



## EconoMag

### The Show that demystifies Economics

#### French Business – part 3

#### Lafarge ©

*by Max Farrington and Michael Hirsch*

Lafarge is a French company specializing in three major products: Cement, concrete and construction aggregates, and it is the world leader in this sector.

The company was founded in 1833 by Joseph-Auguste Pavin de Lafarge in the Ardeche, a department in the south of France where a limestone quarry was located. The business scored its first international contract with the construction of the Suez Canal between 1859 and 1869, for which they delivered 111,000 tons of lime. In 1939, the company became the number one cement producer in France, and progressively in the world. During the Second World War many of Lafarge's factories were forced into collaboration under Nazi control, and a number of them were used to build the Atlantic Wall of bunkers and coastal fortifications. At the end of the War, the Comité de Liberation de l'Ardeche decided to take control of all the factories and they were placed under the management of the workers themselves until 1947 when it reverted back to its pre-war management structure.

During the 1980's Lafarge merged with Copée, a Belgian cement company, and continued to expand by buying up other businesses including Orascom Cement in 2007. In April 2014, Lafarge announced a merger with the Swiss-based cement producer, Holcim, which is due to be completed by the middle of this year. The two companies' combined sales in 2013 amounted to \$44 billion in cement, sand, stone and gravel. Together, the two companies employ 136,000 workers in 90 countries, and have a combined market value of over \$50 billion. Today, Lafarge includes no less than 1000 businesses, with 155 production sites for cement in 56 countries and another 1,481 locations producing concrete and other construction aggregates.

The C.E.O of the company is Bruno Lafont, who's been in the group since 1983 when he entered as an auditor intern in the financial department. During the past decade, 2008 was the best year for Lafarge in terms of revenue with 19 billion euro, but for net profit 2007 fared better for the company which showed a gain of nearly 2 billion euro that year. The company is listed on the CAC 40 and had a total capitalization of 16 euro billion at the end of 2014.

The strategy of the group has changed over the past two years, as it is now more involved in building cities rather than just constructing buildings. The company's motto is "Building better cities", as its ambition in the construction of new cities is to contribute not only to more housing, but also to creating more compact, more durable, more connected and more beautiful cities. This objective rises from the fact that the company has a reputation for being a big polluter, as, for example, in 2008, the Albany Times reported that one of Lafarge's factories, in Ravenna, New York, was the greatest source of mercury emissions in the state from 2004 to 2006. Following this discovery, the group began to adapt various methods of reducing its emissions, and has invested \$1.5 million in projects benefiting the local environment, putting into place newer and stricter emission limits and guidelines, and modernizing old plants such as the one at Ravenna.

This ends our visit with the world leader in the cement and construction materials industry. Tomorrow, we will look at insurance, and although you might expect the world leader to be an American or British company, it's actually the French firm, AXA, that takes the top spot!