax payable		195	165	46
Short term debt and current portion of long-term debt	(25)	2,233	1,886	1,387
Derivative instruments	(26)	104	88	43
TOTAL EQUITY AND LIABILITIES	(3)	33,033	27,895	24,500

The accompanying Notes are an integral part of these consolidated financial statements.

Cement Group
Consolidated statements of cash flows

	Notes	Years ended December 31,		
		2005 (Note 2(z))	2005	2004
		(million \$, except per share data)	(million euros, except per share data)	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
NET INCOME		1,686	1,424	1,334
Adjustments for income and expenses non cash or not related to operating activities, for financial expenses and income taxes:				
Depreciation and amortization of assets	(3)	1,152	973	898
Impairment losses	(5)	101	85	132
Income from associates	(7)	(45)	(38)	(74)
(Gains) on disposals, net	(4)	(44)	(37)	(91)
Finance costs (income)		506	427	547
Income taxes		502	424	267
Others, net		(54)	(46)	(13)
Change in operating working capital items, excluding financial expenses and income taxes (see analysis below)		(417)	(352)	(271)
<i>Net cash provided by operating activities before impacts of financial expenses and income taxes</i>		3,387	2,860	2,729
Cash payments for financial expenses		(531)	(448)	(398)
Cash payments for income taxes		(623)	(526)	(454)
NET CASH PROVIDED BY OPERATING ACTIVITIES		2,233	1,886	1,877
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES				
Capital expenditures	(3)	(1,721)	(1,454)	(1,133)
Investment subsidies received		2	2	1
Investment in subsidiaries and joint ventures ⁽¹⁾		(454)	(384)	(309)
Investment in associates		(12)	(10)	(4)
Investment in available for sale investments		(12)	(10)	(111)
Disposals ⁽²⁾		182	154	574
Net decrease in long-term receivables		21	18	10
NET CASH (USED IN) INVESTING ACTIVITIES		(1,994)	(1,684)	(972)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of common stock		356	301	217
Proceeds from issuance of common stock – minority interests subscription		102	86	38
Decrease in treasury shares		5	4	2
Dividends paid		(483)	(408)	(383)
Dividends paid by subsidiaries to minority interests		(162)	(137)	(121)
Proceeds from issuance of long-term debt		2,487	2,100	958
Repayment of long-term debt		(2,428)	(2,050)	(1,783)
Increase (decrease) in short-term debt		(96)	(81)	218
NET CASH (USED IN) FINANCING ACTIVITIES		(219)	(185)	(854)
INCREASE IN CASH AND CASH EQUIVALENTS		20	17	51
Net effect of foreign currency translation on cash and cash equivalents		199	168	(28)
Cash and cash equivalents at beginning of year		1,836	1,550	1,527
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(18)	2,055	1,735	1,550
<i>(1) Net of cash and cash equivalents of companies acquired</i>		33	28	49
<i>(2) Net of cash and cash equivalents of companies disposed of</i>		1	1	7
SUPPLEMENTAL DISCLOSURES				
ANALYSIS OF CHANGES IN OPERATING WORKING CAPITAL ITEMS				
(Increase) in inventories		(213)	(180)	(108)
(Increase) in trade receivables		(229)	(193)	(100)
(Increase) decrease in other receivables – excluding financial and income taxes receivables		(87)	(74)	16
Increase in trade payables		117	99	142
(Decrease) in other payables – excluding financial and income taxes payables		(5)	(4)	(221)

The accompanying Notes are an integral part of these consolidated financial statements.

Cement Group
Consolidated statements of changes in equity

	(number of shares)				(million euros)						
	Outstanding shares	Treasury shares	Common stock	Additional paid-in capital	Treasury shares	Retained earnings	Other reserves	Foreign currency translation	Shareholders' equity - parent company	Minority interests	Equity
BALANCE AT JANUARY 1, 2004	167,217,813	1,856,266	669	5,798	(104)	675	(14)	-	7,024	1,850	8,874
Available for sale investments	-	-	-	-	-	-	9	-	9	-	9
Cash-flow hedge instruments	-	-	-	-	-	-	61	-	61	-	61
Deferred taxes and others	-	-	-	-	-	(1)	(24)	-	(25)	-	(25)
Change in translation adjustments	-	-	-	-	-	-	-	(182)	(182)	(50)	(232)
<i>Income and expenses recognized directly in equity</i>	-	-	-	-	-	(1)	46	(182)	(137)	(50)	(187)
Net income	-	-	-	-	-	1,046	-	-	1,046	288	1,334
TOTAL INCOME AND EXPENSES FOR THE PERIOD (COMPREHENSIVE INCOME)	-	-	-	-	-	1,045	46	(182)	909	238	1,147
Dividends paid	-	-	-	-	-	(383)	-	-	(383)	(121)	(504)
Issuance of common stock (dividend reinvestment plan)	3,483,477	-	14	193	-	-	-	-	207	-	207
Issuance of common stock (exercise of stock options)	217,788	-	1	9	-	-	-	-	10	-	10
Share based payments	-	-	-	13	-	-	-	-	13	-	13
Treasury shares	-	(21,870)	-	-	2	-	-	-	2	-	2
Other movements – minority interests	-	-	-	-	-	-	-	-	-	152	152
BALANCE AT DECEMBER 31, 2004	170,919,078	1,834,396	684	6,013	(102)	1,337	32	(182)	7,782	2,119	9,901
Available for sale investments	-	-	-	-	-	-	42	-	42	-	42
Cash-flow hedge instruments	-	-	-	-	-	-	16	-	16	-	16
Deferred taxes and others	-	-	-	-	-	-	(20)	-	(20)	-	(20)
Change in translation adjustments	-	-	-	-	-	-	-	923	923	278	1,201
<i>Income and expenses recognized directly in equity</i>	-	-	-	-	-	-	38	923	961	278	1,239
Net income	-	-	-	-	-	1,096	-	-	1,096	328	1,424
<i>Total income and expenses for the period (comprehensive income)</i>	-	-	-	-	-	1,096	38	923	2,057	606	2,663
Dividends paid	-	-	-	-	-	(408)	-	-	(408)	(137)	(545)
Issuance of common stock (dividend reinvestment plan)	3,995,201	-	16	232	-	-	-	-	248	-	248
Issuance of common stock (exercise of stock options)	494,899	-	2	20	-	-	-	-	22	-	22
Employee stock purchase plan	576,125	-	2	31	-	-	-	-	33	-	33
Share based payments	-	-	-	20	-	-	-	-	20	-	20
Treasury shares	-	(48,703)	-	-	4	-	-	-	4	-	4
Other movements – minority interests	-	-	-	-	-	-	-	-	-	(17)	(17)
BALANCE AT DECEMBER 31, 2005	175,985,303	1,785,693	704	6,316	(98)	2,025	70	741	9,758	2,571	12,329

The accompanying Notes are an integral part of these consolidated financial statements.

Note 1 - Business Description

Cement Group (the "Group") is world leader in construction materials. The Group organizes its operations into four divisions: Cement, Aggregates & Concrete, Roofing and Gypsum.

These financial statements were examined by the Board of Directors on February 22, 2006.

Note 2 - Summary of Significant Accounting Policies

(a) Basis of preparation

In accordance with the European Regulation No 1606/2002 issued July 19, 2002, the 2005 consolidated financial statements of the Group are prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union, which does not differ for the Group with the IFRS as published by International Accounting Standards Board ("IASB").

The 2004 comparative information has been restated in accordance with IFRS principles effective at the time these financial statements have been prepared, in accordance with IFRS 1 "First Time Adoption of IFRS".

Until December 31, 2004, the Group consolidated financial statements were prepared in accordance with the provisions of French accounting legislation and standards ("Previous GAAP").

As a first-time adopter of IFRS at January 1, 2004, the Group has followed the specific prescriptions described in IFRS 1. The options selected for the purpose of the transition to IFRS are described in the following Notes to the consolidated financial statements. Impacts of the transition on the balance sheet at January 1, 2004, the profit and loss for the year ended December 31, 2004 and the balance sheet at December 31, 2004 are presented and commented upon in Note 35 of this document.

(b) Principles of consolidation

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.

Investments in companies in which the Group and third party investors have agreed to exercise joint control are consolidated by the proportionate consolidation method with the Group's share of the joint ventures results of operations, assets and liabilities recorded in the consolidated financial statements.

Investments, over which the Group exercises significant influence, but not control, are accounted for under the equity method. Such investees are referred to as "associates" throughout these consolidated financial statements.

All intercompany balances and transactions have been eliminated in consolidation. With respect to proportionately consolidated companies, intercompany transactions are eliminated on the basis of the Group's interest in the entity involved.

(c) Use of estimates

The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and of revenues and expenses. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from the estimates.

Significant estimates made by the management in the preparation of these financial statements include assumptions used for depreciation, pension liabilities, deferred taxes, valuation estimates for long-lived assets and other investments, reserves, recognized and disclosed amounts for certain financial instruments and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The estimates used by the Group are detailed in the corresponding disclosures.

(d) Translation of financial statements denominated in foreign currencies

1) General principle

The functional currency of the Group's foreign subsidiaries is the applicable foreign currency.

The accounts of foreign subsidiaries, which functional currency is not the euro, are translated into euros using the period end closing rate of exchange for all balance sheet accounts. The average period rate of exchange is applied to revenues, expenses and amounts presented on the statements of cash flows. The resulting translation adjustments are included as a separate component of shareholders' equity.

Goodwill and fair value adjustments at the time of a business combination are considered as assets or liabilities of the acquired subsidiary. As such, they are recorded in the functional currency of the subsidiary and translated into euros using the period end closing rate of exchange.

The exchange rates for the translation of main currencies were as follows:

1 for euro monetary unit	2005		2004	
	Average rate	Year end rate	Average rate	Year end rate
Brazilian real (BRL)	0.3288	0.3621	0.2748	0.2763
Canadian dollar (CAD)	0.6624	0.7286	0.6184	0.6092
Chilean peso (CLP)	0.0014	0.0016	0.0013	0.0013
Chinese yuan (CNY)	0.0980	0.1050	0.0972	0.0887
Egyptian pound (EGP)	0.1388	0.1477	0.1295	0.1186
British pound (GBP)	1.4622	1.4592	1.4736	1.4183
Moroccan dirham (MAD)	0.0905	0.0914	0.0905	0.0889
Malaysian ringitt (MYR)	0.2121	0.2243	0.2116	0.1932
Nigerian naira (NGN)	0.0060	0.0065	0.0060	0.0055
Philippine peso (PHP)	0.0146	0.0159	0.0143	0.0131
Polish zloty (PLN)	0.2486	0.2591	0.2206	0.2448
U.S. dollar (USD)	0.8034	0.8477	0.8043	0.7342
Venezuelan bolivar (VEB)	0.0004	0.0004	0.0004	0.0004
South African rand (ZAR)	0.1263	0.1340	0.1247	0.1300

2) Hyper-inflationary countries

For companies that operate in countries which have been designated as hyper-inflationary, balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a 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 income.

In defining hyper-inflation, the Group employs criteria which include characteristics of the economic environment, such as inflation and foreign currency exchange rate fluctuations.

3) Specific treatment related to first-time adoption of IFRS

The Group, as permitted by IFRS 1, elected to "reset to zero" previous cumulative translation differences arising from the translation into euros of foreign subsidiaries' financial statements denominated in foreign currency. The amount existing in the Previous GAAP accounts at January 1, 2004 has been included in retained earnings. This reclassification has no impact on shareholders' equity. Translation adjustments which predate IFRS transition will therefore not be included when calculating gains or losses arising from the future disposal of consolidated subsidiaries, joint-ventures or associates.

(e) Business combinations, related goodwill and intangible assets

1) Business combinations

Business combinations after January 1, 2004

These business combinations are accounted for in accordance with the purchase method. Once control is obtained over a company, its assets and liabilities are recognized in accordance with the rules set in IFRS 3, "Business Combinations", and are measured at their fair value at the acquisition date. Any excess of the cost of acquisition over the Group's share in the fair value of all identified assets and liabilities is recognized as goodwill.

When the Group initially acquires a controlling interest in a business, any portion of the assets and liabilities retained by minority shareholders is also recorded at its fair value.

Accordingly, if the Group subsequently acquires the assets and liabilities considered held by minority shareholders, no additional fair value adjustment is recorded at that time. The difference between the purchase price and the carrying value of purchased assets and liabilities is recorded as goodwill.

Initial estimates of fair values are finalized within a one-year allocation period. When goodwill is determined provisionally by the end of the period in which the combination is effected, the Group recognizes any adjustments to those provisional values within twelve months of the acquisition date. If the adjustments materially effect the presentation of the consolidated financial statements, comparative information presented for the periods before the initial accounting of fair values is complete is presented, as if the initial accounting had been completed at the acquisition date.

Specific treatment related to first-time adoption of IFRS

As permitted by IFRS 1, the Group has not restated the business combinations which predate the transition date (January 1, 2004).

The Group has applied the purchase method to all its business combinations since January 1, 1989. Before January 1, 1989, positive and negative goodwill were written off against retained earnings.

2) Goodwill

As required by IFRS 3, "Business Combinations", and IAS 36, "Impairment of assets", subsequent to January 1, 2004, goodwill is no longer amortized but is tested for impairment at least annually.

Before January 1, 2004, under Previous GAAP, the Group was amortizing goodwill on a straight-line basis over the estimated period of benefit, up to 40 years, which reflected the long-term nature of our business.

3) Indefinite life intangible assets recorded during a business combination

Under Previous GAAP, 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", but as a component of goodwill. They have been reclassified to goodwill at their carrying value as at January 1, 2004.

(f) Revenue recognition

Consolidated revenues represent the value, before sales tax, of goods, products and services sold by consolidated enterprises as part of their ordinary activities, after elimination of intra-group sales.

Revenues from the sale of goods and products are recorded when we have transferred the significant risks and rewards of ownership of the goods to the buyer (generally at the date ownership is transferred).

Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Amounts billed to a customer in a sales transaction related to shipping and handling are included in "Revenue", and costs incurred for shipping and handling are classified as "Cost of sales".

(g) Current operating income

Current operating income corresponds to operating income before:

- net gains or losses on the sale of assets;
- other operating income and expenses that mainly include impacts of:
 - restructuring,
 - impairment of assets (including impairment of goodwill),
 - litigation or other events highly unusual.

It represents an element of the main performance indicator used by the Group, as mentioned in Note 3.

(h) Finance costs and income

Finance costs and income include:

- interest charges and income relating to 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 (except employee benefits);
- financial exchange gains and losses;
- gains and losses associated with certain derivative instruments;
- change in value of trading investments.

Finance income is presented on a separate line of the income statement when material.

(i) Earnings per share

Basic earnings per share is computed by dividing income available to shareholders of the parent company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed by dividing adjusted net income available to shareholders of the parent company by the weighted average number of common shares outstanding during the year adjusted to include any dilutive potential common shares.

Potential common shares result from share options and convertible securities issued by the Group on its own common shares.

(j) Intangible assets

In accordance with criteria set in IAS 38, "Intangible assets", only items for which future economic benefits are likely to flow to the Group are able to be recognized in the consolidated financial statements.

Intangible assets primarily include depreciable items such as software, mineral rights, and real estate development rights.

Intangible assets are amortized using the straight-line method over their useful lives ranging from three to five years, except for mineral rights, which are amortized based upon tons extracted, and real estate development rights, which are amortized over the estimated life of the development program.

Research and 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 programs.

In our businesses, expenses incurred are generally considered as research costs, in accordance with criteria set in IAS 38, "Intangible assets", and are generally expensed as incurred.

Research costs which are expensed as incurred were 55 million euros and 54 million euros for the years ended December 31, 2005 and 2004 respectively.

(k) Property, plant and equipment

Property, plant and equipment is recorded at historical cost.

In accordance with IAS 17, "Lease contracts", the Group capitalizes assets financed through capital leases where the lease arrangement transfers to the Group substantially all of the benefits and risks of ownership. Lease arrangements are evaluated based upon the following criteria:

- the lease term in relation to the assets' useful lives;
- the total future payments in relation to the fair value of the financed assets;
- existence of transfer of ownership;
- existence of a favorable purchase option;
- specificity of the leased asset.

Interest on borrowings related to the financing of significant construction projects and incurred during development activities is capitalized in project costs.

Investment subsidies are deducted from the cost of the property, plant and equipment.

Depreciation on property, plant and equipment is calculated as follows:

- Land is not depreciated;
- Mineral reserves consisting of proven and probable reserves are depleted using the units-of-production method;
- Buildings are depreciated using the straight-line method over estimated useful lives varying from 20 years to 50 years for offices or residential properties;

Plant, machinery, equipment and installation costs are depreciated using the straight-line method over their estimated useful lives, ranging from eight to 30 years.

The historical cost of assets is classified into specific cost categories based upon their distinct characteristics. Each cost category represents components with specific useful lives. Useful lives are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis.

Generally, residual values are considered immaterial.

The depreciation expense is recorded in "Cost of sales" and "Selling and administrative expenses", based on the function of the underlying assets.

(l) Impairment of long-lived assets

1) Goodwill

In accordance with IAS 36, "Impairment of Assets", the net book value of goodwill is reviewed at least annually, during the second half of the year, to take into consideration factors that may have affected the assets value and recoverability.

For the purposes of the test, the Group's net assets are allocated to Cash Generating Units or reporting units (CGUs). Our four divisions are considered to be our four reporting/operating segments, each comprised of multiple CGUs. Our CGUs represent businesses that are one level below the reporting/operating segment and, generally, perform one of our four activities in a particular country. The CGU is the level used by the Group to organize and present activities and results in its internal reporting.

In its goodwill impairment test, the Group uses a combination of a market approach (fair value) and an income approach (value in use). In the market approach, we compare the carrying value of our CGUs with multiples of their current operating income before depreciation and amortization. For CGUs presenting an impairment risk according to the market approach, we then use the value in use approach. In the value in use approach, we estimate the discounted value of the sum of the expected future cash flows over a 10 year period. This period reflects the characteristics of our activities where operating assets have a long lifespan and where products evolve slowly. If the carrying value of the CGU exceeds the higher of the fair value or the value in use of the related assets and liabilities, the Group records an impairment of goodwill (in "other operating expenses").

Evaluations for impairment are significantly impacted by estimates of future prices for our products, the evolution of expenses, economic trends in the local and international construction sector, expectations of long-term development of emerging markets and other factors. This also depends on the discount rates and perpetual growth rates used. The Group has defined country specific discount rates for each of its CGUs based on their weighted-average cost of capital.

In some cases, the Group uses a third party valuation as part of its impairment test.

2) Property, plant & equipment and depreciable intangible assets

Whenever events or changes in circumstances indicate that the carrying amount of tangible and intangible assets may not be recoverable, the carrying value is compared with the estimated discounted cash flows expected to result from the use of the assets and their possible disposal (value in use) and with the fair value when available. If the higher of the fair value and the value in use is less than the carrying amount of these assets, an impairment loss is recognized for the difference ("other operating expenses"). The newly assessed asset is depreciated over the remaining life of the asset.

(m) Other financial assets

Other financial assets consist of shares held in equity securities, shares in listed companies treated as long-term equity investments, long-term receivables or deposits and cash balances that are restricted from use.

In accordance with IAS 39, "Financial instruments: recognition and measurement", the Group classifies financial assets 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), loans and receivables (assets with fixed or determinable payments that are not quoted in an active market) and available-for-sale (all other assets).

Most of the marketable debt and equity securities held by the Group are classified as available-for-sale. They are reported at their fair value (quoted price when available), with unrealized gains and losses excluded from earnings and are included in other reserves in the statement of shareholders' equity.

When an other-than-temporary impairment is identified, the impairment is recognized directly in profit and loss. The Group assesses other-than-temporary impairment based on the value in use of the investment. This value in use, assessed on an individual investment basis, is measured according to such criteria as the Group share of net assets, the stock price or expected future profitability, weighted by the effects of holding these investments in terms of the Group's strategy, or synergy with existing businesses. Once impairment is recognized in profit and loss, any further increase in the investment fair value is recognized directly in equity.

Loans and receivables accounted for at amortized cost are measured in accordance with the effective interest rate method. They are reviewed for impairment on an individual basis if there is any indication they may be impaired.

Financial assets that are designated as held-to-maturity are measured at amortized cost, in accordance with the effective interest rate method.

Trading investments are measured at fair value with gains and losses recorded as financial profits or expenses.

All financial assets are reviewed on an annual basis for impairment to assess if there is any indication that the asset may be impaired.

Purchases and sales of all financial assets are generally accounted for at trade date.

(n) Derecognition of financial assets

Under IAS 32, "Financial instruments: Disclosure and Presentation", 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 case of recovery failure (either in the form of a subordinated retained interest or a direct recourse) do not qualify for derecognition.

(o) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method.

(p) Cash and cash equivalents

Cash and cash equivalents consist of cash, highly liquid investments and cash equivalents with an original maturity date of generally less than three months from the time of purchase.

Cash balances that are restricted from use (restrictions other than those linked to exchange controls or other legal restrictions in force in some countries) by the Group are excluded from cash and cash equivalents presented in the balance-sheet and in the cash-flow statement and are classified in noncurrent assets on the line "Other financial assets" in the consolidated balance sheets.

(q) Treasury shares

Treasury shares (own equity instruments held by the Group or subsidiaries) are accounted for as a reduction of shareholders' equity at acquisition cost and no further recognition is made for changes in fair value. When treasury shares are resold, any difference between the cost and fair value is recognized directly in shareholders' equity.

(r) Financial liabilities and derivative instruments

1) Recognition and measurement of financial liabilities

Financial liabilities and long-term loans are measured at amortized cost calculated based on the effective interest rate method.

Accrued interests on loans are presented within "Other payables" in the balance sheet.

Financial liabilities hedged by an interest rate swap that qualifies for fair value hedge accounting are measured in the balance sheet 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 of 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

Under IAS 32, "Financial Instruments: Disclosure and Presentation", if a financial instrument contains components with characteristics of both liability and equity items, we classify the component parts separately according to the definitions of the various items. This includes financial instruments that create a debt and grant an option to the holder to convert the debt into equity instruments (e.g. bonds convertible into common shares).

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 shareholders' equity derivative component as defined in IAS 32.

The equity component is assigned the residual carrying amount after deducting from the instrument as a whole the amount separately determined for the liability component.

3) Derivative instruments and hedge relationships

The Group enters into financial derivative contracts only in order to reduce its exposure to changes in interest rates, foreign currency exchange rates and raw material 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 into various interest rate swaps to manage its interest rate exposure. The objective of the swaps is, depending on the circumstances, to modify instruments from fixed rate to floating and floating rate to fixed.

Pursuant to the guidance in IAS 39 and IAS 32, the Group records in its financial statements financial instruments which meet the criteria for recognition as derivatives. Derivative instruments are marked to market and recorded on the balance sheet 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 earnings of the period of change. The part corresponding to the efficient portion of the hedge is offset by the loss or gain recognized on the hedged item.

In case of a cash flow hedge relationship, changes in fair value on the hedging item that is determined to be an effective hedge are initially recognized directly in equity. The ineffective portion of the gain or loss is recognized in earnings immediately. The gain or loss recognized in equity is subsequently reclassified to profit and loss when the hedged exposure affects earnings.

For embedded derivatives, the gain or loss is recognized in earnings in the period of the change in fair value.

4) Put options on shares of subsidiaries

Under IAS 32, put options granted to minority interests of subsidiaries are considered as debt. Balancing impacts are not specifically addressed in IFRS.

As such, until the IASB issues specific guidance, the Group records a specific debt in the balance sheet by reclassifying the underlying minority interests and recording goodwill in an amount equal to the difference between the carrying value of minority interests and the value of the 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 earnings of the period and the debt of the subsidiary at the closing date of the estimation. The change in the value of the instrument is recorded against the goodwill initially recorded on these instruments.

There is no impact on the consolidated statements of income.

(s) Pensions, end of service benefits and other post retirement benefits

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 end of service 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 best estimate 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 Group's obligations are discounted by country based upon discount rates appropriate in the circumstances. 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 closing date.

For most defined benefit plans, changes in actuarial assumptions which affect the value of the obligations and the differences between expected and actual long-term return on plan assets are accounted for as actuarial gains and losses.

The current period pension expense is comprised of the increase in the obligation, which results from the additional benefits earned by employees in the period, and the interest expense, which results from the outstanding pension obligation. The amounts described above are reduced by the expected return on plan assets.

Actuarial gains and losses which exceed a corridor corresponding to 10% of the greater of the fair value of plans assets or plan obligations are amortized to profit and loss over the expected remaining service lives of the related employees ("corridor" method).

The current period pension expense and amortization of actuarial gains and losses are recorded in current operating income ("cost of sales" or "selling and administrative expenses", based on the beneficiaries of the plan).

Pension plans amendments are, in general, recognized in profit and loss:

- in the year of the amendment for the part related to vested benefits;
- over the remaining service life of related employees for the portion related to non-vested benefits.

In the event of overfunding of a plan's liabilities by its dedicated assets, the Group applies the limitations applicable under IAS 19 (asset ceiling) to the prepaid pension cost amount to be recognized on the employer's balance sheet.

3) Other post-retirement benefits

Certain of the Group's subsidiaries grant their employees and dependants post-retirement medical coverage or other types of post-employment benefits.

These costs are calculated based upon actuarial determinations and are recorded 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).

Specific treatment related to first-time adoption of IFRS

The Group has elected to use the option available in IFRS 1 under which any difference existing as at January 1, 2004 between defined benefit plan liabilities and the fair value of dedicated assets can be recognized in equity, except the non-vested portion of unrecognized prior service costs.

As a consequence, at January 1, 2004, in its accounts prepared in accordance with IFRS, the Group does not carry any unamortized actuarial gains or losses relating to post-employment benefits. The corridor method has been applied prospectively, beginning January 1, 2004.

(t) 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

Reserves for restructuring costs are provided when the restructuring plans have been finalized and approved by the Group's management, have been announced before the balance sheet date and result in an obligation to third parties. Such reserves include costs that are not associated with the ongoing activities of the entity.

2) Site restoration

When the Group is legally, contractually or constructively required to restore a quarry site, the estimated costs of site restoration are accrued and amortized to cost of sales, on a units-of-production basis over the operating life 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.

3) Environmental costs

Costs incurred that result in future economic benefits, such as extending useful lives, increased capacity or safety, and those costs incurred to mitigate or prevent future environmental contamination are capitalized. When the Group determines that it is probable that a liability for environmental costs 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 in the balance sheet). When the Group does not have a reliable reversal time schedule or when the effect of the passage of time is not material, the provision is calculated based on undiscounted cash flows.

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

4) Product warranties

The Group's warranty policy generally provides 30-year coverage for roofing concrete tiles. The Group's policy is to accrue the estimated cost of warranty coverage at the time the sale is recorded.

(u) Income taxes

In accordance with IAS 12 – *Income Taxes*, deferred income taxes are accounted for by applying the balance-sheet liability method to temporary differences between the tax basis of assets and liabilities and their carrying amounts in the balance sheet (including tax losses available for carry forward). Deferred taxes are measured by applying currently enacted tax laws. Deferred tax assets are recognized and their recoverability is then assessed. If it is not reasonably certain that they will be recovered in future years, a valuation allowance is recorded to reduce the deferred tax asset to the amount that is reasonably certain to be recovered.

The Group offsets deferred tax assets and liabilities in the balance sheet 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 computes its income tax obligations in accordance with the prevailing tax legislation in the countries where the income is earned.

(v) Share based payments

On a regular basis, the Group grants purchase or subscription share options to employees 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

Share option fair value is calculated at grant date using the Black & Scholes model. Further changes in the fair value of instruments granted are not considered.

The fair value is recognized in profit and loss (in current operating income) on a linear basis over the vesting period (generally 4 years for stock options) with a corresponding increase to additional paid-in-capital.

In accordance with IFRS 2, only options granted after November 7, 2002 and not fully vested at January 1, 2004 are 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 at which the Group and employees share a common understanding of the characteristics of the offer.

The measurement of the cost takes into account the bonuses paid under 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.

(w) Emission rights: cap and trade scheme

Where the Group is involved in a cap and trade scheme, and until the IASB issues a position on the appropriate accounting treatment, the Group will account for the effects of such scheme as follows:

- Emission rights granted by governments are not recorded in the balance sheet, as they have a cost equal to zero;
- Proceeds from the sale of granted emission rights are recorded as a reduction in 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 or if the Group intends to sell them;
- Provisions are recorded (in cost of sales) when estimated yearly actual emissions exceed the number of emission rights granted for the period or purchased to cover actual emissions.

No other impact is recorded in the statement of income or in the balance sheet.

(x) Non-current assets held for sale and discontinued activities

A fixed asset or a grouping 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 (or groupings of assets and liabilities) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or groupings of assets and liabilities) and its sale must be highly probable. Such assets or groupings of assets and liabilities are presented separately in the balance sheet when they are material. These assets or grouping of assets and liabilities are measured at the lower of their carrying value and fair value less costs to sell.

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;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Amounts included in the statement of income and statement of cash flow statement related to these discontinued operations are presented separately for the current period and all prior periods presented in the financial statements if they are material.

(y) Accounting pronouncements not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were issued but not yet effective:

- IFRS 6 - *Exploration for and evaluation of mineral resources* (applicable in 2006).
- IFRS 7 - *Financial instruments - Disclosures* (applicable in 2007).
- IFRIC 4 - *Determining whether an arrangement contains a lease* (applicable in 2006).
- IFRIC 5 - *Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds* (applicable in 2006).
- IFRIC 7 - *Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies* (applicable in 2007).
- IFRIC 8 - *Scope of IFRS 2* (applicable in 2007).
- Amendment to IAS 19 - *Employee benefits - Actuarial gains and losses, Group Plans and Disclosures* (applicable in 2006).
- Amendment to IAS 39 - *Financial Instruments: Recognition and Measurement - The Fair Value Option* (applicable in 2006).

The Group is currently reviewing these Standards and Interpretations to measure the potential impact on its consolidated results of operations, financial position and cash flows and to assess potential change in the Group's disclosures. At this stage, we do not anticipate any significant impact for the Group.

(z) Convenience translation

The consolidated balance sheet and consolidated statements of income and cash flows include the presentation of amounts as of and for the year ended December 31, 2005 denominated in U.S. dollars (" \$" or "U.S. dollar"). These amounts are presented for the convenience of the reader and have been prepared using an exchange rate of euro1.00 to \$1.1842 which was the Noon Buying Rate on December 30, 2005. Such translation should not be construed as representation that the Euro amount has been, could have been, or could in the future be, converted into U.S. dollar at that or any other exchange rate.

Note 3 - Business Segment and Geographic Area Information

Operating segments are defined as components of an enterprise that are engaged in providing products or services and that are subject to risks and returns that are different from those of other business segments.

The Group operates in the following four business segments: Cement, Aggregates & Concrete, Roofing and Gypsum, each of which represents separately managed strategic business segments that have different capital requirements and marketing strategies. Each business segment is managed separately because each business segment develops, manufactures and sells distinct products.

Group management internally evaluates its performance based upon current operating income (defined as operating income before net gains on disposals and other operating income and expenses), share in net income of associates and capital employed (defined as the total of goodwill, intangible and tangible assets, investments in associates and working capital) as disclosed in its business segment and geographic area information.

- The Cement segment produces and sells a wide range of cement and hydraulic binders adapted to the needs of the construction industry.
- The Aggregates & Concrete segment produces and sells aggregates, ready mix concrete, other concrete products and other products and services related to paving activities.
- The Roofing segment produces and sells roof tiles, roofing accessories and chimney systems.
- The Gypsum segment mainly produces and sells drywall for the commercial and residential construction sectors.

The accounting policies applied to segment earnings comply with those described in Note 2. The Group accounts for intersegment sales and transfers at market prices. As the Group's primary segment reporting is business segment as described above, the secondary information is reported geographically with revenue presented by region or country of destination of the revenue.

(a) Business segment information

	2005					
(million euros)	Cement	Aggregates & Concrete	Roofing	Gypsum	Other	Total
STATEMENT OF INCOME						
Gross revenue	8,314	5,392	1,514	1,479	25	16,724
Less: intersegment	(719)	(15)	-	(17)	(4)	(755)
REVENUE	7,595	5,377	1,514	1,462	21	15,969
Current operating income	1,770	398	98	151	(60)	2,357
Gains on disposals, net	10	14	(3)	3	13	37
Other operating income (expenses)	(76)	(6)	(52)	(8)	(15)	(157)
<i>Including impairment on assets and goodwill</i>	<i>(53)</i>	<i>(4)</i>	<i>(20)</i>	<i>(7)</i>	<i>(1)</i>	<i>(85)</i>
OPERATING INCOME	1,704	406	43	146	(62)	2,237
Finance (costs) income						(427)
Income from associates	8	8	7	15	-	38
Income taxes						(424)
NET INCOME						1,424
OTHER INFORMATION						
Depreciation and amortization	(519)	(233)	(123)	(71)	(27)	(973)
Other segment non cash income (expenses) of operating income	(88)	(11)	2	4	175	82
Capital expenditures	824	358	139	101	32	1,454
Capital employed	13,982	3,932	2,181	1,267	290	21,652
BALANCE SHEET						
Investments in associates	115	40	143	71	7	376
Other segment assets	16,043	5,313	2,289	1,524	1,883	27,052
Unallocated assets ^(a)						467
TOTAL ASSETS						27,895
Segment liabilities	2,023	1,138	670	321	1,744	5,896
Unallocated liabilities and equity ^(b)						21,999
TOTAL EQUITY AND LIABILITIES						27,895

(a) Deferred tax assets and derivative instruments.

(b) Deferred tax liability, financial debt including put option on minority interests and derivative instruments, equity.

	2004					
(million euros)	Cement	Aggregates & Concrete	Roofing	Gypsum	Other	Total
STATEMENT OF INCOME						
Gross revenue	7,403	4,761	1,493	1,353	51	15,061
Less: intersegment	(593)	(14)	-	(13)	(5)	(625)
REVENUE	6,810	4,747	1,493	1,340	46	14,436
Current operating income	1,597	357	149	132	(34)	2,201
Gains on disposals, net	50	18	3	-	20	91
Other operating income (expenses)	(80)	(9)	(52)	-	(77)	(218)
<i>Including impairment on assets and goodwill</i>	<i>(55)</i>	<i>(1)</i>	<i>(24)</i>	<i>-</i>	<i>(52)</i>	<i>(132)</i>
OPERATING INCOME	1,567	366	100	132	(91)	2,074
Finance (costs) income						(547)
Income from associates	40	5	10	13	6	74
Income taxes						(267)
NET INCOME						1,334
OTHER INFORMATION						
Depreciation and amortization	(507)	(187)	(114)	(65)	(25)	(898)
Other segment non cash income (expenses) of operating income	46	13	(8)	1	(8)	44
Capital expenditures	631	285	124	48	45	1,133
Capital employed	12,167	3,337	2,118	1,147	139	18,908
BALANCE SHEET						
Investments in associates	125	30	140	59	18	372
Other segment assets	13,935	4,793	2,411	1,434	1,066	23,639
Unallocated assets ^(a)						489
TOTAL ASSETS						24,500
Segment liabilities	1,657	970	656	279	1,688	5,250
Unallocated liabilities and equity ^(b)						19,250
TOTAL EQUITY AND LIABILITIES						24,500

(a) Deferred tax assets and derivative instruments.

(b) Deferred tax liability, financial debt including put option on minority interests and derivative instruments, equity.

(b) Geographic area information

(million euros)	2005			2004		
	Revenue	Capital expenditure	Capital employed	Revenue	Capital expenditure	Capital employed
WESTERN EUROPE	6,280	528	8,802	6,020	387	8,439
<i>Of which:</i>						
France	2,384	221	1,888	2,238	158	1,698
Germany	530	52	1,030	583	58	1,072
Spain	519	99	718	464	20	756
United Kingdom	1,453	155	2,560	1,391	74	2,434
NORTH AMERICA	4,516	440	5,273	3,938	384	4,225
<i>Of which:</i>						
United States	2,909	328	3,900	2,552	292	3,129
Canada	1,607	112	1,373	1,386	92	1,096
MEDITERRANEAN BASIN	671	70	926	534	39	770
CENTRAL AND EASTERN EUROPE	905	79	1,188	746	70	1,142
LATIN AMERICA	707	101	1,261	579	62	793
AFRICA	1,414	76	1,034	1,190	64	837
ASIA / PACIFIC	1,476	160	3,168	1,429	127	2,702
TOTAL	15,969	1,454	21,652	14,436	1,133	18,908

Note 4 - Gains on Disposals, Net

Components of gains on disposals, net are as follows:

<i>(million euros)</i>	Years ended December 31,	
	2005	2004
Gain on disposals of consolidated subsidiaries, joint ventures and associates, net	25	63
Gain on sale of other long-term assets, net	12	28
GAINS ON DISPOSALS, NET	37	91

The tax effect on capital gains and losses is mentioned in the reconciliation of effective tax rate (Note 22(a) - Income taxes).

Note 5 - Other Operating Income (Expenses)

Components of other operating income (expenses) are as follows:

<i>(million euros)</i>	Years ended December 31,	
	2005	2004
Impairment losses on goodwill *	(65)	(16)
Impairment losses on intangible assets	-	(47)
Impairment losses on property, plant and equipment	(20)	(64)
Other impairment losses	-	(5)
IMPAIRMENT LOSSES	(85)	(132)
Restructuring costs **	(53)	(35)
Litigations	(27)	(27)
Other expenses	(47)	(57)
Other income	55	33
OTHER OPERATING INCOME (EXPENSES)	(157)	(218)

* Impairment losses on goodwill are detailed in Note 9 (c).

** Restructuring costs are detailed in Note 24 (b).

In 2005, "Other income" includes a 42 million euro gain as the result of the partial refund of a fine paid in 1999 to the Greek State by Heracles, under a European Union judgment related to state aid received in the mid 1980's.

In 2004, "Impairment losses on intangible assets" includes a write-down of real estate development rights of 45 million of euros (estimate based on a third-party valuation).

In 2004, "Impairment losses on property, plant & equipment" includes a write-off of our Indonesian assets (Cement segment) of 38 million euros related to the Tsunami damages that occurred on December 26, 2004. In addition, "Other income" includes expected insurance proceeds to be received for 33 million euros related to the above mentioned damages.

The related tax effect is mentioned in the reconciliation of effective tax rate (Note 22(a) – Income taxes).

Note 6 - Finance (Costs) Income

Components of finance (costs) income are as follows:

<i>(million euros)</i>	Years ended December 31,	
	2005	2004
Interest income	65	51
Interest expense	(489)	(504)
Net loss on interest rate instruments designated as cash flow hedges transferred from equity	(12)	(11)
NET INTEREST INCOME (EXPENSES)	(436)	(464)
Exchange gains (losses), net	(3)	(41)
Dividends received from investments	18	17
Other financial expenses, net	(6)	(59)
FINANCE (COSTS) INCOME (*)	(427)	(547)
<i>Including loss arising on derivatives not in a designated hedge accounting relationship</i>	-	(8)

Interest expense is reported net of capitalized interest costs for construction projects of 10 million euros and 2 million euros for the years ended December 31, 2005 and 2004 respectively. The capitalization rate used to determine the amount included in such assets is the actual interest rate on the specific borrowing when funds are borrowed specifically or the weighted average rate of borrowings costs of the subsidiary outstanding at the end of the period.

Note 7 - Income from associates

The income from associates determined in accordance with equity method consolidation principles is shown in the Group's consolidated statement of income on a specific line "Income from associates".

The following details the Group's share of the operations of associates:

<i>(million euros)</i>	Years ended December 31,	
	2005	2004
Current operating income	61	116
Gain on disposals, net	1	-
Other operating income (expenses), net	(2)	(2)
Finance (costs) income	(4)	(8)
Income tax	(18)	(32)
INCOME FROM ASSOCIATES	38	74

Note 8 - Earnings Per Share

The computation and reconciliation of basic and diluted earnings per share for the years ended December 31, 2005 and 2004 are as follows:

	Years ended December 31,	
	2005	2004
NUMERATOR (MILLION EUROS)		
NET INCOME - GROUP SHARE	1,096	1,046
Interest expense on convertible debt ("OCEANE")	46	48
ADJUSTED NET INCOME - GROUP SHARE	1,142	1,094
DENOMINATOR (THOUSANDS OF SHARES)		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	171,491	167,204
Effect of dilutive securities - stock options	590	575
Effect of dilutive securities - convertible debt ("OCEANE")	8,135	10,769
TOTAL POTENTIAL DILUTIVE SHARES	8,725	11,344
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - FULLY DILUTED	180,216	178,548
BASIC EARNINGS PER SHARE (EUROS)	6.39	6.26
DILUTED EARNINGS PER SHARE (EUROS)	6.34	6.13

For purposes of computing diluted earnings per share, 3,267, and 4,727 thousand stock options were excluded from the calculation, for 2005 and 2004, respectively, as the effect of including such options would have been antidilutive.

Note 9 - Goodwill

(a) Changes in goodwill

The following table displays the changes in the carrying amount of goodwill by business segment.

<i>(million euros)</i>	Cement	Aggregates & Concrete	Roofing	Gypsum	Other	Total
AT JANUARY 1, 2004	4,496	700	691	179	13	6,079
Additions	38	65	8	16	-	127
Disposals	-	-	-	-	-	-
Purchase accounting adjustments ⁽ⁱ⁾	(16)	(6)	(2)	2	(1)	(23)
Impairment losses	(5)	-	(11)	-	-	(16)
Change in goodwill related to put options on shares of subsidiaries	-	-	-	-	21	21
Translation adjustments	(167)	(24)	(4)	2	3	(190)
AT DECEMBER 31, 2004	4,346	735	682	199	36	5,998

AT DECEMBER 31, 2004	4,346	735	682	199	36	5,998
Additions	115	34	1	2	-	152
Disposals	-	(3)	-	(3)	-	(6)
Purchase accounting adjustments ⁽ⁱ⁾	(2)	(2)	12	-	-	8
Impairment losses	(51)	-	(7)	(7)	-	(65)
Change in goodwill related to put options on shares of subsidiaries	-	-	-	-	90	90
Translation adjustments	370	69	17	14	(1)	469
AT DECEMBER 31, 2005	4,778	833	705	205	125	6,646

(i) Goodwill is recorded as of the date of acquisition based upon a preliminary purchase price allocation. The Group typically makes adjustments to the preliminary purchase price allocation during the allocation period (not exceeding one year) as the Group finalizes the fair value of certain assets and liabilities such as property, plant and equipment, intangible assets, pension and other post-retirement benefit obligations, contingent liabilities, and deferred and current tax balances.

(b) Acquisitions

Acquisition of remaining joint venture interest

In December 2005, a subsidiary of the Group acquired an additional 50% interest in one of the Group's aggregates and concrete joint ventures for a total amount of 39 million euros (before net cash acquired of 9 million euros). The joint venture was accounted for using the proportionate method in 2004 and is fully consolidated at year end 2005. This change in consolidation method has no material impact on the consolidated financial statements.

The resulting goodwill arising from the transaction was 12 million euros.

Acquisition of an aggregates and ready-mixed company

In November 2005, one of the Group's US subsidiaries completed the acquisition of an aggregates and ready-mixed company for a total amount of 47 million euros.

The preliminary goodwill arising from the transaction was 16 million euros.

SOCAM Joint Venture

On August 11, 2005, the Group and SOCAM entered into a contribution agreement and announced a joint venture partnership to merge their cement operations in China. On November 9, 2005 the merger was effected and a joint venture was established owned 55% by the Group. According to the joint venture agreement, the control over the joint venture is shared between the Group and SOCAM and strategic financial and operating decisions relating to the activity requires the consent of both parties. As a consequence, the joint venture is, in accordance with Group policy detailed in Note 2(b) consolidated by the proportionate method based on the Group's interest in the company (55%).

The agreed equity value incorporated in the joint venture amounts to 137 million euros, i.e. 75 million euros at Group level. The acquisition was recorded under the purchase method of accounting and, therefore, the purchase price has been allocated, on a preliminary basis, to assets acquired and liabilities assumed based on estimated fair values. The excess of purchase price over the fair value of the net assets is classified as goodwill. The estimated fair value of assets acquired and liabilities assumed relating to the joint venture, which is subject to further refinement in 2006, is summarized below:

(million euros)	
Purchase price	75
Estimated fair value of net asset acquired	(71)
GOODWILL	4

Acquisition of grinding station subsidiary

In June 2005, a subsidiary of the Group completed the acquisition of a 75% interest in the shares of a company whose primary operations is a grinding station for a total amount of 32 million euros (before net cash acquired of 2 million euros).

The preliminary goodwill arising from the transaction was 24 million euros.

Acquisition of minorities in Asian companies

In January 2005, the Group completed the buyout of minorities in its cement activities in South Korea, India and Japan and purchased:

- an additional 20.3% equity interest in its South Korean subsidiary for 88 million euros;
- an additional 23.6% equity interest in its Indian subsidiary for 14 million euros;
- an additional 43% equity interest in its Japanese subsidiary, for 5 million euros.

Acquisition of cement producer

In December 2004, a subsidiary of the Group acquired a 98.6% interest in the shares of a major cement producer for 100 million euros (before net cash acquired of 9 million euros).

The resulting goodwill arising from the transaction was 54 million euros.

The subsidiary is consolidated from January 1, 2005.

Acquisition of an aggregates and ready-mix company

In May 2004, a subsidiary of the Group acquired a 100% interest in the shares of a company that operates in Aggregates and Ready-Mix businesses for 69 million euros

The resulting goodwill arising from this transaction was 29 million euros.

Acquisition of a concrete company

In April 2004, a subsidiary of the Group completed the acquisition of the ready-mixed concrete and cement assets of a concrete company for a total amount of 87 million euros.

The resulting goodwill arising from the transaction was 35 million euros.

Acquisition of Halla minorities

In January 2004, the Group acquired an additional 10.2% interest in Halla, a company engaged in the production of cement, for 57 million euros (before net cash acquired of 41 million euros).

Halla was previously accounted for using the proportionate method and is fully consolidated from 2004 onwards. This change in consolidation method has no material impact on the consolidated financial statements.

No goodwill resulted from this operation.

Other acquisitions

In addition to the acquisitions described separately in this Note, several other relatively minor acquisitions in all of the Group's segments were consummated in 2005 and 2004. The aggregate cost of these acquisitions was 185 million euros and 104 million euros in 2005 and 2004, respectively.

(c) Impairment test for goodwill

The Group's methodology to test its goodwill for impairment is described in Note 2(l).

Group Goodwill is allocated to multiple cash generating units ("CGUs") as defined in Note 2(l) (generally corresponding to the activity of a segment in a country).

The discount rates are post-tax discount 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 be obtained by using pre-tax rates and pre-tax cash flows, as required by IAS 36 - Impairment of assets.

The discount rates and perpetual growth rates in hard currency used for the valuation of the main CGUs are as follows:

Cash generating units	At December 31,					
	2005			2004		
	Carrying value of goodwill(million euros)	Discount rate	Perpetual growth rate	Carrying value of goodwill(million euros)	Discount rate	Perpetual growth rate
Cement United Kingdom	1,032	6.8%	2.0%	998	7.8%	2.0%

Other CGUs carry goodwill that represent less than 10% of total goodwill.

A summary of the range of main assumptions used for the valuation of these CGUs are as follows:

	At December 31,	
	2005	2004
CARRYING VALUE OF GOODWILL (MILLION EUROS)	5,614	5,000
Multiples of Current operating income before depreciation and amortization (fair value approach)	6.2 to 7.9	6.6 to 7.1
Discount rate (value in use approach)	6.7% to 9.9%	7.2% to 10.2%
Perpetual growth rate (value in use approach)	1.5% to 2.0%	1.5% to 2.0%

As part of the annual impairment test, the discount rates and perpetual growth rates used for the valuation of the main CGUs presenting an impairment risk were as follows:

Cash generating units	At December 31,			
	2005		2004	
	Discount rate	Perpetual growth rate	Discount rate	Perpetual growth rate
Cement United Kingdom	6.8%	2.0%	7.8%	2.0%
Cement Philippines	9.9%	2.0%	10.2%	2.0%
Cement Greece	6.8%	2.0%	7.3%	2.0%
Cement Malaysia	7.8%	2.0%	8.1%	2.0%
Cement Chile	7.7%	2.0%	7.8%	2.0%

At December 31, 2005, before the recognition of the impairment loss disclosed below, 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:

Cash generating units <i>(million euros)</i>	Excess of estimated recoverable amount over carrying value	Impact of one point increase / decrease in the			
		Discount rate		Perpetual growth rate	
		+ 1 pt	- 1 pt	+ 1 pt	- 1 pt
Cement United Kingdom	368	(342)	516	124	(85)
Cement Philippines	(7)	(73)	93	16	(13)
Cement Greece	218	(178)	270	78	(52)
Cement Malaysia	175	(112)	155	40	(30)
Cement Chile	13	(55)*	76	19	(15)

(*) The carrying value of the CGU equals its recoverable amount when using a discount rate of 7.9%.

The total of goodwill related to these CGUs is 2,355 million euros.

The Group considered potential specific risks on activity and the sensitivities disclosed above. On the basis of this analysis, the Group recorded an impairment loss amounting to 50 million euros on the Cement Philippines CGU. This amount would be equivalent to the impact of the increase in discount rate from 9.9% to 10.6%. The recoverable amount of the CGU has been determined based on the value in use method, using cash flow projections on a ten years period as disclosed in Note 2(l)).

In 2005, the Group also recorded impairment losses on the Roofing Malaysia (7 million euros) and the Gypsum Germany (7 million euros) CGUs. These impairment losses were determined based on the value in use of these CGUs.

Note 10 - Intangible assets

<i>(million euros)</i>	2005	2004
CARRYING AMOUNT AT JANUARY 1,	308	300
Additions	81	41
Disposals	(2)	(4)
Amortization	(64)	(46)
Impairment losses	-	(47)
Acquisitions through business combinations	10	-
Other changes	(10)	71
Translation adjustments	32	(7)
CARRYING AMOUNT AT DECEMBER 31,	355	308

The following table presents details of intangible assets which are subject to amortization:

<i>(million euros)</i>	At December 31,					
	2005			2004		
	Cost	Accumulated amortization and impairment	Carrying value	Cost	Accumulated amortization and impairment	Carrying value
Software	356	204	152	265	158	107
Real estate development rights	107	60	47	103	56	47
Mineral rights	103	34	69	117	31	86
Other intangible assets	150	63	87	148	80	68
TOTAL INTANGIBLE ASSETS	716	361	355	633	325	308

For the years presented, "Other intangible assets" include only assets with finite useful lives.

Note 11 - Property, Plant and Equipment

(a) Changes in property, plant and equipment

<i>(million euros)</i>	Mineral reserves and land	Buildings	Machinery, equipment, fixtures and fittings	Construction in progress	Total before investment subsidies	Investment subsidies	Total
COST AT JANUARY > 1, 2004	1,886	2,961	13,271	641	18,759		
Accumulated depreciation	(289)	(1,511)	(6,521)	(14)	(8,335)		
CARRYING AMOUNT AT JANUARY 1, 2004	1,597	1,450	6,750	627	10,424	(118)	10,306
Additions	54	42	208	788	1,092	-	1,092
Disposals	(20)	(17)	(56)	(7)	(100)	-	(100)
Main acquisitions through business combinations	60	32	315	2	409	-	409
Other changes in scope	2	33	20	2	57	-	57
Depreciation	(52)	(129)	(675)	-	(856)	4	(852)
Impairment losses	-	-	(59)	(5)	(64)	-	(64)
Other changes	39	46	634	(755)	(36)	2	(34)
Translation adjustments	(36)	(17)	(152)	(18)	(223)	(4)	(227)
CARRYING AMOUNT AT DECEMBER 31, 2004	1,644	1,440	6,985	634	10,703	(116)	10,587

<i>(million euros)</i>	Mineral reserves and land	Buildings	Machinery, equipment, fixtures and fittings	Construction in progress	Total before investment subsidies	Investment subsidies	Total
COST AT JANUARY 1, 2005	1,970	3,025	13,877	644	19,516		
Accumulated depreciation	(326)	(1,585)	(6,892)	(10)	(8,813)		
CARRYING AMOUNT AT JANUARY 1, 2005	1,644	1,440	6,985	634	10,703	(116)	10,587
Additions	72	36	384	881	1,373	-	1,373
Disposals	(12)	(9)	(51)	(3)	(75)	-	(75)
Main acquisitions through business combinations	5	15	156	18	194	-	194
Other changes in scope	31	44	(89)	30	16	-	16
Depreciation	(70)	(140)	(703)	-	(913)	4	(909)
Impairment losses	(5)	-	(15)	-	(20)	-	(20)
Other changes	35	288	323	(661)	(15)	2	(13)
Translation adjustments	142	125	687	70	1,024	(6)	1,018
CARRYING AMOUNT AT DECEMBER 31, 2005	1,842	1,799	7,677	969	12,287	(116)	12,171
COST AT DECEMBER 31, 2005	2,258	3,494	15,419	976	22,147		
Accumulated depreciation	(416)	(1,695)	(7,742)	(7)	(9,860)		

(b) Depreciation and impairment of property, plant and equipment

Depreciation on property plant and equipment and impairment losses are as follows:

<i>(million euros)</i>	Years ended December 31,	
	2005	2004
Depreciation	909	852
Impairment losses	20	64
TOTAL	929	916

(c) Finance leases

The gross value of property, plant and equipment includes 67 million euros and 59 million euros of assets under finance leases for the years ended December 31, 2005 and 2004, respectively. The remaining obligations on such assets total 35 million euros and 34 million euros for the years ended December 31, 2005 and 2004, respectively.

Note 12 - Investments in Associates

(a) Changes in investment in associates

<i>(million euros)</i>	2005	2004
AT JANUARY 1	372	599
Income from associates	38	74
Dividends received from associates	(28)	(20)
New investments or share capital increases	10	4
Disposals and reduction in ownership percentage	(3)	(298)
Change from equity method to consolidation	-	-
Change from equity method to proportionate consolidation method	(2)	-
Other changes	(11)	13
AT DECEMBER 31	376	372

(b) Summarized combined balance sheet and income statement information of associates

Combined balance sheet information at 100%

<i>(million euros)</i>	At December 31,	
	2005	2004
Non-current assets	969	896
Current assets	642	553
TOTAL ASSETS	1,611	1,449
Total equity	772	691
Non-current liabilities	216	211
Current liabilities	623	547
TOTAL EQUITY AND LIABILITIES	1,611	1,449

Combined income statement information at 100%

<i>(million euros)</i>	Years ended December 31,	
	2005	2004
Revenue	1,104	1,830
Current operating income	161	321
Operating income	161	318
Net income	104	203

Note 13 - Joint ventures

The Group has several interests in joint ventures (See Note 38) that are consolidated using the proportionate method as described in Note 2(b).

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of joint-ventures:

Balance Sheets

<i>(million euros)</i>	At December 31,	
	2005	2004
Non-current assets	1416	971
Current assets	516	476
Non-current liabilities	291	235
Current liabilities	368	247

Statements of Income

<i>(million euros)</i>	Years ended December 31,	
	2005	2004
Revenue	934	923
Current operating income	172	155
Operating income	171	110
Net income	154	83

Note 14 - Other Financial Assets

Components of other financial assets are as follows:

<i>(million euros)</i>	At December 31,	
	2005	2004
Loans and long-term receivables	153	112
Available for sale investments	444	547
Prepaid pension assets	15	3
Restricted cash	14	34
TOTAL	626	696

The following table provides the summary of information related to the main quoted Group's available-for-sale securities:

<i>(million euros)</i>	At December 31,	
	2005	2004
COST	392	392
Cumulative impairment losses	(4)	(4)
Gross unrealized gains	7	-
Gross unrealized losses	-	(35)
MARKET VALUE	395	353

The change in the net unrealized gains or losses on available for sale securities that have been included in other reserves for 2005 and 2004 is an increase of 42 million euros and an increase of 9 million euros, respectively.

In 2000, the Group acquired 9.99% of the common shares of the cement producer for 319 million euros, which represented an average 4.75 euros per share. The market value of the shares then declined and, at December 31, 2002, was 214 million euros. In December 2003, the Group purchased an additional 2.65% of the common shares of common stock at 4.06 euros per share, increasing their ownership position to 12.64%. The market value of all shares at December 31, 2005 was 395 million euros, 3 million euros above the carrying value of the investment of 392 million euros, as disclosed in the table above.

At December 31, 2004, the Group has booked an impairment of 4 million euros based on an internal valuation of its investment. The Group treats the remaining unrealized losses on this investment as a temporary impairment as it has the intent and ability to retain its investment for a period of time sufficient for the recovery in market value. The Group has viewed, and continues to view, its investment as a strategic investment. The Group derives certain benefits from its investment that are not reflected in the Company's share price. These benefits include an industrial and technical cooperation agreement that provides an annual revenue stream and opportunities for collaboration with management to enhance the efficiency and create operating synergies for both operations, as evidenced, for example, by certain asset sales transactions. The Group will continue to monitor the value of its investment and evaluate it for possible impairment, as appropriate. This analysis has not generated complementary depreciation in 2005.

Note 15 – Inventories

Components of inventories are as follows:

<i>(million euros)</i>	At December 31,	
	2005	2004
Raw materials	382	310
Work-in-progress	16	11
Finished and semi-finished goods	893	742
Maintenance and operating supplies	708	586
INVENTORIES CARRYING VALUE	1,999	1,649
Valuation allowance	(142)	(140)
INVENTORIES	1,857	1,509

The valuation allowance primarily relates to maintenance and operating supplies for 88 million euros and 84 million euros at December 31, 2005 and 2004, respectively.

Note 16 - Trade receivables

Components of trade receivables are as follows:

<i>(million euros)</i>	At December 31,	
	2005	2004
Trade receivables	2,940	2,454
Valuation allowance	(203)	(190)
TRADE RECEIVABLES, NET	2,737	2,264

The change in the valuation allowance for doubtful receivables is as follows:

<i>(million euros)</i>	At December 31,	
	2005	2004
AT JANUARY 1	(190)	(196)
Current year addition	(52)	(58)
Current year release	42	43
Cancellation	16	17
Other changes	(3)	2
Translation adjustments	(16)	2
AT DECEMBER 31	(203)	(190)

Securitization programs

In January 2000, the Group entered into a multi-year securitization agreement with respect to trade receivables. This program was renewed in 2005 for a 5-year period.

Under the program, the subsidiaries agree to sell on a revolving basis, certain of their accounts receivables. Under the terms of the arrangement, the subsidiaries involved in these programs do not maintain control over the assets sold and there is no entitlement nor obligation to repurchase the sold receivables. In these agreements, the purchaser of the receivables holds a subordinated retained interest in the receivables not sold to third parties as usually granted in similar commercial transactions. The subordinated retained interest held by the purchaser in the receivables not sold to third parties represents a breach in the transfer of all risks and rewards. As a consequence, these programs do not qualify for derecognition of receivables. As such they are accounted for as secured financing.

Trade receivables therefore include sold receivables totaling 265 million euros and 210 million euros at December 31, 2005 and 2004 respectively.

The current portion of debt includes 230 million euros and 183 million euros at December 31, 2005 and 2004, respectively, related to these programs.

The agreements are guaranteed by subordinated deposits totaling 35 million euros and 27 million euros at December 31, 2005 and 2004, respectively.

The Group owns no equity share in the special purpose entities.

Note 17 - Other Receivables

Components of other receivables are as follows:

<i>(million euros)</i>	At December 31,	
	2005	2004
Other taxes	281	169
Prepaid expenses	120	106
Interest receivables	36	18
Other current receivables	488	434
OTHER RECEIVABLES	925	727

Note 18 - Cash and Cash Equivalents

Cash and cash equivalents, amounting to 1,735 million euros at December 31, 2005, include short-term investments of 591 million euros.

The market value of short-term securities approximates the net book value. Changes in market value of these securities are included in profit and loss.

Note 19 - Shareholders' Equity – parent company

(a) Common stock

At December 31, 2005, the Group's common stock consisted of 175,985,303 shares with a nominal value of 4 euros per share. At December 31, 2005, voting rights attributable to the outstanding shares totaled 186,208,574, after inclusion of the double voting rights attached to registered shares held at least two years and cancellation of the voting rights associated with treasury shares.

(b) Stock issue

On July 15, 2005, the Group issued 576,125 shares pursuant to its employee stock purchase plan. Proceeds from the issuance totaled approximately 31 million euros. The Group recorded a non cash compensation expense (as described in Note 20(c)) and a corresponding increase in additional paid-in-capital of 2 million euros as a result of the issuance.

(c) Dividends

The following table indicates the dividend amount per share the Group paid for the year 2004 and the dividend amount per share for 2005 proposed by our Board of Directors for approval at the annual general meeting of shareholders to be held on May 24, 2006. 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 fiscal year for which dividend is paid.

(euros, except total dividend payment)	2005*	2004
Total dividend payment (millions)	447	408
Base dividend per share	2.55	2.40
Increased dividend per share	2.80	2.64

* 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.

(d) Other reserves

The detailed rollforward of other reserves is as follows:

(million euros)	2005				2004			
	Cash flow hedge, net of tax	Available for sale securities, net of tax	Equity component of compound instruments, net of tax	Total	Cash flow hedge, net of tax	Available for sale securities, net of tax	Equity component of compound instruments, net of tax	Total
AT JANUARY 1	(17)	(24)	73	32	(58)	(29)	73	(14)
Transfer to profit and loss	12	-	-	12	11	-	-	11
Change in fair value taken to equity	4	42	-	46	50	9	-	59
Net change in deferred tax	(6)	(14)	-	(20)	(20)	(4)	-	(24)
AT DECEMBER 31	(7)	4	73	70	(17)	(24)	73	32

Note 20 - Share based payments

(a) Compensation expense for share based payments

The Group recorded a compensation expense for share based payment that is analyzed as follows:

(million euros)	Years ended December 31,	
	2005	2004
Employee stock options*	23	14
Employee share purchase plans	14	1
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	37	15

* Compensation expense in 2004 includes 25% (due to the four years vesting period) of the fair value of options granted in 2002 and 2003. In 2005, it includes 25% of the fair value of options granted in 2002, 2003 and 2004 (due to progressive application of IFRS 2 as described in Note 2(v)).

This expense is included in the profit and loss as follows:

(million euros)	Years ended December 31,	
	2005	2004
Cost of sales	7	3
Selling and administrative expenses	30	12
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	37	15

(b) Employee stock options

Description of main plans

The Group maintains a stock option plan and an employee stock purchase plan. The stock option plan grants options to purchase or subscribe 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 expire ten years from the grant date. The vesting period of the options range from immediate to five years.

In addition to the Group plan described above, the following information describes the stock-based compensation plans of one of the US subsidiaries, a 53.2%-owned subsidiary of the Group. The stock-based compensation plans of the US subsidiary are denominated in its own stock.

The US subsidiary maintains stock option plans and an employee stock purchase plans. Under the fixed stock option plans, Directors and key employees may be granted stock options that entitle the holder to receive shares of the subsidiary's common stock based on the market price of the securities at the date of grant. Director's options are exercisable based on the length of a Director's service on the Board of Directors and become fully exercisable when a Director has served on the Board for over four years. Employee options vest in annual 25 percent increments beginning one year after the grant date. The stock options expire 10 years after the date of grant.

Information relating to options granted

Group stock option plans

Information relating to the Group stock options granted during 2005 and 2004 is summarized as follows:

	2005		2004	
	Shares	Average option price(in euros)	Shares	Average option price(in euros)
OUTSTANDING AT JANUARY 1	7,309,902	74.87	6,866,077	74.29
Options granted	1,278,155	72.63	690,792	70.81
Options exercised	(543,602)	44.41	(239,658)	47.56
Options cancelled	(126,932)	60.55	(7,309)	48.62
OUTSTANDING AT DECEMBER 31	7,917,523	76.83	7,309,902	74.87
OPTIONS EXERCISABLE AT DECEMBER 31	3,700,765	80.20	2,596,802	64.05
Weighted average share price for options exercised during the year		73.51		71.09
Weighted average share price for options granted during the year		75.60		69.80
Weighted average fair value of options granted during the year		20.85		19.23

Information relating to the Group stock options outstanding at December 31, 2005 is summarized as follows:

Exercise price(in euros)	Number of options outstanding	Weighted average remaining life in months	Number of options exercisable
42.57	38,675	11	38,675
50.19	291,321	23	291,321
50.19	365,565	23	365,565
74.72	113,791	28	113,791
74.18	108,217	33	108,217
82.70	1,031,260	47	1,031,260
79.74	492,036	59	492,036
102.12	12,754	65	-
96.16	1,259,900	71	1,259,900
101.79	467,611	77	-
74.48	502,263	83	-
65.95	1,270,925	94	-
70.79	685,050	108	-
72.63	1,278,155	120	-
	7,917,523		3,700,765

US subsidiary stock option plans

The US subsidiary's stock option and employee stock purchase plans are denominated in U.S. dollars.

	2005		2004	
	Shares	Average exercise price (\$)	Shares	Average exercise price (\$)
OUTSTANDING AT JANUARY 1	4,881,266	35.23	5,137,304	32.23
Options granted	1,166,500	54.50	1,264,500	41.88
Options exercised	(1,665,496)	33.66	(1,426,913)	30.28
Options cancelled	(279,538)	36.68	(93,625)	36.12
OUTSTANDING AT DECEMBER 31	4,102,732	41.26	4,881,266	35.23
OPTIONS EXERCISABLE AT DECEMBER 31	1,291,796	34.07	2,005,585	32.60
Weighted average share price for options exercised during the year		60.03		44.82
Weighted average share price for options granted during the year		54.50		41.88
Weighted average fair value of options granted during the year		14.67		12.07

Information relating to the US subsidiary's stock options outstanding at December 31, 2005 is summarized as follows:

Range of exercise price (\$)	Options outstanding			Options exercisable	
	Number of options outstanding	Weighted average exercise price (\$)	Weighted average remaining contractual life in months	Number of options exercisable	Weighted average exercise price (\$)
18.00-23.00	158,100	22.55	41	158,100	22.55
24.13-29.97	1,016,920	29.82	79	469,182	29.84
32.20-38.13	226,075	36.12	33	223,575	36.16
41.05-54.50	2,701,637	47.08	98	440,939	41.40
	4,102,732	41.26	87	1,291,796	34.07

Fair value of options granted

As described in Note 2(v), share option fair value is calculated at the grant date using the Black & Scholes option-pricing model. Further changes in the fair value of instruments granted are not considered.

The Group estimated the fair value of the options granted in 2005 and 2004 based on the following assumptions:

	Group options		US subsidiary options	
	Years ended December 31,		Years ended December 31,	
	2005	2004	2005	2004
Expected dividend yield	2.7%	2.7%	1.6%	1.9%
Expected volatility of stock	28.6%	30.0%	30.0%	32.0%
Risk-free interest rate	3.3%	3.5%	4.2%	4.1%
Expected life of the options (in years)	8.0	8.0	4.5	5.1

The expected volatility assumption has been determined based on the observation of historical volatility over periods corresponding to the expected average maturity of the options granted, partially smoothed 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 Group stock incentive plan was 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 inception.

The Group uses the treasury shares method for purposes of determining the number of shares to be issued in conjunction with the Group's stock incentive plan. Based upon the number and amounts of vested and unvested options outstanding, the dilutive effect on the Group's outstanding shares for the years ended December 31, 2005 and 2004 was 590 and 575 thousand shares, respectively.

(c) Employee stock purchase plan

The Group shares have been offered to employees in 2005, as determined by management, under the plan. Under the terms of the plan, the employees are entitled to purchase a maximum of 110 shares each. The purchase price was 57.31 euros, 20% less than the market price of the Group's share price at the date the offer was proposed. Additionally, depending on the country, bonuses are paid on part of the shares purchased (generally, 30% of the 10 first shares). The shares purchased cannot be sold for a period of five years (except under very specific circumstances). Under this plan, employees purchased a total of 576,125 shares.

A net expense of 13 million euros (estimated in accordance with principles described in Note 2(v)) has been recognized on this plan in full in 2005 as there are no vesting conditions attached to the shares.

The US subsidiary also maintains employee stock purchase plans. In 2005, the employee stock purchase plans were changed to allow substantially all employees to purchase Common Stock or Exchangeable Shares, through payroll deductions, at 85 percent of the market price at the end of the six month plan period. Prior to 2005, the plan allowed purchases at 90 percent of the lower market price at the beginning or end of the one year plan period. During 2005, 176,038 shares were issued at a price of \$43.01, and in 2004, 142,237 shares were issued at a price of \$28.33. At December 31, 2005 and 2004, 0.5 million euros and 1.9 million euros, respectively, were allocated for future share purchases. Compensation expense of 1 million euros in each of 2005 and 2004 was recognized for these plans.

Note 21 - Minority Interests

The Group's significant minority interests are the US subsidiary and Halla.

Note 22 - Income taxes

(a) Income Tax

The Group computes current and deferred tax as described in Note 2(u).

The income tax expense for the year is detailed as follows:

(million euros)	Years ended December 31,	
	2005	2004
CURRENT INCOME TAX	630	439
Domestic companies	35	42
Foreign companies	595	397
DEFERRED INCOME TAX	(206)	(172)
Domestic companies	(171)	(110)
Foreign companies	(35)	(62)
INCOME TAX	424	267

The components of the income tax expense are as follows:

(million euros)	Years ended December 31,	
	2005	2004
CURRENT INCOME TAX	630	439
Corporate income tax for the period	575	390
Adjustment recognized in the period for current tax of prior periods	20	(19)
Withholding tax on dividends	25	18
Other	10	50
DEFERRED INCOME TAX	(206)	(172)
Deferred taxes on origination or reversal of temporary differences	(185)	(72)
Effect of changes in tax rates	-	(40)
Prior period unrecognized assets used in the period	(1)	5
Reassessment of deferred tax assets	(30)	(51)
Other	10	(14)
INCOME TAX	424	267

In addition to the income tax expense charged to profit and loss, a deferred tax charge of 20 million euros (charge of 24 million euros in 2004) has been recognized in equity during the period. This charge relates to the deferred tax calculated on the change in fair value of derivative instruments designated as hedging instruments in a cash flow hedge relationship (6 million euros and 20 million euros in 2005 and 2004, respectively) and change in fair value of available-for-sale (14 million euros and 4 million euros in 2005 and 2004, respectively).

An analysis of the deferred tax expense in respect of each temporary difference is presented in Note 22(c).

Effective tax rate

For the years ended December 31, 2005 and 2004, the Group's effective tax rate is reconciled to the statutory tax rate applicable in France i.e. 34.93% and 35.43%, respectively.

A reconciliation of the statutory tax rate to the Group's effective tax rate is as follows:

(%)	Years ended December 31,	
	2005	2004
Statutory tax rate	34.9	35.4
Tax effect related to the repatriation by US subsidiary of 1.1 billion U.S. dollars from Canada to the United States.*	3.1	-
Revaluations *	(2.7)	(2.3)
Changes in enacted tax rates (notably in Greece in 2004) *	-	(1.8)
Restructuring *	(8.4)	(8.0)
Capital gains taxed at a reduced rate	-	(2.0)
Effect of foreign tax rate differentials	(6.2)	(3.4)
Changes in valuation allowance on deferred tax assets	(0.9)	0.9
Non deductibility of the goodwill impairment loss	1.1	-
Share of net income of associates presented net of tax	(0.7)	(1.6)
Other	2.7	(0.5)
EFFECTIVE TAX RATE	22.9	16.7

* These items give rise to an effect of (8.0)% on the effective tax rate in 2005 ((12.1)% in 2004), and result in non-recurring tax savings of 148 million euros (193 millions in 2004). These tax savings arose from tax efficient restructurings, asset revaluations allowed in several countries and from the enactment of lower tax rates, notably in Greece in 2004. In 2005, these savings are partially offset by a 57 million euro charge arising from the repatriation by the US subsidiary of a 1.1 billion U.S. dollars from Canada to the United States. Excluding these non-recurring tax savings, the effective tax rate would have been 30.9% in 2005 and 28.8% in 2004.

(b) Change in deferred tax assets and liabilities

Certain deferred tax assets and liabilities have been offset in accordance with the principles described in Note 2(u). The movements in deferred tax assets and liabilities for the reporting periods are as follows:

<i>(million euros)</i>	2005	2004
NET DEFERRED TAX LIABILITIES AT JANUARY 1	352	441
Credit to equity	20	24
Expense (income)	(206)	(172)
Translation adjustments	33	(8)
Other changes	48	67
NET DEFERRED TAX LIABILITIES AT DECEMBER 31	247	352
<i>Out of which:</i>		
<i>Deferred tax liabilities</i>	<i>567</i>	<i>632</i>
<i>Deferred tax assets</i>	<i>(320)</i>	<i>(280)</i>

(c) Deferred tax assets and liabilities

Components of the deferred tax balance are as follows:

<i>(million euros)</i>	Years ended December 31,	
	2005	2004
Pensions and other post-retirement benefits	380	374
Property, plant and equipment	477	240
Provisions and other current liabilities	144	183
Restructuring provisions	6	13
Net operating loss and tax credit carry forwards	541	568
Net capital loss carry forwards	448	373
DEFERRED TAX ASSETS	1,996	1,751
Valuation allowance	(554)	(523)
NET DEFERRED TAX ASSETS	1,442	1,228
Property, plant and equipment	1,664	1,406
Prepaid pension assets	-	-
Other, net	25	174
DEFERRED TAX LIABILITIES	1,689	1,580
NET DEFERRED TAX LIABILITIES	247	352

Components of the deferred tax expense are as follows:

<i>(million euros)</i>	Years ended December 31,	
	2005	2004
Pensions and other post-retirement benefits	18	32
Property, plant and equipment	(68)	(89)
Provisions and other current liabilities	19	7
Restructuring provisions	4	-
Net operating loss and tax credit and capital loss carry forwards	(88)	(57)
Other, net	(91)	(65)
TOTAL	(206)	(172)

(d) Valuation allowance on deferred tax assets

The change in the valuation allowance, for the current year, is as follows:

<i>(million euros)</i>	
AT JANUARY 1, 2005	523
Current year addition	30
Current year release	(30)
Other changes	(1)
Translation adjustments	32
AT DECEMBER 31, 2005	554

(e) Tax credit and capital loss carry forwards

At December 31, 2005, the Group has net operating loss and tax credit carry forwards and capital loss carry forwards of approximately 1,618 million euros and 1,506 million euros respectively, which will expire as follows:

(million euros)	NOL's and tax credits carry forwards	Capital loss carry forwards	Total
2006	55	-	55
2007	56	-	56
2008	81	-	81
2009	18	-	18
2010	16	-	16
2011 and thereafter	1,392	1,506	2,898
TOTAL	1,618	1,506	3,124

As described in Note 2(u), deferred tax assets have been recognized on all tax losses and a valuation allowance has been recorded when it is not reasonably certain that the deferred tax assets will be recoverable in the future.

Note 23 - Pension plans, end of service benefits and other post retirement benefits

The Group sponsors both defined benefit and defined contribution plans, in accordance with local legal requirements and each specific subsidiaries benefit policies.

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.

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 remaining 5% relates to other post-retirement benefits, mainly post-employment medical plans. For these plans, the Group's obligations are estimated with the assistance of independent actuaries using assumptions which may vary over time. The obligations related to these plans are often funded through Group and employee contributions to third party legal entities, which investments are subject to fluctuations in the financial markets. These entities are usually administered by trustees representing both employees and employer. Based on specific studies conducted by external experts, each board of trustees determines an appropriate investment strategy, typically designed to maximize asset and liability matching and limit investment risk by an appropriate diversification. The implementation of this investment strategy is conditioned by market opportunities and is usually conducted by external asset managers selected by trustees. Assets are mostly invested in listed instruments (shares, bonds) with limited use of derivatives or alternative asset classes. The investment in financial instruments issued by the Group (shares, bonds) is in most cases prohibited.

The following table shows, the target asset allocations elected by the administration bodies of the most significant funded plans of the Group located in the United Kingdom and North America, compared with the current asset allocation:

	North America		United Kingdom	
	Target asset allocation	Current asset allocation	Target asset allocation	Current asset allocation
Shares	71%	72%	62%	60%
Bonds	29%	28%	33%	31%
Other	-	-	5%	9%
TOTAL	100%	100%	100%	100%

The following schedule shows the accounting treatment for defined benefit pension plans and end of service benefits under the column "pension benefits" and the accounting treatment for other post retirement benefits under the column "other benefits".

(million euros)	At December 31,					
	Pension benefits		Other benefits		Total	
	2005	2004	2005	2004	2005	2004
AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION CONSIST OF						
Prepaid pension asset	15	3	-	-	15	3
Accrued pension liability	(1,074)	(1,092)	(300)	(263)	(1,374)	(1,355)
NET AMOUNT RECOGNIZED AT END PERIOD	(1,059)	(1,089)	(300)	(263)	(1,359)	(1,352)
COMPONENTS OF NET PERIODIC PENSION COST						
Service cost	98	91	8	7	106	98
Interest cost	241	233	14	15	255	248
Expected return on plan assets	(243)	(230)	-	-	(243)	(230)
Amortization of past service cost	1	1	(3)	(11)	(2)	(10)
Amortization of actuarial (gain) loss	4	(1)	(8)	-	(4)	(1)
Effect of asset ceiling limitations	7	4	-	-	7	4
Special termination benefits	4	5	-	-	4	5
Curtailement (gain)	(3)	(5)	-	(1)	(3)	(6)
Settlement loss	1	-	-	-	1	-
NET PERIODIC PENSION COST	110	98	11	10	121	108
CHANGE IN DEFINED BENEFIT OBLIGATION						
DEFINED BENEFIT OBLIGATION AT JANUARY 1	4,358	4,060	234	285	4,592	4,345
Foreign currency translations	240	(41)	36	(13)	276	(54)
Service cost	98	91	8	7	106	98
Interest cost	241	233	14	15	255	248
Employee contributions	8	8	-	-	8	8
Plan amendments	1	2	(10)	(13)	(9)	(11)
Curtailements	(2)	(7)	-	-	(2)	(7)
Settlements	-	-	-	-	-	-
Business combinations	18	68	-	-	18	68
Divestitures	(7)	-	-	-	(7)	-
Special termination benefits	4	5	-	-	4	5
Benefits paid	(242)	(219)	(15)	(17)	(257)	(236)
Actuarial (gain) loss	490	158	(11)	(30)	479	128
DEFINED BENEFIT OBLIGATION AT DECEMBER 31	5,207	4,358	256	234	5,463	4,592
CHANGE IN PLAN ASSETS						
FAIR VALUE OF PLAN ASSETS AT JANUARY 1	3,204	2,957	-	-	3,204	2,957
Foreign currency translations	192	(35)	-	-	192	(35)
Actual return on plan assets	603	299	-	-	603	299
Employer contributions ^(a)	128	127	-	-	128	127
Employee contributions	8	8	-	-	8	8
Benefits paid	(197)	(196)	-	-	(197)	(196)
Settlements	(2)	(5)	-	-	(2)	(5)
Business combinations	22	49	-	-	22	49
Divestitures	(4)	-	-	-	(4)	-
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	3,954	3,204	-	-	3,954	3,204
RECONCILIATION OF PREPAID (ACCRUED) BENEFIT COST						
FUNDED STATUS OF THE PLAN	(1,253)	(1,154)	(256)	(234)	(1,509)	(1,388)
Unrecognized actuarial (gain) loss	232	91	(34)	(27)	198	64
Unrecognized actuarial past service cost	9	9	(10)	(2)	(1)	7
Unrecognized asset due to asset ceiling limitations	(47)	(35)	-	-	(47)	(35)
PREPAID (ACCRUED) PENSION COST AT DECEMBER 31	(1,059)	(1,089)	(300)	(263)	(1,359)	(1,352)

(a) Including exceptional contributions to North American pension funds for 45 million U.S. dollars and 48 million US dollars in 2005 and 2004 respectively, and an exceptional contribution of 18 million British pounds to the pension fund located in the United Kingdom in 2005.

The Group did not recognize any reimbursement right as an asset for the years presented.

The defined benefit obligation disclosed in the table above arises, from:

(million euros)	2005	2004
Plans wholly unfunded	908	799
Plans wholly or partially funded	4,555	3,793
TOTAL DEFINED BENEFIT OBLIGATION	5,463	4,592

The following table indicates the amount of benefit payments expected to be made over the next 10 years in respect of the defined benefit plans of the Group (million euros):

2006	247
2007	253
2008	259
2009	270
2010	283
2011-2015	1,593

These benefit payments will be mostly made out of existing external funds established by the Group, and will therefore have a limited impact on its future cash outflows.

The primary assumptions made to account for pensions and end of service benefits are as follows:

(%)	United States	Canada	United Kingdom	France	Spain	Greece	Euro zone (others)
2005							
Discount rate	5.7	5.25	4.7	4.2	4.2	4.2	4.2
Expected return rate on assets	8.25	8.25	7.1	4.85	4.6	*	6.0
Salary increase	4.00	3.50	4.80	2.50 to 3.50	2.65	4.00	2.00 to 3.50
2004							
Discount rate	5.90	5.90	5.30	4.85	4.85	5.10	4.85
Expected return rate on assets	8.50	8.50	7.30	5.50	4.85	*	6.00
Salary increase	4.00	3.50	4.80	2.00 to 3.50	2.65	4.00	2.00 to 3.50

* Not applicable.

The expected long-term rate of investment return on pension plan assets is based on historical performance, current and long-term outlook and the asset mix in the pension trust funds.

Discount rates reflect the rate of long-term high-grade corporate bonds.

For fiscal 2006, the expected return rates on assets are as follows:

United States	8.0%
Canada	8.0%
United Kingdom	6.9%
France	4.2%
Spain	3.8%
Euro zone	4.5%

The expected rates of investment return on pension assets and the discount rates used to calculate the Group's pension related obligations are established in close consultation with independent advisors.

(a) Pension Plans

The main defined benefit pension plans provided to employees by the Group are in the United Kingdom, North America (The United States of America and Canada) and Germany. The related pension obligations represent 59%, 24%, and 4%, respectively, of the Group's total defined benefit plan obligations.

In the United Kingdom, pension related obligations are principally administered through a unique pension fund, governed by an independent board. Pension entitlements are calculated based on final carried salaries and the number of service years accomplished with the Group according to benefit formulas which are usually linear. This pension fund receives employer and employees contribution, based on rates determined every three years on average by independent actuaries. Funding of the obligation is based upon both local minimum funding requirements as well as long term funding objectives to settle the future statutory pension obligations. The latest revision of annual contribution needs requires us to make additional contributions of 18 million British pounds per year between 2005 and 2007. At the end of 2005, approximately 60% of the pension fund assets are invested in equity instruments, which is consistent with the long-term nature of the pension obligations, approximately 35% are invested in bond portfolios and cash instruments and 5% in real estate.

In the United States and Canada, defined pension benefits are granted through various plans. Contributions are based upon required amounts to fund the various plans as well as tax-deductible minimum and maximum amounts. At the end of 2005, 72% of the pension fund assets were invested in equity instruments and 28% in bond portfolios. Required employer's contributions in 2006 are expected to increase to 56 million U.S. dollars. The Group chose for tax and financial purposes to make a discretionary contribution of 45 and 48 million U.S. dollars during 2005 and 2004, respectively, to its North American pension funds.

In Germany, defined benefit pension plans are based upon the employees' final grade and the length of employment with the Group. According to German practice, pension obligations are not funded through employer contributions to external third party funds. In case of corporate insolvency by an employer, the employees' vested benefits are guaranteed by an insurance fund sponsored by German companies with defined benefit pension plans. These defined benefit plans in Germany have been closed to new entrants since 2001. The Group now provides predominantly defined contribution pension arrangements to new employees. Accordingly, the Group believes that the future amount of pension liabilities in Germany will progressively decline.

In conformity with the Group's accounting policies, (Note 2(s)) the difference between actual and expected returns on fund assets is treated as actuarial gains and losses.

As described in Note 2(s), the adoption of IFRS led to the immediate recognition through equity of all accumulated unrecognized actuarial losses as of January 1, 2004 (see specific comments in Note 35 - "Transition to IFRS").

(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, Italy, Greece, Korea and Chile.

(c) Other post-retirement benefits

In North America, and to a lesser extent in France and Jordan, certain subsidiaries provide healthcare and insurance benefits to retired employees. These obligations are unfunded, but the federal subsidies expected in the coming years in the United States (Medicare Act) have significantly reduced group obligations.

In North America, the assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation differs between U.S. and Canadian plans. In 2005, the assumed rate was 10% in the U.S. plan, decreasing to 5% in 2011, and 8.4% in the Canadian plan, decreasing to 4.7% in 2011. In 2004, the assumed rate was 11% in the U.S. plan, decreasing to 5% in 2011, and 9.1% in the Canadian plan, decreasing to 4.7% in 2011.

The assumed rate for Medicare health cost trends was the same for U.S. and Canadian plans.

Assumed health care costs trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point increase or decrease in assumed healthcare cost trend rates would have the following effects:

<i>(million euros)</i>	One-percentage-point	
	Increase	Decrease
Increase (decrease) in defined benefit obligation at December 31, 2005	27	(22)
Increase (decrease) in the total of service and interest cost components for 2005	3	(2)

Note 24 - Provisions

(a) Changes in the balance of provisions

<i>(million euros)</i>	Restructuring provisions	Site restoration and environmental provisions	Other provisions	Total
AT JANUARY 1, 2004	63	218	750	1,031
Current year addition	39	46	102	187
Current year release	(50)	(39)	(62)	(151)
Cancellation	(4)	(7)	(13)	(24)
Other changes	-	16	(8)	8
Translation adjustments	-	(3)	(10)	(13)
AT DECEMBER 31, 2004	48	231	759	1,038
Current portion	-	-	-	118
Non-current portion	-	-	-	920
AT JANUARY 1, 2005	48	231	759	1,038
Current year addition	56	46	144	246
Current year release	(63)	(24)	(60)	(147)
Cancellation	(3)	(18)	(68)	(89)
Other changes	(1)	2	5	6
Translation adjustments	1	16	36	53
AT DECEMBER 31, 2005	38	253	816	1,107
Current portion	-	-	-	123
Non-current portion	-	-	-	984

Other provisions include:

- a provision related to the risk arising from the “competition” litigation risk of 330 million euros (320 million euros as of December 31, 2004), including 30 million euros of late-payment interest (20 million euros as of December 31, 2004);
- provisions for warranty for roofing concrete tile, of 30 million euros (31 million euros as of December 31, 2004);
- re-insurance reserves of 73 million euros (79 million euros as of December 31, 2004).

(b) Changes in the balance of restructuring provisions

<i>(million euros)</i>	Termination benefits	Contract termination costs	Other costs	Total
AT JANUARY 1, 2004	31	2	30	63
Current year addition	28	4	7	39*
Current year release	(34)	(3)	(13)	(50)*
Cancellation	(3)	-	(1)	(4)
Other changes	4	-	(4)	-
Translation adjustments	-	-	-	-
AT DECEMBER 31, 2004	26	3	19	48
Current year addition	49	2	5	56*
Current year release	(47)	(2)	(14)	(63)*
Cancellation	(2)	-	(1)	(3)
Other changes	-	-	(1)	(1)
Translation adjustments	-	-	1	1
AT DECEMBER 31, 2005	26	3	9	38

* Including costs incurred and paid in the same period for 28 million euros in 2005 (14 million euros in 2004).

Restructuring costs can be analyzed as follows:

<i>(million euros)</i>	Years ended December 31,	
	2005	2004
Termination benefits	47	25
Contracts termination costs	2	4
Other costs	4	6
RESTRUCTURING COSTS	53	35

The main restructuring plans relate to:

	<i>(million euros)</i>
CEMENT	
Korea	10
India	3
United Kingdom	3
Morocco	2
North America	2
France	1
AGGREGATES & CONCRETE	
United Kingdom	2
Singapore	1
ROOFING	
Germany	14
France	4
Benelux	2
Technical centers	2
GYPSUM	
Germany	1
Other plans less than 1 million euros	6
RESTRUCTURING COSTS	53

Cement Korea: in 2005, restructuring costs include mainly termination indemnities linked to the leave of 233 employees the mothballing of a plant and the subcontracting of the quarry sites operation.

Roofing Germany: in 2005, restructuring costs include mainly termination indemnities linked to the leave of 228 employees as a consequence of the reduction of capacity of at one of the Group's subsidiaries.

Note 25 - Debt

This Note discloses the debt excluding derivative instruments and put options on shares of subsidiaries.

(a) Analysis of debt by type

<i>(million euros)</i>	At December 31,	
	2005	2004
Convertible bonds	482	1,366
Other debenture loans	5,050	4,509
Bank loans and credit lines	1,871	1,111
Commercial paper	524	562
Other notes	158	270
Other	657	528
TOTAL DEBT	8,742	8,346
Short-term debt and current portion of long-term debt	(1,886)	(1,387)
LONG-TERM DEBT	6,856	6,959

Convertible bonds

On June 29, 2001 the Group issued 10,236,221 bonds convertible into common shares, for a total nominal amount of 1,300,000,067 euros, bearing interest at an annual rate of 1.5% (OCEANES). The conversion option was granted until December 21, 2005, and only 590 bonds have been converted. The maturity of this convertible bond is January 1, 2006. In 2005, the Group purchased back 6,772,429 bonds for a total nominal amount of 860,098,483 euros. Therefore, 3,463,202 OCEANES were outstanding as at December 31, 2005, representing a face value amount of 440 million euros. All remaining OCEANES were repaid at maturity, using short-term financings.

The net proceeds received from the issue of the convertible bond have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

<i>(million euros)</i>	2005
Nominal value of convertible bond issued	1,300
Issuance costs	(13)
Equity component (net of deferred tax)	(73)
Deferred tax liability	(40)
LIABILITY COMPONENT AT DATE OF ISSUE	1,174
Interest charged	334
Interest paid	(166)*
Early repayments	(860)
LIABILITY COMPONENT AT DECEMBER 31, 2005	482

* Including reimbursement premium on early repayments (82) million euros

Other debenture loans

At December 31, 2005, debenture loans consist of bonds issued mainly in euros, U.S. dollars and British pounds with a weighted average interest rate of 6.3% (6.2% at December 31, 2004). Their maturities range from 2006 to 2020, with the average maturity of 6 years and 10 months (i.e. being 2012). In 2005, the Group issued two debenture loans of 500 million euros each. The first one was issued in March 2005 and has a 4.75% coupon and a 15-year maturity. The second one was issued in November 2005 and has a 4.25% coupon and a 10-year and 4 months maturity.

The Group has a Euro Medium-Term Note program ("EMTN"), which allows for a maximum issuable amount of 7,000 million euros. At December 31, 2005, 3,512 million euros had been issued under the EMTN program, including 3,442 million euros of debenture loans and 70 million euros of private placements included under "Other Notes". The weighted average interest rate of EMTN issues is 5.2% with maturities ranging from 2007 to 2020.

Bank loans

At December 31, 2005, bank loans total 1,598 million euros and are primarily comprised of amounts in local currencies lent to Group subsidiaries. The weighted average interest rate on these bank loans is approximately 5.7% (5.8% at December 31, 2004).

Committed long- and medium-term credit lines

Drawdowns on long- and medium-term committed credit lines amount to 273 million euros out of a maximum amount available of 3,740 million euros equivalent. The average interest rate of the amounts drawn mainly in Canadian dollars is approximately 3.7% as of December 31, 2005 (17.6% as of December 31, 2004, resulting from the amounts drawn in Nigerian naira).

The credit lines are used primarily as a back-up for the short-term financings of the Group and contribute to the Group's liquidity.

The average non-utilization fee of these credit lines stands at 10 basis points at December 31, 2005 (13 basis points at December 31, 2004).

Commercial paper

The Group's euro denominated commercial paper program at December 31, 2005 allows for a maximum issuable amount of 3,000 million euros. Commercial paper can be issued in euros, U.S. dollars, Canadian dollars, Swiss francs or British pounds. At December 31, 2005, commercial paper issued under this program totaled 524 million euros. This commercial paper bears an average interest rate based mainly upon the European inter-bank offer rate ("Euribor") plus an average margin of 1 to 4 basis points depending on maturities, and has maturities ranging from 1 to 11 months. As of December 31, 2005, the weighted average interest rate of the euro denominated commercial paper is 2.4% (2.2% as of December 31, 2004). The Group also has a U.S. dollars commercial paper program through its US subsidiary. This program allows for a maximum issuable amount of 300 million U.S. dollars (254 million euros). At December 31, 2005, there was no commercial paper issued under this program.

Other notes

Other notes principally consist of Euro Notes with a weighted average interest rate of 6.2% (5.5% at December 31, 2004).

(b) Analysis of debt by maturity

At December 31, 2005, 1,040 million euros of short-term debt (mainly commercial paper and short term borrowings) have been classified as long-term based upon the Group's ability to refinance these obligations on a long-term basis through its committed credit facilities.

<i>(million euros)</i>	At December 31, 2005
2006	1,886
2007	1,005
2008	891
2009	89
2010	1,296
Beyond 5 years	3,575
TOTAL DEBT	8,742

(c) Analysis of debt by currency

<i>(million euros)</i>	At December 31,			
	2005		2004	
	Before swaps	After swaps	Before swaps	After swaps
Euro (EUR)	5,420	3,769	5,701	3,710
U.S. dollar (USD)	885	2,167	783	2,146
British pound (GBP)	1,409	1,654	1,101	1,635
Malaysian ringitt (MYR)	127	127	127	127
Canadian dollar (CAD)	389	381	104	96
Other	512	644	530	632
TOTAL	8,742	8,742	8,346	8,346

(d) Analysis of debt by category

<i>(million euros)</i>	At December 31,			
	2005		2004	
	Before swaps	After swaps	Before swaps	After swaps
Floating rate	2,284	3,007	1,777	2,125
Fixed rate below 6%	4,274	3,499	4,231	3,717
Fixed rate between 6% and 10%	1,910	1,961	1,993	2,155
Fixed rate 10% and over	274	275	345	349
TOTAL	8,742	8,742	8,346	8,346

The average spot interest rate of the debt after swaps, as at December 31, 2005, is 5.5% (5.5% as at December 31, 2004).

(e) Particular clauses in financing contracts

Financial covenants

Loan contracts requiring compliance with certain financial covenants are located in subsidiaries in the following countries: Bangladesh, Brazil, Chile, China, India, Malaysia, Philippines, United-Kingdom and United States. Debt with such financial covenants represents approximately 9% of the total Group debt as of December 31, 2005.

The above financial covenants have not been triggered as of December 31, 2005 and have a low probability of being triggered. Given the split of these contracts on various subsidiaries and the quality of the Group liquidity protection through its access to committed credit facilities, the existence of such clauses cannot materially affect the Group's financial situation.

Change of control clauses

Change of control clauses are included in several of the Group's committed credit facilities contracts, which amount to 2,592 million euros, i.e. 69% of the total outstanding committed credit facilities. As a consequence, in the event of a change in control, these committed credit facilities will be automatically cancelled if undrawn or, if drawn upon, will require immediate repayment.

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, for which documentation of the hedging relationship as required by IAS 39 would represent an undue cost or effort, are not designated as hedges for accounting purposes. Changes in fair value are recorded directly in profit and loss, as required by IAS 39.

(b) Fair values

The following details the cost and fair values of financial instruments:

(million euros)	At December 31,			
	2005		2004	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
BALANCE SHEET FINANCIAL INSTRUMENTS				
ASSETS				
Cash and cash equivalents	1,735	1,735	1,550	1,550
Trade receivables	2,737	2,737	2,264	2,264
Other receivables	925	925	727	727
Other financial assets	626	626	696	696
LIABILITIES				
Short-term bank borrowings	332	332	213	213
Trade payables	1,675	1,675	1,424	1,424
Other payables	1,575	1,575	1,387	1,387
Debenture loans	5,532	5,787	5,875	6,264
Other long-term financial debt (including current portion)	2,878	2,886	2,258	2,282
Put options on shares of subsidiaries	263	263	299	299
DERIVATIVE INSTRUMENTS				
Interest rate swaps and forward rate agreements	26	26	1	1
- designated as hedging instruments in cash flow hedge relationship	(10)	(10)	(28)	(28)
- designated as hedging instruments in fair value hedge relationship	36	36	30	30
- not designated as hedges for accounting purposes	-	-	(1)	(1)
Foreign exchange derivatives	(33)	(33)	113	113
- designated as hedging instruments in cash flow hedge relationship	-	-	-	-
- designated as hedging instruments in fair value hedge relationship	-	-	-	-
- not designated as hedges for accounting purposes	(33)	(33)	113	113
Other derivative instruments	56	56	23	23
- commodities derivatives designated as hedging instruments in cash flow hedge relationship	4	4	2	2
- equity swaps not designated as hedges for accounting purposes	13	13	(1)	(1)
- embedded derivatives not designated as hedges for accounting purposes	39	39	22	22

The fair values of financial instruments have been estimated on the basis of available market quotation or the use of various valuation techniques, such as present value of future cash flows. However, the methods and assumptions followed to disclose fair values are inherently judgmental. Thus, estimated fair values do 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, accounts receivables, accounts 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 and investment securities):** For other investments for which there is no quoted price, a reasonable estimate of fair value could not be made without incurring excessive costs. The investment in Cimpor is carried at market value with unrealized gains and losses recorded in a separate component of equity;

- **Debenture loans:** the fair values of the debenture loans were estimated at the quoted value for borrowings listed on a sufficiently liquid market;
- **Other long-term financial debt:** the fair values of long-term debt were determined by estimating future cash flow on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate which takes into consideration the Group's incremental borrowing rate at year end for similar types of debt arrangements;
- **Derivative instruments:** the fair values of forward exchange contracts, interest and currency swaps, equity swaps and commodities derivatives were calculated using market prices that the Group would pay or receive to settle the related agreements.

(c) Foreign currency risk

In the course of its operations, the Group's policy is to hedge all material foreign currency exposures arising from its transactions using derivative instruments as soon as a firm or highly probable 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, when allowed by local regulations and when necessary, hedge their exposures with the corporate treasury department.

The Group's operating policies tend to reduce potential 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. When needed, currency swaps are used to convert debts most often raised in euros, into foreign currencies.

Foreign currency hedging activity

At December 31, 2005, most forward contracts have a maturity date of less than one year. The nominal value of hedging instruments outstanding at year-end is as follows:

<i>(million euros)</i>	At December 31,	
	2005	2004
FORWARD CONTRACT PURCHASES AND CURRENCY SWAPS		
U.S. dollar (USD)	460	130
British pound (GBP)	491	465
Other currencies	164	156
TOTAL	1,115	751

Forward contract sales and currency swaps		
U.S. dollar (USD)	1,716	1,430
British pound (GBP)	729	1,008
Other currencies	288	268
TOTAL	2,733	2,706

Details of the balance sheet value of instruments hedging foreign currency risk

At December 31, 2005 and 2004 most of the Group's foreign currency derivatives, were not designated as hedges for accounting purposes (see (a)). Changes in fair value were recorded directly in profit and loss. The impact recognized in financial revenues in 2005 is disclosed in Note 6.

<i>(million euros)</i>	At December 31,					
	2005			2004		
	Derivatives' fair value	Underlying reevaluation	Net impact	Derivatives' fair value	Underlying reevaluation	Net impact
ASSETS						
Non-current derivative instruments	-	-	-	-	-	-
Current derivative instruments	47	-	47	156	-	156
Net reevaluation of loans and borrowings denominated in foreign currencies	-	24	24	-	-	-
LIABILITIES						
Non current derivative instruments	-	-	-	-	-	-
Current derivative instruments	80	-	80	43	-	43
Net reevaluation of loans and borrowings denominated in foreign currencies	-	-	-	-	122	122
NET IMPACT ON EQUITY	(33)	24	(9)	113	(122)	(9)

(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. Interest rate risk derivatives held at December 31, 2005 were all 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.

Interest rate hedging activity

At December 31, 2005								
(million euros)	Less than one year		One to 5 years		More than 5 years		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Debt	1,123	763	1,919	1,362	3,416	159	6,458	2,284
Cash and cash equivalent	-	(1,735)	-	-	-	-	-	(1,735)
NET POSITION BEFORE HEDGING	1,123	(972)	1,919	1,362	3,416	159	6,458	549
Hedging instruments	105	(105)	(58)	58	(770)	770	(723)	723
NET POSITION AFTER HEDGING	1,228	(1,077)	1,861	1,420	2,646	929	5,735	1,272

The notional value of interest rate financial instruments at year-end is as follows:

At December 31, 2005								
Maturities of notional contract values (a)								
(million euros)		2006	2007	2008	2009	2010	More than 5 years	Total
<i>Pay fixed (designated as cash flow hedge)</i>								
Euro	6.1%	100	151	70	-	-	-	321
Other currencies	4.8%	5	4	-	9	-	-	18
<i>Pay floating (designated as fair value hedge)</i>								
Euro	2.1%	-	-	-	-	-	600	600
Other currencies	5.5%	-	-	-	-	292	170	462
TOTAL		105	155	70	9	292	770	1,401

(a) 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.

At December 31, 2004								
Maturities of notional contract values (a)								
(million euros)		2005	2006	2007	2008	2009	More than 5 years	Total
<i>Pay fixed (designated as cash flow hedge)</i>								
Euro	8.6%	789	100	62	70	89	-	1,110
Other currencies	6.1%	-	4	8	-	8	-	20
<i>Pay floating (designated as fair value hedge)</i>								
Euro	2.2%	48	-	-	-	-	600	648
Other currencies	5.1%	-	-	-	-	-	147	147
Other interest rate swaps	5.9%	76	-	-	-	-	-	76
TOTAL		913	104	70	70	97	747	2,001

(a) 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.

A 1% change in short-term interest rates calculated on the net indebtedness, and taking into account derivative instruments, would have a maximum impact on the pre-tax consolidated income of 13 million euros.

A 1% change in the yield curves related to the currencies in which the Group has significant fixed rate debts would have an estimated maximum impact on the fixed rate debt fair value (calculated after swaps impact) of 275 million euros.

Details of the balance sheet value of instruments hedging interest rate risk

(million euros)	At December 31,					
	2005			2004		
	Impact on derivatives	Impact on underlying	Net impact	Impact on derivatives	Impact on underlying	Net impact
ASSETS						
Non-current derivative instruments	36	-	36	-	-	-
Current derivative instruments	-	-	-	30	-	30
LIABILITIES						
Long-term debt	-	36	36	-	30	30
Non current derivative instruments	10	-	10	29	-	29
Current derivative instruments	-	-	-	-	-	-
NET IMPACT ON EQUITY	26	(36)	(10)	1	(30)	(29)

(e) Commodity risk

The Group uses various raw materials and other supplies - such as gas, electricity, fuel, diesel, gasoline, freight - for which financial instruments to manage price risk exist.

The Group uses, from time to time, these financial instruments to manage its exposure to these risks. At December 31, 2005, such commitments were mostly limited to forward purchase contracts and swaps, and were not significant.

(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 counterparty 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 there is no material concentration of risk with any single counterparty. The Group does not anticipate any third party default that might have a significant impact on the Group's financial statements.

(g) Share risk

The Group owns an equity swap contract related to common shares of an unrelated entity held by an independent third party for development strategy purposes. At December 31, 2005, this equity swap was for 123 million euros with a fair value of 13 million euros, which is fully provided for in the statement of income.

Note 27 - 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 predetermined conditions. 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 acquiring 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 305 million euros and 328 million euros at December 31, 2005 and 2004, respectively.

Out of the outstanding debt at 2005 year end, 205 million euros and 38 million euros can be exercised in 2006 and 2007 respectively. The remaining 62 million euros can be exercised starting 2008.

As explained in Note 2(r), put options granted to minority interests of subsidiaries are classified as debt. Out of the total options granted by the Group, the options granted to minority interests amounted to 263 million euros and 299 million euros at December 31, 2005 and December 31, 2004, respectively, the remaining options were granted on shares of associates or joint-ventures.

This specific debt is recorded by reclassifying the underlying minority interests and recording goodwill in an amount equal to the difference between the carrying value of minority interests and the value of the debt (124 million euros and 34 million euros at December 31, 2005 and 2004 respectively). Put options on shares of associates and joint ventures are presented in Note 29 as Other commitments.

Note 28 - Other Payables

Components of other payables are as follows:

(million euros)	At December 31,	
	2005	2004
Accrued payroll expenses	425	379
Accrued interest	163	198
Other taxes	192	168
Customer rebates and discounts	81	71
Payables to suppliers of fixed assets	90	63
Other accrued liabilities	624	508
OTHER PAYABLES	1,575	1,387

Note 29 - Commitments and Contingencies

(a) Collateral guarantees and other guarantees

The following details collateral guarantees and other guarantees provided by the Group.

(million euros)	At December 31,	
	2005	2004
Securities and assets pledged	5	5
Property collateralizing debt	475	446
Guarantees given	271	208
TOTAL	751	659

The principal collateral guarantees and other assets pledged by the Group at December 31, 2005 are as follows.

(million euros)	Amount of assets pledged	Total balance sheet	% pledged
TANGIBLE ASSETS	475	12,171	3.9%
Less than one year	146		
Between one and five years	200		
More than 5 years	129		
FINANCIAL ASSETS	5	1,002	0.5%
Less than one year	-		
Between one and five years	-		
More than 5 years	5		
TOTAL	480	13,173	3.6%

Finally, the Group has granted indemnification commitments in relation to disposals of assets. Its exposure under these commitments is considered remote. The total amount of capped indemnification commitments still in force at December 31, 2005 is 412 million euros.

(b) Contractual obligations

The following details the Group's significant contractual obligations.

(million euros)	Payments due per period			At December 31,	
	Less than one year	One to 5 years	More than 5 years	2005	2004
Debt*	1,886	3,281	3,575	8,742	8,346
Of which finance lease obligations	5	14	16	35	34
Scheduled interest payments **	404	997	859	2,260	1,928
Net scheduled obligation on interest rate swaps ***	(3)	(45)	(44)	(92)	(114)
Operating leases	207	405	251	863	724
Capital expenditures and other purchase obligations	1,037	571	294	1,902	978
Other commitments	75	56	46	177	219
TOTAL	3,606	5,265	4,981	13,852	12,081

* See Note 25 – Debt.

** Scheduled interest payments associated with variable rate are computed on the basis of the rates in effect at December 31.

*** Scheduled interest payments of the variable leg of the swaps are computed based on the rates in effect at December 31.

The increase in purchase obligations between 2004 and 2005 is due to the renegotiation for higher values of existing contracts (notably due to increase in fuel price that results in higher freight cost for raw materials) and to the new purchase contracts signed in 2005.

The Group leases certain land, quarries, building and equipment. Total rental expense under operating leases was 145 million euros and 142 million euros for the years ended December 31, 2005 and 2004 respectively.

Future expected funding requirements or benefit payments related to our pension and postretirement benefit plans are not included in the above table, because future long term cashflows in this area are uncertain. Refer to the amount reported under the "current portion" of pension and other employee benefits liabilities in the balance sheet or in Note 23 for further information on these items.

(c) Other commitments

The following details the other commitments of the Group.

<i>(million euros)</i>	At December 31,	
	2005	2004
Unused confirmed credit lines	3,467	3,682
Put option to purchase shares in associates or joint-ventures	42	29
TOTAL	3,509	3,711

Note 30 - Legal and arbitration proceedings

On December 3, 2002, the European Commission imposed a fine on the Group in the amount of 250 million euros on the grounds that some of our subsidiaries had allegedly colluded on market shares and prices with their competitors between 1992 and 1998 for wallboard, essentially in the United Kingdom and Germany. The Group vigorously challenge this decision and have brought the case before the Court of First Instance (CFI) in Luxembourg, which has jurisdiction over such matters, on February 14, 2003. The proceedings are currently taking place before the court. The resolution procedure usually takes several years based on comparable cases. As a bank guarantee was given on our behalf, no payment will have to be made before the decision of the court.

Following investigations on the German cement market, the German competition authority announced on April 14, 2003, that it was imposing fines on German cement companies, including one in the amount of 86 million euros on our German cement subsidiary for its alleged anti-competitive practices in Germany. We believe that the amount of the fine is disproportionate in light of the actual facts and has brought the case before the Higher Regional Court. The court's decision is not expected before several years. No payment nor any guarantee is required to be made or given prior to the court's decision.

A provision of 300 million euros was recorded in our financial statements for the year ended December 31, 2002 in connection with the two matters above and we recorded additional provisions in 2003, 2004 and 2005 in relation to interest on the amount of the fines since 2002 for a total of 30 million euros.

In late 2005, several class action lawsuits were filed in the United States District Court. In their complaints, plaintiffs allege that our US subsidiary and several other defendants are liable for death, bodily and personal injury and property and environmental damage to people and property in and around New Orleans, Louisiana, which they claim resulted from a barge that allegedly breached the Industrial Canal levee in New Orleans during or after Hurricane Katrina. The Group intends to vigorously defend itself in this action and believes that the claims against it are without merit and that these matters will not have a materially adverse effect on its financial condition.

Finally, certain of our subsidiaries have litigation and claims pending in the normal course of business. Management is of the opinion that these matters will be settled without any significant effect on the Company's and/or the Group's financial position. 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 31 - Related Party Transactions

Transactions with associates and with joint-ventures that are not eliminated for consolidation purposes were not material for the years presented. To our knowledge, no individual, entity, group of individuals or entities acting together in concert held more than 10% of the outstanding shares or total voting rights of the Group.

Note 32 - Employees Costs and Directors' and Executive Officers' Compensation for Services

(a) Employees and employees costs

	2005	2004
Management staff	12,217	11,411
Non-management staff	67,929	65,664
TOTAL NUMBER OF EMPLOYEES	80,146	77,075
<i>Of which: companies accounted for using the proportionate method</i>	8,909	5,155

<i>(million euros)</i>	Years ended December 31,	
	2005	2004
TOTAL EMPLOYEES COSTS	2,833	2,422
<i>Of which: companies accounted for using the proportionate method</i>	107	113

(b) Directors' and Executive Officers' compensation for services

(million euros)	Years ended December 31,	
	2005	2004
Board of Directors*	0.5	0.5
Senior Executives	23.8	18.6
Short-term benefits	9.3	8.5
Post-employment benefits**	9.5	6.6
Other long term benefits	0.6	0.5
Share-based payments ***	4.4	3.0
TOTAL	24.3	19.1

* Directors' fees.

** Change for the year in post-employment benefits obligation. This amount includes actuarial gains and losses that are generated during the period and which recognition as income or expense in the statement of income is deferred in accordance with the "corridor" method.

*** Expense of the year estimated in accordance with principles described in Note 2(v).

Note 33 - Emission rights

The Group accounts for trade and cap schemes as described in Note 2(w).

In 2003, the European Union adopted a directive implementing the Kyoto Protocol on climate change. This directive established a CO₂ emissions trading scheme in the European Union: within the industrial sectors subject to the scheme, each industrial facility is allocated a certain amount of CO₂ allowances. Industrial operators which keep their CO₂ emissions below the level of allowances granted to their plants can sell their excess allowances to other operators which have emitted more CO₂ than the allowances they were initially granted. Another provision allows European Union companies to use credits arising from investments in emission reduction projects in developing countries to comply with their obligations in the European Union.

The Emissions Trading directive came into force on January 1, 2005, and each Member State issued a National Allocation Plan (NAP) defining the amount of allowances given to each industrial facility. These NAPs were then approved by the European Commission.

The Emissions Trading Directive and its provisions apply to all our cement plants in the EU and, to a lesser extent to our Roofing and Gypsum operations. We are operating cement plants in 10 out of the 25 EU Member States. Allowances that were allocated to these facilities represent some 25 million tonnes of CO₂ per year over the 2005-2007 period. The Group policy is to monitor allowances on a yearly basis. Actual emissions are followed and consolidated on a monthly basis. Forecast of yearly position is updated regularly during the year. Allowances would be purchased on the market in case of actual emissions exceeding rights granted for the period and, conversely, surplus would be sold on the market.

At the end of 2005, on a consolidated basis (after trading allowances between our subsidiaries with a deficit and subsidiaries with an excess of CO₂ allowances), allowances granted for the year were slightly in excess compared to the Group's actual emissions for the same period. This small surplus was sold on the market.

For the years 2006 and 2007, 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 cover our needs on a consolidated basis.

Note 34 - Supplemental cash flow disclosures

The main transactions of the period that did not impact the Group's cash flow statement are described below.

(a) SOCAM joint venture agreement

As described in Note 9(b), on August 11, 2005, the Group and SOCAM entered into a contribution agreement and announced a joint venture partnership to merge their cement operations in China. On November 9, 2005 the merger was effected and a joint venture was established owned 55% by the Group. According to the joint venture agreement, the control over the joint venture is shared between the Group and SOCAM and strategic financial and operating decisions relating to the activity requires the consent of both parties.

The agreed equity value incorporated in the joint venture amounts to 137 million euros, i.e. 75 million euros at Group level. The acquisition was recorded under the purchase method of accounting and, therefore, the purchase price has been allocated, on a preliminary basis, to assets acquired and liabilities assumed based on estimated fair values.

The Group's contribution into the joint-venture has been estimated at 168 million euros. The retained share in assets contributed (55%) has not been revaluated and is consequently kept at historical value in the Group's financial statements.

Note 35 – Transition to IFRS : Impact of the transition on financial statements at January 1, 2004 and December 31, 2004

The European Regulation No 1606/2002 issued July 19, 2002, requires all European companies listed on a regulated market to use International Accounting Standards endorsed at the European level (IAS or IFRS standards) to prepare their consolidated financial statements, effective 2005. Accordingly, the 2005 consolidated financial statements of the Group have been prepared in accordance with this set of standards, which requires 2004 comparative data to be presented on the same basis.

In order to provide this comparative data, the Group established an opening balance sheet as of January 1, 2004, the starting date for application of the IFRS standards as published as of December 31, 2005. The effects of the transition are recorded in the opening IFRS equity.

Basis for preparation of Group's first IFRS financial statements

For the purpose of the transition to IFRS the Group elected an early application for part of the standards issued as at end of March 2004 as detailed:

- Revised IAS 32 & IAS 39, "Financial Instruments": for the purpose of the transition the Group applies these revised standards starting January 1, 2004;
- IFRS 2, "Share Based Payments": the Group applies this standard starting January 1, 2004 to instruments granted after November 7, 2002 and not vested as at January 1, 2004;
- IFRS 3, "Business Combinations", revised IAS 36, "Impairment of assets" and revised IAS 38, "Intangible assets": the Group applies these standards starting January 1, 2004.

Exemptions from other IFRSs

IFRS 1, "First-time adoption of International Financial and Reporting Standards", allows First Time adopters to elect to use exemptions from other IFRSs (mainly to avoid retrospective application of some standards).

The Group examined the treatments available and elected to use the following exemptions:

(a) Business Combinations

Business Combinations prior to January 1, 2004 are not restated retrospectively for compliance with IFRS 3. For information, the Group has applied the purchase method to all its business combinations since January 1, 1989.

(b) Employee Benefits

For all gains and losses arising from a change in actuarial assumptions for pension commitments measurement subsequent to January 1, 2004, the Group will maintain the "corridor" accounting method. Furthermore, the Group used the exemption permitted by IFRS 1 to include all actuarial differences not recognized as of December 31, 2003 in equity as of January 1, 2004. Quantitative impacts of this election are presented in the reconciliation Note below (see *Summary of differences between Accounting Principles followed by the Group (Previous GAAP) and International Accounting Standards - 1*).

(c) Cumulative translation differences

The Group elected to "reset to zero" previous cumulative translation differences arising from translation into euros of foreign subsidiaries' financial statements denominated in foreign currency. Quantitative impacts of this election are presented in the reconciliation Note below (see *Summary of differences between Accounting Principles followed by the Group (Previous GAAP) and International Accounting Standards - 5(a)*).

The Group did not elect to use other exemptions available. Among other, the Group has elected to not adopt the option which consists in measuring at their fair value some tangible or intangible assets in the opening balance sheet.

Impact of the transition on the consolidated Financial Statements

The following is a summary reconciliation of Shareholder's equity and Net income as reported under Previous GAAP to Shareholders' equity and Net income as adjusted for the effects of the application of International Accounting Standards starting January 1, 2004.

	Note	January 1, 2004	Net income GROUP SHARE 2004	Other 2004	Transl adjustment 2004	December 31, 2004
SHAREHOLDER'S EQUITY AS REPORTED		8,185	868	(166)	(410)	8,477
Pension and other employee benefits	1	(1,234)	83	(5)	16	(1,140)
Investments available for sale	2(c)	(44)		9		(35)
Compound instruments	2(a)	58	(27)			31
Derivative instruments	2(b)	(79)	4	61	(1)	(15)
Treasury shares	2(f)	(64)		2		(62)
Effective interest method on debts	2(f)	2	4			6
Goodwill depreciation & impairment	3(a)	-	117	(2)	(4)	111
Business combinations	3	-		1		1
Share based payments	4	-	(15)	15		-
Disposal of investments	5(a)	-	50	2	(52)	-
Goodwill rel. to the acqu. of foreign subs.	5(b)	(289)			289	-
Deferred tax hyperinflation Turkey	6(b)	(9)	1		1	(7)
Deferred charges	7(a)	(12)	3			(9)
Investment subsidies	7(b)	(26)	2			(24)
Prov. for unrealized foreign exch. losses	7(e)	(28)	1		2	(25)
Severe currency devaluations capitalized	7(f)	(7)			(1)	(8)
TOTAL IFRS ADJUSTMENTS BEFORE INCOME TAX AND MINORITY INTERESTS		(1,732)	223	83	250	(1,176)
Tax effect of the above IFRS adjustments		439	(21)	(22)	(10)	386
Minority Interests		132	(24)	(1)	(12)	95
SHAREHOLDERS'S EQUITY - PARENT COMPANY ACCORDING TO IFRS		7,024	1,046	(106)	(182)	7,782

A summary reconciliation of the Group's Consolidated financial statements as reported under Previous GAAP to its Consolidated financial statements under IFRSs are presented for:

- (i) Consolidated Balance sheet as of January 1, 2004, the date of transition to IFRS;
- (ii) Consolidated Balance sheet as of December 31, 2004; and
- (iii) Consolidated Income Statement for the year ended December 31, 2004.

Narrative disclosures are presented after this reconciliation (*Summary of differences between Accounting Principles followed by the Group (Previous GAAP) and International Accounting Standards*).

(i) Summary reconciliation of Balance Sheets

As of January 1, 2004 (In million euros)	Previous GAAP under IFRS format	IAS 19 Employee benefits	IAS 32 39 Financial Instruments	IFRS 3 Business Combinations, IAS 36 & 38	IAS 21 Effects of Changes in For. Ex. Rates	IAS 12 Income Taxes	Others	Total impact of transition to IFRS	Restated under IFRS
Narrative disclosure reference		(1)	(2)	(3)	(5)	(6)	(7)		
NON-CURRENT ASSETS	19,048	(561)	(134)	-	(289)	251	(160)	(893)	18,155
Goodwill	4,149		13	2,421	(271)		(233)	1,930	6,079
Intangible assets	2,823			(2,421)			(102)	(2,523)	300
Property, plant and equipment	10,402						(96)	(96)	10,306
Investment in associates	383				(18)		234	216	599
Other financial assets ^(a)	730		(147)				1	(146)	584
Pension asset (*) ^(a)	561	(561)						(561)	-
Deferred income tax asset, net	-					251		251	251
Restricted cash (*) ^(f)	-						36	36	36
CURRENT ASSETS	5,787	-	183	-	-	-	(64)	119	5,906
Inventories	1,422							-	1 422
Trade receivables	1,754		351					351	2,105
Other receivables	977		(243)				(28)	(271)	706
Derivative instruments	-		146					146	146
Cash and cash equivalents	1,634		(71)				(36)	(107)	1,527
TOTAL ASSETS	24,835	(561)	49	-	(289)	251	(224)	(774)	24,061
CAPITAL AND RESERVES									
Common stock	669							-	669
Additional paid-in-capital	5,798							-	5,798
Treasury shares ^(b)	(33)		(71)					(71)	(104)
Retained earnings ^(b)	4,086	(1,036)	(41)		(2,614)	352	(72)	(3,411)	675
Other reserves	-		(20)			6		(14)	(14)
Foreign currency translation	(2,335)				2,335			2,335	-
SHAREHOLDERS' EQUITY - PARENT COMPANY	8,185	(1,036)	(132)	-	(279)	358	(72)	(1,161)	7,024
Minority interests	2,191	(198)	(204)		(10)	72	(1)	(341)	1,850
Other equity	118						(118)	(118)	-
TOTAL EQUITY	10,494	(1,234)	(336)	-	(289)	430	(191)	(1,620)	8,874
NON-CURRENT LIABILITIES	9,859	673	18	-	-	(179)	(33)	479	10,338
Deferred income tax liability	870					(179)	1	(178)	692
Pension & other employee benefits provisions ^(c)	622	673					1	674	1,296
Other provisions ^(c)	997		(86)				(1)	(87)	910
Long-term debt	7,370		8				(34)	(26)	7,344
Derivative instruments	-		96					96	96
PUT OPTIONS ON SHARES OF SUBSIDIARIES	-	-	222	-	-	-	-	222	222
CURRENT LIABILITIES	4,482	-	145	-	-	-	-	145	4,627
Pension & other employee benefits provisions, current portion ^(c)	117							-	117
Other provisions, current portion ^(c)	121							-	121
Trade payables	1,234							-	1,234
Other payables ^(d)	1,560		(120)					(120)	1,440
Income tax payable ^(e)	125							-	125
ST debt & current portion of LT debt ^(e)	1,325		248					248	1,573
Derivative instruments	-		17					17	17
TOTAL EQUITY AND LIABILITIES	24,835	(561)	49	-	(289)	251	(224)	(774)	24,061

(*) these items are included in "Other financial assets" in the final IFRS balance sheet format. They would be presented separately if material.

Reclassifications between Previous GAAP published Balance sheet and Previous GAAP balances presented under the IFRS format may be summarized as follows :

- (a) Lines «Other Investments» (481 million euros) and «Other LT assets» (810 million euros) have been merged in line «Other financial assets» except for the pension prepaid asset (561 million euros) that is presented under IFRS on a separate line
- (b) Treasury shares that are deducted from equity under Previous GAAP were presented within «Retained earnings» in the Previous GAAP Balance Sheet. They are isolated in the IFRS format on the line «Treasury shares»
- (c) «Provisions» (1,857 million euros) have been split between «Pension & other employee benefits provision» (739 million euros) and «Other provisions» (1,118 million euros) and the part that will be reversed within twelve months is presented in the Current liabilities section (117 million euros for Pension & Other Employment Benefit provision and 121 million euros for Other Provisions)
- (d) «Income Tax Payable» (125 million euros) is shown separately from «Other Payables» in the IFRS format
- (e) Previous GAAP «Current portion of LT debt» (985 million euros) and «Short-term bank borrowings» (340 million euros) have been merged into IFRS line «ST debt & current portion of LT debt»

(ii) Summary reconciliation of Balance Sheets

As of december 31, 2004 (in million euros)	Previous GAAP under IFRS format	IAS 19 Employee benefits	IAS 32 39 Financial Instruments	IFRS 3 Business Combinations, IAS 36 & 38	IFRS 2 share based payments	IAS 21 Effects of Changes in For. Ex.Rates	IAS 12 Income Taxes	Others	Total impact of transition to IFRS	Restated under IFRS
Narrative disclosure reference	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
NON-CURRENT ASSETS	18,653	(573)	(28)	112	-	-	280	(203)	(412)	18,241
Goodwill	3,718		34	2,377				(131)	2,280	5,998
Intangible assets	2,760			(2,270)				(182)	(2,452)	308
Property, plant and equipment	10,641							(54)	(54)	10,587
Investment in associates	236			5				131	136	372
Other financial assets (a)	722		(62)					(1)	(63)	659
Pension asset * (a)	576	(573)							(573)	3
Deferred income tax asset, net	-						280		280	280
Restricted cash *	-							34	34	34
CURRENT ASSETS	6,119	-	198	-	-	-	-	(58)	140	6,259
Inventories	1,509								-	1,509
Trade receivables	2,054		210						210	2,264
Other receivables	903		(152)					(24)	(176)	727
Derivative instruments	-		209						209	209
Cash and cash equivalents	1,653		(69)					(34)	(103)	1,550
TOTAL ASSETS	24,772	(573)	170	112	-	-	280	(261)	(272)	24,500
CAPITAL AND RESERVES										
Common stock	684								-	684
Additional paid-in-capital	6,000				13				13	6,013
Treasury shares (b)	(33)		(69)						(69)	(102)
Retained earnings (b)	4,571	(979)	(67)	105	(13)	(2,559)	346	(67)	(3,234)	1,337
Other reserves	-		51					(19)	32	32
Foreign currency translation	(2,745)	16	(1)	(3)		2,559	(9)	1	2,563	(182)
SHAREHOLDERS' EQUITY - PARENT COMPANY	8,477	(963)	(86)	102	-	-	318	(66)	(695)	7,782
Minority interests	2,479	(177)	(254)	10			61		(360)	2,119
Other equity	116							(116)	(116)	-
EQUITY	11,072	(1,140)	(340)	112	-	-	379	(182)	(1,171)	9,901
NON-CURRENT LIABILITIES	9,370	567	15	-	-	-	(99)	(79)	404	9,774
Deferred income tax liability	731						(99)		(99)	632
Pension & other employee benefits provisions (c)	667	567							567	1,234
Other provisions (c)	1,024		(104)						(104)	920
Long-term debt	6,948		90					(79)	11	6,959
Derivative instruments	-		29						29	29
PUT OPTIONS ON SHARES OF SUBSIDIARIES	-	-	299	-	-	-	-	-	299	299
CURRENT LIABILITIES	4,330	-	196	-	-	-	-	-	196	4,526
Pension & other employee benefits provisions, current portion (c)	121								-	121
Other provisions, current portion (c)	118								-	118
Trade payables	1,424								-	1,424
Other payables (d)	1,417		(30)						(30)	1,387
Income tax payable	46								-	46
ST debt & current portion of LT debt (e)	1,204		183						183	1,387
Derivative Instruments	-		43						43	43
TOTAL EQUITY AND LIABILITIES	24,772	(573)	170	112	-	-	280	(261)	(272)	24,500

* These items are included in "Other financial assets" in the final IFRS balance sheet format. They would be presented separately if material.

Reclassifications between Previous GAAP published Balance sheet and Previous GAAP balances presented under the IFRS format may be summarized as follows:

- (a) Lines "Other Investments" (560 million euros) and "Other LT assets" (738 million euros) have been merged in line "Other financial assets" except for the pension prepaid asset (576 million euros) that is presented in this reconciliation Note on a separate line.
- (b) Treasury shares that were deducted from equity under Previous GAAP were presented within "Retained earnings" in the Previous GAAP Balance Sheet. They are isolated in the IFRS format on the line "Treasury shares".
- (c) "Provisions" (1,930 million euros) have been split between "Pension & other employee benefits provision" (788 million euros) and "Other provisions" (1,142 million euros) and the part that will be reversed within twelve months is presented in the Current liabilities section (121 million euros for Pension & Other Employment Benefit provision and 118 million euros for Other Provisions).
- (d) "Income Tax Payable" (46 million euros) is shown separately from "Other Payables" in the IFRS format.
- (e) Previous GAAP "Current portion of LT debt" (991 million euros) and "Short-term bank borrowings" (213 million euros) have been merged into IFRS line "ST debt & current portion of LT debt".

(iii) Summary reconciliation of Consolidated Income Statements

For the year ended December 31, 2004 (in million euros)	Previous GAAP under IFRS format	IAS 19 Employee benefits	IAS 32/39 Financial Instruments	IFRS 3 Business Combinations, IAS 36 & 38	IFRS 2 Share Based Payments	IAS 21 Effects of Changes in For. Ex. Rates	IAS 12 Income Taxes	Others	Total impact of transition to IFRS	Restated under IFRS
<i>Narrative disclosure reference</i>		(1)	(2)	(3)	(4)	(5)	(6)	(7)		
REVENUE	14,436								-	14,436
Cost of sales (a)	(10,432)	16	12		(3)			5	30	(10,402)
Selling & administrative expenses (a)	(1,880)	59			(12)				47	(1,833)
CURRENT OPERATING INCOME (C)	2,124	75	12	-	(15)	-	-	5	77	2,201
Gains on disposal, net	41					52		(2)	50	91
Other operating income (expenses) (b)	(343)	8		117					125	(218)
OPERATING INCOME	1,822	83	12	117	(15)	52	-	3	252	2,074
Finance (costs) / income	(517)		(31)					1	(30)	(547)
Income from associates	74								-	74
INCOME BEFORE INCOME TAX	1,379	83	(19)	117	(15)	52	-	4	222	1,601
Income tax	(247)						(21)	1	(20)	(267)
NET INCOME	1,132	83	(19)	117	(15)	52	(21)	5	202	1,334
Minority interests	(264)	(20)	(5)	(10)	2		8	1	(24)	(288)
NET INCOME – GROUP SHARE	868	63	(24)	107	(13)	52	(13)	6	178	1,046

* These items are included in "Other financial assets" in the final balance sheet format. They would be presented separately if material.

Reclassifications between Previous GAAP published Statement of income and Previous GAAP balances presented under the IFRS format may be summarized as follows:

- (a) The line "Depreciation" presented on the face of the Previous GAAP Income statement has been allocated to "Cost of Sales" (799 million euros) and "Selling & administrative expenses" in the IFRS format (105 million euros) based on the nature of the underlying assets
- (b) "Goodwill depreciation" is reclassified within the "Operating Income" on the line "Other operating income (expenses)" in the IFRS format. Most of this depreciation is then reversed as part of IFRS adjustments
- (c) Previously denominated as "Operating income on Ordinary Activities" under Previous GAAP

Summary of differences between Accounting Principles followed by the Group (Previous GAAP) and International Accounting Standards

All figures presented in the narrative disclosures hereafter are before tax and minority interests, unless specified.

1. IAS 19 - Employee benefits

The Group has elected to use the option available in IFRS 1 under which any difference existing as at January 1, 2004 between defined benefit plans liabilities and the fair value of dedicated assets can be recognized through equity, except the non vested portion of unrecognized past service costs. The impact of this election is the main source of difference between Previous GAAP and IFRS financial statements in the area of employee benefits (1,183 million euros negative impact on January 1, 2004 equity, 73 million euros positive impact on 2004 earnings and 1,132 million euros negative impact on December 31, 2004 equity).

Group valuation and accounting principles in respect of pension and other commitments have been almost fully aligned with existing US GAAP in this area (SFAS 87-88, SFAS 106 and SFAS 112) since the Group flotation on the NYSE. IAS 19 is the corresponding standard applicable to employee benefits under IAS/IFRS. A limited number of discrepancies between these two sets of standards have been identified. They concern:

- the valuation of dedicated plans assets (US GAAP authorize the smoothing of the fair value of plans assets over time, whereby IAS 19 requires the use of year end fair value for assets);
- measurement dates for liabilities and dedicated assets (under US GAAP, valuation dates can be set before year end, whereby IAS 19 requires the use of year end measurement dates);
- transitional provisions which are specific to each set of standards;
- the recognition of past / prior service costs (under US GAAP, the effects of plan amendments can be recognized over the average remaining active life of plans participants, whereby IAS 19 requires the immediate recognition, in the profit and loss account, of any effect of plan amendments on benefits already vested);
- the limitations applicable, under IAS 19 (asset ceiling), to prepaid pension cost amount to be recognized on the employer's balance sheet in

respect of the overfunding of a plan's liabilities by its dedicated assets, which have no direct equivalent under US GAAP;

- the allocation method for defined benefit costs over the periods of services rendered by beneficiaries (under certain circumstances, US GAAP allow for an allocation of costs over the entire expected active career of beneficiaries, whereby IAS 19 requires the recognition of these costs over the periods of service over which benefits become vested, occasionally shorter than the entire expected active career);
- the valuation of death and disability benefits covering active employees (IAS 19 does not require to provide for this type of benefits as long as they do not relate to services rendered by beneficiaries: costs are then expensed as incurred);
- the valuation of constructive obligations which is explicitly required by IAS 19, whereby US GAAP valuation requirements are limited to the obligations in respect of formal benefit plans.

Based on this list of potential discrepancies, the Group has carried out, with the support of its actuaries, a specific review of the necessary restatements of the existing US GAAP information in respect of the most significant benefit plans of the Group (95% of Group obligations have been covered).

Following this review, the Group has recorded a net decrease in equity as at January 1, 2004 of 51 million euros, an increase in earnings of 10 million euros and a net decrease in equity as at December 31, 2004 of 8 million euros.

The results of this review have been integrated into Group valuation and accounting processes.

The total impact of the application of IAS 19 revised for the Group is respectively a decrease in equity of 1,234 million euros and 1,140 million euros as at January 1, 2004 and December 31, 2004 and an increase in 2004 earnings of 83 million euros.

2. IAS 32 / 39 - Financial instruments

The impact of the application of IAS 32 / 39 on the Group's Balance sheets can be summarized as follows:

(in million euros)	As at January 1, 2004							As at December 31, 2004						
	Total impact	OCEANE	Deriv. Instr.	Avail. for sale invest.	Securitization	Put options	Others	Total impact	OCEANE	Deriv. Instr.	Avail. for sale invest.	Securitization	Put options	Others
NON-CURRENT ASSETS	(134)	-	-	(44)	(103)	13	-	(28)	-	-	(35)	(27)	34	-
Goodwill	13					13		34					34	
Other financial assets	(147)			(44)	(103)			(62)			(35)	(27)		
CURRENT ASSETS	183	-	(97)	-	352	-	(72)	198	-	57	-	210	-	(69)
Trade receivables	351				352		(1)	210				210		
Other receivables	(243)		(243)					(152)		(152)				
Derivative Instruments	146		146					209		209				
Cash and cash equivalents	(71)						(71)	(69)						(69)
TOTAL ASSETS	49	-	(97)	(44)	249	13	(72)	170	-	57	(35)	183	34	(69)
Treasury shares	(71)						(71)	(69)						(69)
Retained earnings	(41)	(55)	5				9	(67)	(82)	2				13
Other reserves	(20)	113	(89)	(44)			-	51	113	(27)	(35)			
Foreign currency transl.								(1)		(1)				
SHAREHOLDERS' EQUITY	(132)	58	(84)	(44)	-		(62)	(86)	31	(26)	(35)	-	-	(56)
Minority interests	(204)		5			(209)		(254)		11			(265)	
TOTAL EQUITY	(336)	58	(79)	(44)	-	(209)	(62)	(340)	31	(15)	(35)	-	(265)	(56)
NON-CURRENT LIABILITIES	18	(58)	86				(10)	15	(31)	59		-		(13)
Other provisions	(86)	(69)	(10)				(7)	(104)	(97)					(7)
Long-term debt	8	11					(3)	90	66	30				(6)
Derivative Instruments	96		96					29		29				
PUT OPT. ON SHARES OF SUBS.	222					222		299					299	
CURRENT LIABILITIES	145	-	(104)		249		-	196		13		183		-
Other payables	(120)		(121)				1	(30)		(30)				
ST debt & cur. port of LT debt	248				249		(1)	183				183		
Derivative instruments	17		17					43		43				
TOTAL EQUITY & LIAB	49	-	(97)	(44)	249	13	(72)	170	-	57	(35)	183	34	(69)

(a) Compound Instruments: OCEANE

Under IAS 32, *Financial Instruments: Disclosure and Presentation*, if a financial instrument contains components with characteristics of both liabilities and equity elements, the issuer shall classify the component parts separately according to the definitions for the various considered items. Therefore, a separate presentation of liability and equity created by a single financial instrument is required. This category includes financial instruments that creates a debt for the issuer and grants an option to its holder to convert it into an equity instrument of the issuer.

When the initial carrying amount of a compound instrument is allocated to its equity and liability elements, the equity component is assigned the residual carrying amount after deducting from the instrument as a whole the amount separately determined for the liability component. This liability component is determined by measuring the fair value of a similar liability, without associated equity component.

As at June 29, 2001 the Group issued 10,236,221 bonds convertible into common shares for a total nominal amount of 1,300,000,067 euros, bearing interest at an annual rate of 1,5% (OCEANES). The maturity of this convertible bond is January 1, 2006.

As part of the transition, the Group calculated retrospectively the liability and equity component of this instrument at inception and determined the liability value that shall be recognized as at January 1, 2004. The equity component that would have been recognized at inception directly in equity amounts to 113 million euros. Under the effective interest rate method, the cumulative interest expense that would have been recognized on the liability component as at January 1, 2004 amounts to 181 million euros. Under Previous GAAP, the Group recorded a cumulative interest expense (including linear amortization for redemption premium and transaction costs) of 126 million euros. The cumulative difference is a decrease in retained earnings of 55 million euros. For the year ended 2004, the Group recorded in its IFRS earnings an additional financial expense amounting to 27 million euros. The combined effect of the recognition of the equity component and the cumulative difference on financial expenses is respectively an increase of 58 million euros in equity as at January 1, 2004, a decrease of 27 million euros in 2004 earnings and an increase of 31 million euros in equity as at December 31, 2004.

(b) Derivative Instruments and hedge relationships

Under Previous GAAP, the fair value of derivative instruments was recorded in the Group's accounting records when the assets and liabilities of an acquiree were fair valued as the result of a business combination. In all other situations, Previous GAAP did not require the recognition of the fair value of derivative instruments.

For the purpose of the transition, pursuant to the guidance in revised IAS 39 and IAS 32 that the Group applies starting January 1, 2004 as described in paragraph *Basis for preparation of Group's first IFRS financial statements* above, the Group records in its IAS financial statements financial instruments which meet the criteria for recognition as derivatives. Derivative instruments are marked to market and recorded on the balance sheet. 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 derivative based on the criteria established by IAS 39. For a derivative designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. For a derivative designated as a cash flow hedge, the effective portion of the derivatives gain or loss is initially recognized directly in equity and subsequently reclassified into earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For embedded derivatives, the gain or loss is recognized in earnings in the period of the change in fair value.

As a result of the application of hedge accounting pursuant to the guidance included in revised IAS 39, as at January 1, 2004, the Group recorded a net decrease in equity of 79 million euros (of which 84 million euros affects negatively the Shareholders' equity and 5 million euros positively the Minority interests). As a result, the Group recorded current derivative assets for 146 million euros, non-current derivative liabilities for 96 million euros and current derivative liabilities for 17 million euros.

For the year ended 2004, accounting for the change in fair value of derivatives resulted in an increase recorded directly in equity of 61 million euros and an increase in earnings for the period of 4 million euros. As at end of December 31, 2004, derivative instruments set on the balance sheet of the Group in current assets for an amount of 209 million euros, in non-current liabilities for 29 million euros and in current liabilities for 43 million euros.

(c) Investments in marketable securities

In accordance with Previous GAAP the Group's policy was to value marketable securities and other equity securities at the lower of historical cost or net realizable value with any resulting unrealized losses recorded in the statement of income. Previous GAAP did not permit upward adjustments in the value of these securities to reflect their fair market value.

Under revised IAS 39, that the Group applies for the purpose of the transition starting January 1, 2004, investments in marketable securities shall be classified in three categories: trading (securities that are bought and held principally for the purpose of selling them in the near term), held to maturity (securities with fixed or determinable payments and fixed maturity that the Group has a positive intent and ability to hold to maturity), and securities available for sale (all other securities). Most of the marketable debt and equity securities of the Group are classified as available for sale with unrealized gains and losses excluded from earnings and reported as a component of Shareholders' equity (accumulated changes in fair value of financial instruments).

In 2000, the Group acquired 9.99% of the common shares of a cement producer for 319 million euros, which represented an average 4.75 per share. In December 2003, the Group purchased an additional 2.65% of the common shares of the Company at 4.06 euros per share. The market value of all shares was 348 million euros at December 31, 2003 and 353 million euros at December 31, 2004.

Until 2004, the Group has not recorded an other-than-temporary impairment on this investment as it has the intent and ability to retain its investment for a period of time sufficient for the recovery in market value. The Group has viewed, and continues to view, its investment as a strategic investment. The Group derives certain benefits from its investment that are not reflected in the investment's share price. These benefits include an industrial and technical cooperation agreement with management to enhance the efficiency and create operating synergies for both operations. The Group monitors the value of its investment and evaluates it for possible impairment on a regular basis. This review has led the Group to book in its Previous GAAP 2004 profit and loss an impairment loss of 4 million euros.

This impairment has been kept in IFRS profit and loss and the difference between the market value and the carrying value after impairment has been recorded in a separate component of equity.

The unrealized gains and losses on securities available for sale included in this separate component of equity relate to the investment and represent an unrealized loss of 44 million euros and 35 million euros respectively as at January 1, 2004 and December, 31 2004.

(d) Securitization agreements

The Group was involved in two major receivables securitization programs as at January 1, 2004 to provide a cost-effective source of working capital and short-term financing. Under the programs, the subsidiaries agree to sell on a revolving basis, certain of their accounts receivable. Under the terms of the arrangements, the subsidiaries involved in these programs do not maintain control over the assets sold and there is no entitlement nor obligation to repurchase the sold receivables. In these agreements, the purchaser of receivables holds a subordinated retained interest in the receivables not sold to third parties as usually granted in similar commercial transactions. Consequently, the receivables securitization transactions were accounted for under Previous GAAP as sales (with the subordinated interest being classified as long-term financial asset) and as a result, the related receivables and debt were excluded from the Balance Sheet.

Under revised IAS 39, that the Group applies for the purpose of its transition starting January 1, 2004, financial assets could be derecognized only if substantially all risks and rewards attached to the assets have been transferred. The subordinated retained interest held by the purchaser in the receivables not sold to third parties represents a breach in the transfer of all risks and rewards. As a consequence, these accounts receivable should not be derecognized in the Balance Sheet and these operations are treated as a secured financing.

This restatement results in a decrease in LT financial assets of respectively 103 million euros and 27 million euros as at January 1, 2004 and December 31, 2004, an increase in Accounts receivable-trade of respectively 352 million euros and 210 million euros as at January 1, 2004 and December 31, 2004, and an increase in short-term debt of respectively 249 million euros and 183 million euros as at January 1, 2004 and December 31, 2004.

(e) 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 predetermined conditions. Assuming that all of these options were exercised, the purchase price to be paid by the Group, including net debt acquired, would amount to respectively 448 million euros and 328 million euros as at January 1, 2004 and December 31, 2004.

Under IAS 32, put option granted to minority interests of subsidiaries shall be considered as a debt. Out of the total options granted by the Group, the options granted to minority interests amounted to respectively 222 million euros and 299 million euros as at January 1, 2004 and December 31, 2004, the remaining options being granted on shares of associates or joint-ventures.

As a consequence, until the IASB issues specific guidance, the Group recorded a specific debt in the IFRS balance sheet by reclassifying the underlying minority interests and recording a goodwill for any difference between the carrying value of minority interests and the value of the debt. No impact has been recorded in the IFRS Statements of income.

The result of this treatment is a debt related to put options granted to minority interests of respectively 222 million euros and 299 million euros, a decrease in minority interests of respectively 209 million euros and 265 million euros and an increase in goodwill of respectively 13 million euros and 34 million euros as at January 1, 2004 and December 31, 2004.

Out of the outstanding debt at 2004 year end (299 million euros), 210 million can be exercised in 2005 based upon the terms of these agreements and 99 million have already been exercised in January 2005 (put options on Halla).

(f) Others

(i) Treasury shares

As required by Previous GAAP, cost of treasury shares that are intended for distribution to the employees was classified in investments in marketable securities (included in "Cash & cash equivalents"), and accounted for as described in the Notes to the Consolidated Financial Statements. Remaining treasury shares were recorded as a reduction of shareholders' equity at acquisition cost.

For Previous GAAP purposes, a provision was recorded for unrealized losses on shares which were classified as investments in marketable securities. Changes in the provision, including any subsequent recovery in value, if any, were recorded as financial income or expense.

As at December 31, 2003, the Company held 1,856,266 of its own shares out of which (i) 1,058,296 were classified as investments in marketable securities at a cost of 71 million euros and (ii) 797,970 were classified as a reduction of the Shareholders' equity for 33 million euros. A charge of 7 million euros was recognized in the Group's Previous GAAP consolidated financial statements to account for unrealized losses on the Group's own shares accounted for as investments in marketable securities.

As of December 31, 2004, the Company held 1,834,396 of its own shares out of which 1,036,426 are classified as investments in marketable securities at a cost of 69 million euros.

Under IFRS, treasury shares are accounted for as a reduction of Shareholders' equity at acquisition cost and no further recognition is given for changes in fair value. When treasury shares are resold, any difference between the cost and fair value are generally recorded directly to Shareholders' equity. As at January 1, 2004, the impact on Shareholders' equity is an increase of 7 million euros related to the cancellation of the provision and a decrease of 71 million euros related to the reclassification of treasury shares classified in investments in marketable securities under Previous GAAP.

For the year ended December 31, 2004, the impact on Shareholders' equity is an increase of 7 million euros related to the cancellation of the provision and a decrease of 69 million euros related to the reclassification of treasury shares classified in investments in marketable securities under Previous GAAP.

(ii) Effective interest rate method

IAS 39, "Financial Instruments: Recognition and Measurement" requires to measure a financial liability after initial recognition at amortized cost using the effective interest method. That computation includes all fees and points paid between parties to the contract.

Under this method, the costs directly attributable to the acquisition of the financial liability are recognized in net income according to the effective interest rate method. Under Previous GAAP, they were mainly recognized on a linear basis over the life of the debt.

The cumulative impact of measuring financial debt (excluding OCEANE detailed above) at amortized cost using the effective interest rate method is a reduction of respectively 2 million euros and 6 million euros in Long-term debt as at January 1, 2004 and December 31, 2004 and a corresponding increase in equity. The impact of this difference on the 2004 earnings is an increase of 4 million euros.

3. IFRS 3, IAS 36 & IAS 38 - Business Combinations, Impairment of assets & Intangible assets

The impact of the application of these standards on the Group's Balance sheets can be summarized as follows:

<i>(million euros)</i>	As at January 1, 2004				As at December 31, 2004			
	Total impact	Goodwill deprec.	Business Combin.	Market Shares	Total impact	Goodwill deprec.	Business Combin.	Market Shares
NON-CURRENT ASSETS	-	-	-	-	112	111	1	-
Goodwill	2,421			2,421	2,377	106	1	2,270
Intangible assets	(2,421)			(2,421)	(2,270)			(2,270)
Investments in associates					5	5		
TOTAL ASSETS	-	-	-	-	112	111	1	-
CAPITAL AND RESERVES								
Retained earnings					105	104	1	
Foreign curr. transl.					(3)	(3)		
SHAREHOLDERS' EQUITY	-	-	-	-	102	101	1	-
Minority interests					10	10		
TOTAL EQUITY	-	-	-	-	112	111	1	-
TOTAL EQUITY AND LIAB.	-	-	-	-	112	111	1	-

(a) Goodwill amortization

Under Previous GAAP, acquired goodwill was amortized over the expected period of benefit, which did not exceed forty years. In the context of the transition to IFRS, The Group decided to apply revised IAS 36 and IFRS 3 starting January 1, 2004. As required by IFRS 3 and the revised IAS 36, subsequent to January 1, 2004, all previously recorded goodwill is no longer amortized but is tested for impairment at least annually. All goodwill acquired in a purchase combination completed after January 1, 2004 is not to be amortized. The Previous GAAP amortization of goodwill was reduced by 117 million euros for the year ended December 31, 2004 in IFRS earnings.

(b) Market Shares on acquisition

Under Previous GAAP, market shares were separately identified on the acquisition of cement subsidiaries. Under revised IAS 38, that the Group applies starting January 1, 2004, market shares are not considered as a separately identifiable intangible asset, but as a component of goodwill. These market shares have been reclassified for their carrying value to goodwill as at January 1, 2004 and December 31, 2004 (respectively 2,421 and 2,270 million euros) and accounted for based upon the provisions of revised IAS 36, as described above.

4. IFRS 2 - Share Based Payments

Under Previous GAAP, compensation cost was not recorded for stock option and stock purchase plans.

Under IFRS 2 "Share Based Payments", a company shall record in its financial statements a compensation expense for all share based compensation granted to its employee.

In the Group, stock option plans are maintained in the Group and in its 53,2%-owned US subsidiary.

The options granted after November 2002 and not vested at January 1, 2004 have been valued at the grant date using the Black-Scholes option-pricing model and the compensation expense is recognized ratably over the vesting period.

As a result, for the year ended December 31, 2004, a compensation cost of 15 million euros has been expensed in the IFRS earnings (out of which 2 million euros impact Minority interests). The additional paid-in capital has been increased accordingly.

5. IAS 21 - The Effects of Changes in Foreign Exchange Rates

The impact of the application of this standard on the Group's Balance sheets can be summarized as follows:

<i>(in million euros)</i>	As at January 1, 2004			As at December 31, 2004		
	Total impact	Cumulative transl. adjustment	Goodwill on foreign subs	Total impact	Cumulative transl. Adjustment	Goodwill on foreign subs
NON-CURRENT ASSETS	(289)	-	(289)	-	-	-
Goodwill	(271)		(271)			
Investments in associates	(18)		(18)			
TOTAL ASSETS	(289)	-	(289)	-	-	-
CAPITAL AND RESERVES						
Retained earnings	(2 614)	(2 335)	(279)	(2,559)	(2,559)	
Foreign currency translation	2 335	2 335		2,559	2,559	
SHAREHOLDERS' EQUITY	(279)	-	(279)	-	-	-
Minority interests	(10)		(10)			
TOTAL EQUITY	(289)	-	(289)	-	-	-
TOTAL EQUITY AND LIAB.	(289)	-	(289)	-	-	-

(a) Cumulative translation adjustment

The Group applies the IFRS 1 option allowing companies to "reset to zero" previous cumulative translation differences arising from the translation into euros of foreign subsidiaries. An amount of 2,614 million euros (including 279 million euros for Group share retrospectively calculated on goodwill previously recorded in the currency of the acquirer – see (b) below) has been reclassified in retained earnings as at January 1, 2004. This reclassification has no impact on Shareholder's equity (except to the extent of the retrospective calculated adjustment on goodwill-see (b) below). In 2004, the Group sold some foreign operations and transferred in its Previous GAAP profit & loss the cumulative translation difference related to these operations. The part of this difference existing as at January 1, 2004 (a loss amounting to 52 million euros) is excluded from the IFRS earnings.

(b) Goodwill relating to the acquisition of foreign subsidiaries

The Group recorded goodwill relating to the acquisition of part of its foreign subsidiaries, joint-ventures and associates in the currency of the acquirer. Under IFRS, such goodwill is recorded in the currency of the acquiree. The Previous GAAP Goodwill on subsidiaries and joint-ventures was reduced by 271 million euros as at January 1, 2004 (out of which 10 million euros impacted the minority interests) and on associates by 18 million euros. In 2004, the Group transferred all such goodwill in its Previous GAAP accounts in the currency of the acquiree, creating a reversal of the opening difference.

6. IAS 12 - Deferred taxes

<i>(in million euros)</i>	As at January 1, 2004				As at December 31, 2004			
	Total impact	Gross up of deferred tax.	Hyperinfl.countries	Tax effect of all IAS adjustments	Total impact	Gross up of deferred tax	Hyperinfl.countries	Tax effect of all IAS adjustments
NON-CURRENT ASSETS	251	251	-	-	280	280	-	-
Deferred tax asset, net	251	251		-	280	280		
TOTAL ASSETS	251	251	-	-	280	280	-	-
CAPITAL AND RESERVES								
Retained earnings	352		(9)	361	346		(8)	354
Other reserves	6			6	(19)			(19)
Foreign currency translation					(9)		1	(10)
SHAREHOLDERS' EQUITY	358	-	(9)	367	318	-	(7)	325
Minority interests	72			72	61			61
TOTAL EQUITY	430	-	(9)	439	379	-	(7)	386
Deferred tax liability	(179)	251	9	(439)	(99)	280	7	(386)
TOTAL EQUITY AND LIAB.	251	251	-	-	280	280	-	-

(a) Gross up of deferred tax assets and liabilities

IAS 12 revised permits to offset deferred tax assets and liabilities if the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Based on this criteria, the Group reclassified respectively 251 million euros and 280 million euros as at January 1, 2004 and December 31, 2004 as deferred tax assets that were previously offset against deferred tax liabilities.

(b) Deferred taxes in hyperinflationary countries

Under Previous GAAP, the Group recorded a deferred tax liability only to the extent of the basis differences created as a result of allocating the excess of the purchase price over the carrying value of non-monetary assets acquired in highly inflationary economies (essentially fixed assets). IAS 12 revised requires to recognize deferred tax assets and liabilities for temporary differences related to assets and liabilities that are remeasured at each balance sheet date in accordance with the provisions of IAS 29, *Financial Reporting in Hyperinflationary Economy*. Deferred taxes have been calculated accordingly, resulting in the recognition of a deferred tax liability of respectively 9 million euros and 7 million euros as at January 1, 2004 and December 31, 2004. The effect of this difference on 2004 earnings is an increase of 1 million euros.

(c) Tax effect of all IFRS adjustments

The Group recorded deferred taxes on all adjustments to IFRS that create a temporary difference between taxable basis and carrying value of assets and liabilities.

It mainly led to the recognition of a deferred tax asset on the pension adjustment amounting to respectively 403 million euros and 369 million euros as at January 1, 2004 and December 31, 2004.

7. Other differences

The impact of other differences may be detailed as follows:

(million euros)	As at January 1, 2004							As at December 31, 2004						
	Total impact	Deferred charges	Investm. subsidies	RestrictCash	GW on affiliat.	Prov for forex losses	Severe deval. capital	Total impact	Deferred charges	Investm. subsidies	RestrictCash	GW on affiliat.	Prov for forex losses	Severe deval. capital
NON-CURRENT ASSETS	(160)	(47)	(144)	36	-		(7)	(203)	(88)	(140)	34	-	-	(8)
Goodwill	(233)							(131)				(131)		
Intangible assets	(102)	(102)						(182)	(181)					
Property, plant & equip.	(96)	55	(144)				(7)	(54)	93	(140)				(8)
Investments in associates	234				233			131				131		
Other financial assets	1							(1)						
Restricted cash	36			36				34			34			
CURRENT ASSETS	(64)	-	-	(36)	-	(28)	-	(58)	-	-	(34)	-	(25)	-
Other receivables	(28)					(28)		(24)					(25)	
Cash & cash equiv.	(36)			(36)				(34)			(34)			
TOTAL ASSETS	(224)	(47)	(144)	-	-	(28)	(7)	(261)	(88)	(140)	-	-	(25)	(8)
CAPITAL AND ESERVES														
Retained earnings	(72)	(11)	(26)			(28)		(67)	(9)	(24)			(26)	(8)
Foreign curr. Transl.								1					1	
SHAREHOLDERS' EQUITY	(72)	(11)	(26)	-	-	(28)	(7)	(66)	(9)	(24)	-	-	(25)	(8)
Minority interests	(1)	(1)												
Other equity	(118)		(118)					(116)		(116)				
TOTAL EQUITY	(191)	(12)	(144)	-	-	(28)	(7)	(182)	(9)	(140)	-	-	(25)	(8)
NON-CURRENT LIABILITIES	(33)	(35)						(79)	(79)					
Deferred tax liabilities	1													
Pension provisions	1													
Other provisions	(1)													
Long-term debt	(34)	(35)						(79)	(79)					
TOTAL EQU. AND LIAB.	(224)	(47)	(144)	-	-	(28)	(7)	(261)	(88)	(140)	-	-	(25)	(8)

(a) Deferred charges

Under Previous GAAP certain expenses were to be classified in intangible assets as "deferred charges". Based on their natures these expenses have been reclassified or written off.

55 million euros as at January 1, 2004 and 93 million euros as at December 31, 2004 have been reclassified in Property, plant & equipment because they were costs directly attributable to fixed assets (mainly quarry stripping costs – 52 million euros as at January 1, 2004 and 76 million euros as at December 31, 2004).

35 million euros as at January 1, 2004 and 79 million euros as at December 31, 2004 have been accounted for under IFRS as a reduction of long-term debt as they were redemption premiums (representing the difference between the instruments' issue price and future redemption amount) resulting from debenture loans (except OCEANE).

12 million euros as at January 1, 2004 and 9 million euros as at December 31, 2004 have been written off against equity as they were not meeting the definition of an asset (mainly start-up costs capitalized under Previous GAAP). The net effect of new capitalization expensed and reversal of depreciation of previously written off assets is an increase in earnings of 3 million euros in 2004.

(b) Investment subsidies

(i) Reclassification of Previous GAAP investment subsidies

Under Previous GAAP, the Group classified its investment subsidies as "Other equity". Under IFRS, the Group presents such subsidies as a reduction of the Property, plant & equipment. This reclassification decreases the value of Property, plant & equipment by 118 million euros as at January 1, 2004 and 116 million euros as at December 31, 2004.

(ii) Depreciation of investment subsidies

Under Previous GAAP, certain government investment subsidies were recorded in income when received, or were deferred and amortized over the remaining service periods of the employees at the related facilities. Under IFRS, investment subsidies are deferred and amortized over the useful lives of the property, plant & equipment in which the funds were invested.

(c) Restricted cash

IAS 1 requires to classify in Non-current assets cash & cash equivalents that are restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date. The Group holds cash in bank balances that are secured from use in its insurance subsidiaries for twelve months or more. These balances, representing a cumulated amount of respectively 36 million euros and 34 million euros as at January 1, 2004 and December 31, 2004, are reclassified to Non-current assets.

(d) Goodwill on associates

Under IAS 28, under the equity method, the investment in an associate is initially recognized at cost. Under Previous GAAP, the Group, when acquiring an investment in an associate recorded the difference between the share in net equity and the purchase price in the line Goodwill. These amounts are reclassified into the Investment in associates resulting in an increase by respectively 233 million euros and 131 million euros as at January 1, 2004 and December 31, 2004.

(e) Provisions for unrealized foreign exchange losses

Previous GAAP allowed for the limitation of foreign currency exchange losses on debt negotiated in foreign currencies where the interest rate on the foreign debt was less than that available on the local currency. In such situations, the loss was limited to the difference between the actual interest expense recorded and the amount of interest expense that would have been recorded if the debt was originally negotiated in the local currency.

IFRS requires to include the foreign currency translation gain or loss on the foreign denominated debt in income for the period. The decrease in equity amounts to 28 million euros and 25 million euros as at January 1, 2004 and December 31, 2004 respectively. The impact on 2004 earnings is insignificant.

(f) Severe devaluation of foreign currency capitalized in PP&E

Under Previous GAAP the Group recorded in the past in the cost of certain assets foreign exchange losses on liabilities denominated in a foreign currency that resulted from the acquisition of the related assets. Under revised IAS 21, such a capitalization is not permitted anymore.

Consequently, the Group reversed the effect of this treatment for the purpose of the transition. The effect of this reversal was a decrease in Property, plant & equipment of 7 million euros as at January 1, 2004. Opening IFRS equity is decreased accordingly. The impact on 2004 earnings is insignificant.

8. Impacts of IFRS adjustments on cash-flow statement

Most of the IFRS adjustments do not have any impact on the Group's cash-flows (adjustments to record non-cash changes in fair values of assets and liabilities).

The only one that has a material impact on the cash flows statement presentation relates to the securitization programs. The reconsolidation of the securitized receivables neutralizes the implied changes in working capital requirement and generates a mirror change in short-term debt. The change in cash & cash equivalents is not impacted by this adjustment.