REGISTRATION DOCUMENT

ANNUAL REPORT 2011

LAFARGE

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TABLE OF CONTENTS

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

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

BRUNO LAFONT
Chairman & Chief Executive Officer
of Lafarge

Editorial

In 2011, the Group was operating in a highly contrasting economic environment. The expected recovery of the construction sector in mature markets failed to materialize. Meanwhile, the majority of emerging countries drove world growth and sustained the construction sector. In this context, the Group announced a current operating income of more than 2 billion euros with an operating margin of over 14% and net income Group share of almost 600 millions euros.

During this past year we maintained our performance and accomplished three major objectives: we met our debt reduction target of 2 billion euros; we refocused on our core businesses of Cement, Aggregates and Concrete through the divestment of the majority of the Gypsum Division; and we undertook a project to profoundly reorganize the Group.

Lafarge enters 2012 with caution and determination, intending to establish a new dynamic built on three key priorities:

- A 500 million euros cost savings program, with a target of at least 400 million euros of savings generated by the end of 2012. After having delivered 250 million euros of savings in 2011, we will further accelerate our efforts on all levers: reducing overhead costs, improving industrial performance and logistics, and cutting our energy bill;
- Action on our sale prices in response to cost inflation;
- Deleveraging our balance sheet by improving our cash flows, capping our investments at 800 million euros and pressing ahead with our divestment program, which should raise more than 1 billion euros.

Reinforced by a new organization and sustained by volume growth in emerging countries where we operate, these actions will enable us to reduce our debt substantially in 2012, strengthen our financial structure and differentiate our offer still further to the construction markets.

BRUNO LAFONT

Key figures
at December 31, 2011

REVENUES
in million euros
15,284

EMPLOYEES
68,000

PRESENT IN
64 countries

PRODUCTION SITES
1,600

Lafarge | Board of Directors

The Boards of Directors has 17 members, of whom 10 are independent.

Michel Rollier, Michel Bon, Bertrand Collomb, Baudouin Prot, Philippe Charrier, Jérôme Guiraud, Ian Gallienne, Paul Desmarais, Jr.
Philippe Dauman, Véronique Weill, Nassef Sawiris, Juan Gallardo
Hélène Ploix,Thierry de Rudder, Bruno Lafont, Colette Lewiner, Oscar Fanjul

Lafarge | Executive Committee

Jean-Jacques Gauthier, Thomas Farrell, Christian Herrault, Jean-Carlos Angulo.
Eric Olsen, Gérard Kuperfarb, Bruno Lafont, Alexandra Rocca, Jean Desazars de Montgailhard, Guillaume Roux

Lafarge | Worldwide

World map of Lafarge's presence as of December 31, 2011 (plants and sales offices).

Key figures | by Geographic Area

GROUP REVENUES BY GEOGRAPHIC AREA

	%
Western Europe	22.5
North America	20.3
Africa & Middle East	25.5
Central & Eastern Europe	8.5
Latin America	6.8
Asia	16.4

GROUP EMPLOYEES BY GEOGRAPHIC AREA

	%
Western Europe	18.0
North America	14.1
Africa & Middle East	30.0
Central & Eastern Europe	11.0
Latin America	3.7
Asia	23.2

Cement | World Leader

REVENUES *in million euros*	NUMBER OF PLANTS	NUMBER OF EMPLOYEES	PRESENT IN
9,975	**166**	**43,400**	**58 countries**

Cement, hydraulic binders and lime for construction, renovation and public works.

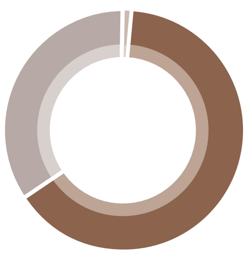
Aggregates & Concrete | No. 2 & No. 4 Worldwide

REVENUES *in million euros*	NUMBER OF PLANTS	NUMBER OF EMPLOYEES	PRESENT IN
5,227	**1,438**	**23,200**	**35 countries**

Aggregates, ready-mix and precast concrete products, asphalt and paving for engineering structures, roads and buildings.

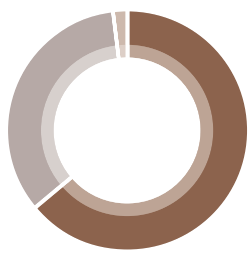
Key figures | by Division

GROUP REVENUES BY DIVISION



Cement	65.3%
Aggregates & Concrete	34.2%
Other	0.5%

GROUP EMPLOYEES BY DIVISION



Cement	63.9%
Aggregates & Concrete	34.2%
Other	1.9%

Lafarge | In Figures

REVENUES	*in million euros*	
2011	**15,284**	Sales growth driven by emerging markets.
2010	14,834 (2)	
2009	15,884 (3)	

EBITDA (1)	*in million euros*	
2011	**3,217**	Resilience of EBITDA in an environment of higher cost inflation.
2010	3,488 (2)	
2009	3,600 (3)	

OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHERS (1)	*in million euros*	
2011	**2,179**	The achievement of 250 million euros of structural cost savings partially offset the impact of higher cost inflation on our results.
2010	2,393 (2)	
2009	2,477 (3)	

FREE CASH FLOW (1)	*in million euros*	
2011	**1,208**	Cost reduction actions, control of the capital expenditure and working capital optimization mitigated the impact of the strong inflation on costs.
2010	1,761 (2)	
2009	2,834 (3)	

GROUP NET DEBT (1)	*in million euros*	
2011	**11,974**	Significant reduction of Group net debt by 2 billion euros.
2010	13,993	
2009	13,795	

NET INCOME GROUP SHARE	*in million euros*	
2011	**593**	Net income includes significant gains on disposals, but was impacted by cost inflation and goodwill impairment losses.
2010	827	
2009	736	

NET EARNINGS PER SHARE	*in euros*	
2011	**2.07**	Net earnings per share decrease 28%.
2010	2.89	
2009	2.77	

DIVIDEND PER SHARE	*in euros*	
2011	**0.50**	Dividend of 0.50 euro per share, proposed at General Assembly meeting on May 15, 2012.
2010	1.00	
2009	2.00	

(1) See section 4.2 (Accounting Policies and Definitions).
(2) 2010 figures have been restated following the disposal of Gypsum activities as mentioned in Note 3 (Significant events) of Gypsum activities in discontinued operations. The free cash flow includes the 338 million euros one-time payment for the Gypsum competition fine.
(3) Data published in 2010 for 2009 and not restated following the disposal of Gypsum activities.

1 SELECTED FINANCIAL DATA

1 SELECTED FINANCIAL DATA

Following European Regulation no. 1606/2002 issued on July 19, 2002, the Group has prepared consolidated financial statements for the year ending December 31, 2011 in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union at December 31, 2011.

The tables below show selected consolidated financial data under IFRS for the years ending December 31, 2011, 2010, and 2009. The selected financial information is derived from our consolidated financial statements, which were audited by Deloitte & Associés and Ernst & Young Audit. The audited consolidated financial statements for the years ending December 31, 2011 and 2010 appear in part F at the end of this report.

KEY FIGURES FOR THE GROUP

(million euros, unless otherwise indicated)	2011	2010 (1)	2009 (2)
CONSOLIDATED STATEMENTS OF INCOME			
Revenues	15,284	14,834	15,884
EBITDA (3)	3,217	3,488	3,600
Operating income before capital gains, impairment, restructuring and other	2,179	2,393	2,477
Operating income	1,683	2,134	2,250
Net income	736	1,114	1,046
Out of which Net Income from continuing operations	244	1,094	
Net income from discontinued operations	492	20	
Out of which part attributable to:			
Owners of the parent of the Group	593	827	736
Non-controlling interests	143	287	310
Earnings per share – attributable to the owners of the parent company:			
Basic earnings per share *(euros)*	2.07	2.89	2.77
Diluted earnings per share *(euros)*	2.06	2.89	2.77
Earnings per share of continuing operations			
Basic earnings of continuing operations per share *(euros)*	0.36	2.83	
Diluted earnings of continuing operations per share *(euros)*	0.35	2.83	
Basic average number of shares outstanding *(thousands)*	286,514	286,087	265,547

(1) 2010 figures have been restated as mentioned in Note 3 (Significant events) to our consolidated financial statements following the disposal of Gypsum activities.
(2) Data published in 2010 for 2009 and not restated following the disposaf of Gypsum activities.
(3) See Section 4.2.4 (Reconciliation of non GAAP financial measures) for the definition of these indicators.

(million euros)	2011	2010	2009
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
ASSETS			
Non-current assets	31,172	34,752	32,857
Current assets	9,547	7,742	6,640
*Out of which assets held for sale **	*2,195*		
TOTAL ASSETS	**40,719**	**42,494**	**39,497**
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent company	16,004	16,144	14,977
Non-controlling interests	2,197	2,080	1,823
Non-current liabilities	15,260	16,765	16,652
Current liabilities	7,258	7,505	6,045
*Out of which liabilities associated with assets held for sale **	*364*		
TOTAL EQUITY AND LIABILITIES	**40,719**	**42,494**	**39,497**

** See Note 3 (Significant events) to our consolidated financial statements for more information.*

(million euros)	2011	2010 *	2009 **
CONSOLIDATED STATEMENTS OF CASH FLOWS			
Net cash provided by operating activities	1,619	2,172	3,206
Net operating cash generated by continuing operations	*1,597*	*2,098*	
Net operating cash generated by discontinued operations	*22*	*74*	
Net cash provided by/(used in) investing activities	843	(1,244)	(1,074)
Net cash provided by/(used in) investing activities from continuing operations	*891*	*(1,186)*	
Net cash provided by/(used in) investing activities from discontinued operations	*(48)*	*(58)*	
Net cash provided by/(used in) financing activities	(2,529)	38	(1,489)
Net cash provided by/(used in) financing activities from continuing operations	*(2,455)*	*59*	
Net cash provided by/(used in) financing activities from discontinued operations	*(74)*	*(21)*	
Increase (decrease) in cash and cash equivalents	(67)	966	643

* 2010 figures have been restated as mentioned in Note 3 (Significant events) to our consolidated financial statements following the disposal of Gypsum activities.

** Data published in 2010 for 2009 and not restated following the disposal of Gypsum activities.

(million euros, unless otherwise indicated)	2011	2010	2009 (1)
ADDITIONAL FINANCIAL INDICATORS(2)			
Free Cash-Flow	1,208	1,761 (3) (4)	2,834
Return on capital employed before tax *(%)*	6.8	7.4 (3)	7.6
Group Net Debt	11,974	13,993	13,795

(1) Data published in 2010 for 2009 and not restated following the disposal of Gypsum activities.
(2) See Section 4.2.4 (Reconciliation of non GAAP financial measures) for the definition of these indicators. The indicator Return on capital employed is now calculated before tax, including for years 2010 and 2009.
(3) 2010 figures have been restated as mentioned in Note 3 (Significant events) to our consolidated financial statements following the disposal of Gypsum activities.
(4) Including the 338 million euros one-time payment for the Gypsum competition fine.

(euros, unless otherwise indicated)	2011 (1)	2010	2009
DIVIDENDS			
Total dividend *(million euros)*	145 (3)	288	575
Basic dividend per share	0.50	1.00	2.00
Loyalty dividend per share (2)	0.55	1.10	2.20

(1) Proposed dividend.
(2) See Section 8.5 (Articles of Association (Statuts) – Rights, preferences and restrictions attached to shares) for an explanation of our "Loyalty dividend".
(3) Based on an estimation of 287,014,070 shares eligible for dividends.

2 RISK FACTORS

2.1 Presentation of the principal risks

Lafarge operates in a constantly evolving environment, which exposes the Group to risk factors and uncertainties in addition to the risk factors related to its operations. The materialization of the risks described below could have a material adverse effect on our operations, our financial condition, our results, our prospects or the Lafarge S.A. share price. There may be other risks that have not been identified yet or whose occurrence is not considered likely to have such material adverse effect as of the date of this Registration Document. The information given below is based on certain assumptions and hypotheses, which could, by their nature, prove to be inaccurate.

2.1.1 Risks related to our business

a) Risks related to our worldwide presence

Operations and cycle

Our products are used in buildings and civil works. Demand for our products in the different markets in which we operate is dependent on the level of activity in the construction sector. The construction sector tends to be cyclical and depends on various factors such as the level of infrastructure spending, the level of residential and commercial construction activity, interest rates, and generally, the level of economic activity in a given market. The cyclicality of the construction sector together with its dependence on economic activity could have a negative impact on our financial results and the profitability of our operations.

We manage this risk by operating in geographically diverse markets, with a portfolio of operations both in developed markets and in emerging countries, thereby minimizing our exposure to risk in a given country, although we might be significantly affected by global downturns or in individual significant markets.

See Risks relating to the global economic conditions on page 13.

Emerging markets

Approximately 57% of our revenues are derived from emerging markets, defined as countries outside Western Europe and North America.

Even though all these risks may not be specific to emerging countries, our increased presence in emerging markets exposes us to risks such as gross domestic product (GDP) volatility, significant currency fluctuations, political, financial and social uncertainties and turmoil, high inflation rates, exchange control systems, less certainty concerning legal rights and their enforcement and the possible nationalization or expropriation of privately-held assets, any of which could damage or disrupt our operations in a given market.

By way of example, we estimate the negative impact of the political events in Egypt in the first quarter of 2011 to be approximately 30 million euros on our current operating income in Egypt. The nationalisation of our Cement activity in Venezuela in 2009 is another illustration of the country risk.

See Section 2.2.2 (Management of the Group's assets portfolio) page 21.

While we attempt to manage these risks by spreading emerging markets operations among a large number of countries, our diversification efforts will not enable us to avoid risks that affect multiple emerging markets at the same time. No individual emerging country represents over 5% of our sales.

If such risks were to materialise in the future in a significant and lasting manner, this could have a negative impact on the recoverable value of some of our assets.

See Risk on Acquisition-related accounting issues on page 15 and Note 10 (Goodwill) to our consolidated financial statements on page F31 for further information on main goodwill and the analysis on the sensibility of recoverable amounts and on impairment losses.

Climate and natural disasters

Our presence in a large number of countries increases our exposure to meteorological and geological risks such as natural disasters, climate hazards, or earthquakes which could damage our property or result in business interruptions, and which could have a material adverse effect on our operations.

In addition to the natural events modelling process which had been put in place within the Group in the last years, an assessment program was launched in 2011. This program, which will be rolled out over a three-year period and will cover all the Group's industrial sites, is aimed at classifying sites according to their risk exposure and identifying potential losses depending on their financial impact by event, country or financial year as well as the probability of occurrence. The current outcome of the modelling process and of the assessment program is that the following countries where Lafarge is present are currently believed to present a natural disaster risk: Algeria, Saudi Arabia, Bangladesh, China, Egypt, Greece, Indonesia, Iraq, Jordan, Morocco, the Philippines, Romania, Syria and United Arab Emirates. These countries represent approximately 22% of our consolidated sales. In the future, other countries may be exposed to meteorological and geological risks.

See Section 2.2.2 (Risk management systems) on page 20 and Section 2.3 (Insurance and risk coverage) on page 23 for more information on risk management by the Group.

Seasonality and weather

Construction activity, and thus demand for our products, decreases during periods of very cold weather, snow, or sustained rainfall. Consequently, demand for our products is lower during the winter in temperate countries and during the rainy season in tropical countries. Our operations in Europe, North America and other markets are seasonal, with sales generally increasing during the second and third quarters because of usually better weather conditions. However, high levels of rainfall or low temperatures can adversely affect our operations during these periods as well. Such adverse weather conditions can materially affect our operational results and profitability if they occur with unusual intensity, during abnormal periods, or last longer than usual in our major markets, especially during peak construction periods.

b) Risks relating to the global economic conditions

Our results depend mainly on residential, commercial, and infrastructure construction activity, and spending levels. The economic crisis which started in the second half of 2008 has significantly impacted the construction business in developed markets. To varying degrees depending on the market, this has had, and may continue to have, a negative impact on product demand as well as our business and operational results.

By way of example, our operations in Greece and Spain suffered from tougher economic conditions since 2009, resulting in particular from governmental austerity measures in the context of the sovereign debt crisis in the Euro zone. Both countries represent together approximately 3% of our sales.

We have prepared internal analysis of potential worldwide demand for our products for purposes of internal planning and resource allocation. Our analysis of worldwide demand for cement is described in Sections 3.2 (Our Strategy) on page 27 and 4.1.2 (Trend information and 2012 perspectives on page 48). We estimate that cement demand in our markets will grow between 1% to 4% in 2012 versus 2011. Emerging markets should continue to be the main driver of demand, supported by long-term trends of demographical growth and urbanization, and Lafarge should benefit from its well balanced geographic spread of high quality assets. Overall pricing is expected to increase over the year while costs are anticipated to increase at a lower rate than in 2011.

In this environment, we have continued to implement proactive measures, such as our divestments program and the launch of an additional 500 million euros cost savings plan. As the result of the disposal of most of our Gypsum operations, we have announced in November 2011 a project to establish a new, country-based, organization for the Group, centered on the markets of Cement, Aggregates and Concrete. This strategic change will enable us to accelerate our organic growth, in particular through the development of innovative systems and solutions for our clients.

However, if economic conditions worsen they might continue to negatively affect our business operations and financial results.

In particular, if such risks were to materialise in the future in a significant and lasting manner, they could have a negative impact on the recoverable value of some of our assets.

See Risk on Acquisition-related accounting issues on page 15 and Note 10 (Goodwill) to our consolidated financial statements on page F31 for further information on main goodwill and the analysis on the sensibility of recoverable amounts and on impairment losses.

c) Energy costs

Our operations consume significant amounts of energy (electricity, coal, petcoke, natural gas, fuel, diesel), the cost of which can fluctuate significantly, largely as a result of market conditions and other factors beyond our control.

The markets in which we operate are competitive and in this environment the evolution of our selling prices depends largely on offer and demand fluctuations. In this context, we pay a particular attention to the impact of energy price variations on the selling price of our products, although situations can vary greatly from one country to another or even within the same country, as our markets are local and heavy products cannot easily be transported. It is therefore difficult to provide meaningful data on such impact.

Energy markets may be regulated in some of the countries where we operate and the evolution of prices could have an adverse impact on the profitability of the operations of our subsidiaries.

We take a number of steps to manage our energy costs:

- we sometimes enter into medium-term supply contracts. In addition, our centralized purchasing organization at Group level also gives us more leverage with our suppliers, enabling us to obtain the most competitive terms and conditions. Nonetheless, if our supply contracts contain indexation clauses, they will not always protect us from fluctuations in energy prices. Similarly, if we enter into fixed price contracts when prices are high, we will not benefit if energy prices subsequently decline;
- we also use derivative instruments, such as forward energy agreements on organized markets or on the over the counter (OTC) market, to manage our exposure to risk related to energy cost fluctuations;
- in addition, we encourage our plants to use a variety of fuel sources, including alternative fuels such as biomass, used oil, recycled tires and other recycled materials or industrial by-products, which has resulted in less vulnerability to fossil fuel price increases and enables us to reduce our energy costs.

While these measures are useful, they may not fully protect us from exposure to energy price volatility. As a result, material increases or changes in energy and fuel costs have affected, and may continue to affect, our financial results.

See Sections 2.1.2 (Financial and market risks) on page 16 and 3.4.1 (Our businesses – Cement – Composition and Production of Cement) on page 33 for further information.

d) Sourcing and access to raw materials

Quarries and permits

We generally maintain reserves of limestone, gypsum, aggregates and other raw materials that we use to manufacture our products. Access to the raw materials necessary for our operations is a key consideration in our investments. Failure to obtain, maintain or renew these land and mining rights (as well as more generally any other permits, licences, rights and titles necessary to carry out our operations) or expropriation as a result of local legislative, regulatory or political action could have a material adverse effect on the development of our operations and results.

For an illustration of this risk in relation to our operations in Bangladesh, see Note 29 (Legal and arbitration proceedings) to our consolidated financial statements on page F65. The final "Stage 2" permit for our quarrying operations in India was obtained on February 29, 2012.

We actively manage the quarries and production plants we operate or expect to operate, and the related permits, licences, rights and titles, in order to secure our operations in the long-term. We usually own or hold long-term land and mining rights on the quarries of raw materials essential to our operations spread in a large number of countries across the world, and are managing with the necessary care the lengthy and complex process to obtain or renew our various permits, licences, rights and titles.

See Section 3.4.4 (Mineral reserves and quarries) on page 42 for further information.

Other raw materials

In addition, we increasingly use certain by-products of industrial processes, such as synthetic gypsum, slag and fly ash, produced by third parties as raw materials. In general, we are not dependent on our raw materials suppliers and we try to secure the supply of these materials needed through long-term renewable contracts and framework agreements, which ensure better management of our supplies. We do, however, have short-term contracts in certain countries. Should our existing suppliers cease operations or reduce or eliminate production of these by-products, our sourcing costs for these materials may increase significantly or we may be required to find alternatives for these materials.

See Sections 3.4.1 (Our businesses – Cement – Composition and Production of Cement) on page 33 and 3.4.4 (Mineral reserves and quarries) on page 42 for further information on our quarries and Section 2.2.2 (Risk management systems) on page 20 for more information on how the Group manages this risk.

e) Competition – Competition Law Investigations

Competition is strong in the markets in which we operate. Competition, whether from established market participants or new entrants could cause us to lose market share, increase expenditure or reduce pricing, any one of which could have a material adverse effect on our business, financial condition, results of operations or prospects. This risk is partially compensated by certain characteristics of our markets which are not limited to trade-off between price and volume.

Among these characteristics, it should be noted the significant barriers to entry which are the result of a capital intensive industry. A greenfield cement plant represents an investment of several hundred millions of euros.

Regulatory constraints for the obtention of licenses to operate in some of the countries where we are present is another barrier to entry. Our marketing and innovation actions enable us to develop new products, services and solutions which are also differentiating factors.

Finally, the significant impact of transport costs, and the low technical obsolescence of our industrial equipment, lead us to establish market positions which are both close to the customers and sustainable for the long term.

Given our worldwide presence and the fact that we sometimes operate in markets where the concentration of market participants is high, we are currently, and could in the future be, subject to investigations and civil or criminal proceedings by competition authorities for alleged infringement of antitrust laws. These investigations and proceedings can result in fines, or civil or criminal liability, which may have a material adverse effect on our image, financial condition and results of operations of some of the Group's Divisions, particularly given the level of fines imposed by European authorities in recent cases.

In November 2008, the major European cement companies, including Lafarge, were placed under investigation by the European Commission for alleged anti-competitive practices. In December 2010, the European Commission launched an official investigation, while indicating that this only meant that the Commission intends to pursue this as a matter of priority but does not imply that the Commission has conclusive evidence of any infringement. At this stage, given the fact-intensive nature of the issues involved and the inherent uncertainty of such litigation and investigation, we are not in a position to evaluate the possible outcome of this investigation.

We are committed to the preserving of vigorous, healthy and fair competition as well as complying with relevant antitrust laws in countries where we operate.

In line with this objective, the Group has a competition policy and a competition compliance program described in Section 2.2.2 (Risk management systems) of the present Chapter. Nonetheless, these procedures cannot provide absolute assurance against the risks relating to these issues.

See Section 3.4 (Our Businesses) on page 32 for a description of our competitors in each of our markets. See Note 29 (Legal and arbitration proceedings) to our consolidated financial statements on page F65 for further information on material legal and arbitration proceedings. This Note sets out the most significant or material competition investigations or litigations, including the one in "South Africa – Cement" for which a settlement was reached beginning of March 2012, with Lafarge agreeing to pay 15 million euros in consideration for termination of the proceedings. See Section 2.2.2 (Risk management systems) on page 20 for more information on our competition policy and on how the Group manages this risk.

f) Industrial risks relating to safety and the environment

While our industrial processes are very well known and are dedicated to the production of cement, aggregates and concrete, which are not usually considered to be hazardous materials, our operations are subject to environmental and safety laws and regulations, as interpreted by relevant agencies and courts, which impose increasingly stringent obligations, restrictions and protective measures regarding, among other things, land and products use, remediation, air emissions, noise, waste and water, health and safety. The costs of complying with these laws and regulations could increase in some jurisdictions, in particular as a result of new or more stringent regulations or change in their interpretation or implementation. In addition, non-compliance with these regulations could result in sanctions, including monetary fines, against our Group.

The risks faced by the Group regarding the environment can be illustrated by the following examples relating to our operations in the United States:

- the cement industry air emissions regulation in the United States is under review by the US Environmental Protection Agency ("EPA"). This new set of rules primarily relates to the content of air emissions, including fine particles, mercury, and chlorine. These regulations are still in the process of being finalized by the EPA and the federal courts, but stricter limits on mercury emissions are expected industry-wide. This is part of a global trend in different countries as part of the United Nations Environment Programme to strictly limit mercury emissions and the impact of industry on the environment. We are active in developing solutions in anticipation of such changes. However, at this stage, it is still difficult to foresee the impact of such potential changes on our results;
- on January 21, 2010, our subsidiary Lafarge North America Inc. and certain of its subsidiaries ("LNA") entered into a settlement of certain alleged violations of the US Clean Air Act with the EPA and a number of US States. Under this settlement, LNA is required to decrease sulfur dioxide (SO_2) and nitrogen oxides (NO_x) emanating from its US cement manufacturing plants by making the necessary investments over a period of five years. LNA has also agreed to pay a civil penalty of 5 million US dollars, which was paid in April 2010.

We have implemented internal standards at Group level whereby environmental risks are taken into account in our management cycle and have developed a unified and consistent reporting system in each Division to measure and control our environmental performances.

See Section 7.5 (Environment) on page 124 for more information on the impact of environmental matters on our operations, our environmental policy and our various environmental initiatives. See Section 2.2.2 (Risk management systems) on page 20 for more information on how the Group manages these risks.

See also Notes 2.3 (Use of estimates and judgments) on page F11 and Note 24 (Provisions) to our consolidated financial statements on page F53.

g) Legal risk – Litigation

Our Group has worldwide operations and our subsidiaries are required to comply with applicable national and local laws and regulations, which vary from one country to another. As part of our operations, we are, or could be, involved in various claims, and legal, administrative and arbitration proceedings and class action suits. New proceedings may be initiated against the Group's entities in the future.

See Note 29 (Legal and arbitration proceedings) to the consolidated financial statements on page F65 for more information on material legal and arbitration proceedings.

h) Risks related to our structure

Financial and tax issues

Lafarge S.A. is a holding company with no significant assets other than direct and indirect interests in its numerous subsidiaries.

A number of our subsidiaries are located in countries that may impose regulations restricting the payment of dividends outside the country through exchange control regulations.

To the best of our knowledge, aside from North Korea, there are currently no countries in which we operate that prohibit the payment of dividends.

Furthermore, the continued transfer of dividends and other income from our subsidiaries may be limited by various credit or other contractual arrangements and/or tax constraints, which could make such payments difficult or costly.

Should such regulations, arrangements and constraints restricting the payment of dividends be significantly increased in the future simultaneously in a large number of countries where we operate, it might impair our ability to make shareholder distributions.

In addition, our subsidiaries are open to tax audits by the respective tax authorities in the jurisdictions in which they are located. Various tax authorities have proposed or levied assessments for additional taxes for prior years. Although we believe that the settlement of any or all of these assessments will not have a material and unfavorable impact on its results or financial position, we are not in a position to evaluate the possible outcome of these proceedings.

See Section 2.2.2 (Risk management systems) on page 20 for more information on how the Group manages these risks and Note 22 (Income tax) to the consolidated financial statements on page F47.

Acquisition-related accounting issues

As a result of significant acquisitions, many of our tangible and intangible assets are recorded in our consolidated statement of financial position at amounts based on their fair value as of the acquisition date. We have also recorded significant goodwill (we had 12.7 billion euros of goodwill on our consolidated statement of financial position as of December 31, 2011).

In accordance with IFRS, we test non-current assets, including goodwill, for impairment, as described in Note 2.12 (Impairment of non-current assets) to our consolidated financial statements on page F16 and further detailed in Note 10 (Goodwill) to our consolidated financial statements on page F31 for goodwill. In particular, an impairment test of goodwill is performed at least annually and a specific analysis is performed at the end of each quarter in case of impairment indications. The key assumptions used to perform our impairment tests take into consideration the market level and forecasts on the evolution of prices and costs. They are further described in Note 10 (Goodwill) to our consolidated financial statements on page F31. These assumptions take into account the specific country environments of each of our operations, such as the recent political instability in Egypt, or the sovereign debt crisis in the Euro zone (Greece and Spain). They do not however anticipate any breakdown in the current economical or geopolitical environment.

Depending on the evolution of the recoverable value of Cash Generating Units (CGU)/groups of CGUs, which is mostly related to future market conditions, further impairment charges might be necessary and could have a significant impact on our results.

By way of example, the material drop in demand in Greece in the context of the tougher economic environment resulted in the Group recording an impairment loss of 185 million euros for the CGU Cement Greece as at December 31, 2011.

See Note 10 (Goodwill) to our consolidated financial statements on page F31 for further information on impairment losses recorded in 2011 and on the analysis on the sensibility of recoverable amounts of our significant assets.

Minority shareholders

We conduct our business through subsidiaries. In some instances, third-party shareholders hold minority interests in these subsidiaries. While we generally consider this positive as it may result in partnership or investment agreements, various disadvantages may also result from the participation of minority shareholders whose interests may not always coincide with ours. Some of these disadvantages may, among other things, result in our difficulty or inability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively.

See Section 3.5 (Intra-Group Relationships) on page 44 for further information on our relationship with minority shareholders within our subsidiaries and Section 2.2.2 (Risk management systems) on page 20 for more information on how the Group manages these risks.

2.1.2 Financial and market risks

a) Financial risks

Indebtedness

We are exposed to different market risks, which could have a material adverse effect on our financial condition or on our ability to meet our financial commitments. In particular, our access to global sources of financing to cover our financing needs or repayment of our debt could be impaired by the deterioration of financial markets or downgrading of our credit rating. On December 31, 2011, our net debt (which includes put options on shares of subsidiaries granted to non-controlling interests and derivative instruments) amounted to 11,974 million euros. On that date, our gross debt amounted to 15,286 million euros, of which 2,974 million euros was due in one year or less. As part of our strict financial policies, we are implementing actions to improve our financial structure. Depending on the evolution of the economic environment, we cannot, however, give any assurance that we will be able to implement these measures effectively or that further measures will not be required in the future.

The financing contracts of Lafarge and its subsidiaries contain various commitments.

Some of our subsidiaries are required to comply with certain financial covenants and ratios. At the end of 2011, these agreements represented approximately 6% of the Group's consolidated financial liabilities. Our main covenants are described in Note 25 (e) (Particular clauses in financing contracts) to our consolidated financial statements on page F56.

Our agreements and those of our subsidiaries also include cross-acceleration clauses. If we, or under certain conditions, our material subsidiaries, fail to comply with our or their covenants, then our lenders could declare an event of default and accelerate the repayment of a significant part of our debt.

If the construction sector economically deteriorates further, the reduction of our operating cash flow could make it necessary to obtain additional financing. Changing conditions in the credit markets and the level of our outstanding debt could impair our ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes, or make access to this financing more expensive than anticipated. This could result in greater vulnerability, in particular by limiting our flexibility to adjust to changing market conditions or withstand competitive pressures.

Our financial costs and our ability to raise new financing can be significantly impacted by the level of our credit ratings. The rating agencies could downgrade our ratings either due to factors which are specific to us, or due to a prolonged cyclical downturn in the construction sector. On the filing date of this Registration Document, our long-term corporate credit rating is BB+ (negative outlook) according to Standard & Poor's Rating Services, further to a downgrading on March 17, 2011 and the revision of our outlook from stable to negative on March 13, 2012. It is Ba1 (stable outlook) according to the rating agency Moody's, further to a downgrading on August 5, 2011. The impact of such downgradings is an increase of our net finance costs by 25 million euros in 2011, mainly due to the "coupon step up" clause included in our bonds issued since 2009. This impact will reach approximately 69 million euros on a full-year basis starting from 2012, if our rating is maintained and on the basis of our existing debt at December 31, 2011.

Any new decline in our ratings could have a negative impact on our financial condition, our results, and our ability to refinance our existing debt.

See Section 4.4 (Liquidity and capital resources) on page 63 for more information.

Liquidity risk

We are exposed to a risk of insufficient financial resources, which could impact our ability to continue our operations. The Group implements policies to limit its exposure to liquidity risk. As a result of these policies, a significant portion of our debt has a long-term maturity. The Group also maintains committed credit lines with various banks, which are primarily used as a back-up for the debt maturing within one year as well as for the Group's short-term financing, and which contribute to the Group's liquidity. Based on our current financial outlook, we believe that we have sufficient resources for our ongoing operations in both the short term and the long-term.

See Section 4.4 (Liquidity and capital resources) on page 63 and Note 26 (g) (Liquidity risk) to the consolidated financial statements on page F63 for more information on liquidity risk and such risk management.

Pension plans

We have obligations under defined benefit pension plans, mainly in the United Kingdom and North America. Our funding obligations depend upon future assets performance, the level of interest rates used to measure future liabilities, actuarial assumptions and experience, benefit plan changes, and government regulations. Due to the large number of variables that determine pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for our pension plans and other post-employment benefit plans could be higher than currently estimated amounts. If so, these funding requirements could have a material adverse effect on our financial condition, results of operations or prospects.

See Section 4.2 (Accounting policies and definitions) on page 49 and Note 23 (Pension plans, termination benefits and other post -employment benefits) to our consolidated financial statements on page F49 for more information on pension plans. See Section 2.2.2 (Risk management systems) on page 20 for more information on how the Group manages these risks.

b) Market risks

In this Section, debt figures are presented excluding put options on shares of subsidiaries granted to non-controlling interests.

Currency exchange risks and exchange rate sensitivity

CURRENCY EXCHANGE RISK

We are subject to foreign exchange risk as a result of our subsidiaries' purchase and sale transactions in currencies other than their functional currency.

With regard to transaction-based foreign currency exposures, our policy is to hedge all material foreign currency exposures through derivative instruments no later than when a firm commitment is entered into or becomes known to us. These derivative instruments are generally limited to forward contracts and standard foreign currency options, with terms of generally less than one year. From time to time, we also hedge future cash flows in foreign currencies when such flows become highly probable. We do not enter into foreign currency exchange contracts other than for hedging purposes.

Each subsidiary is responsible, with the assistance of the Group Treasury Department, for managing the foreign exchange positions arising from its commercial and financial transactions performed in currencies other than its domestic currency. Subsidiaries' exposures are centralized by the Group Treasury department and hedged using foreign currency derivative instruments contracted with Lafarge S.A., when local regulations allow it. Otherwise, exposures are hedged through local banks. After netting when feasible purchases and sales in the same currency on a global basis, Lafarge S.A. then covers its own net exposure in the market.

As far as financing is concerned, our general policy is for subsidiaries to borrow and invest excess cash in the same currency as their functional currency, except for subsidiaries operating in emerging markets, where "structural" cash surpluses are invested, wherever possible, in US dollars or in euros. A portion of our financing is in US dollars and British pounds, in particular as a result of our operations located in these countries. Part of this debt was initially raised in euros at parent company level then converted into foreign currencies through currency swaps.

We hold assets, earn income and incur expenses and liabilities directly and through our subsidiaries in a variety of currencies. Our consolidated financial statements are presented in euros. Therefore, we convert our assets, liabilities, income and expenses in other currencies into euros at then-applicable exchange rates.

See Note 25 (Debt) on page F54 and Note 26 (Financial instruments) on page F57 to our consolidated financial statements for more information on debt and financial instruments. Additional information on the Group policies in place to mitigate this risk can be found in Section 2.2 (Risk management) on page 20.

EXCHANGE RATE SENSITIVITY

If the euro increases in value against a currency, the value in euros of assets, liabilities, income and expenses originally recorded in the other currency will decrease. Conversely, if the euro decreases in value against a currency, the value in euros of assets, liabilities, income, and expenses originally recorded in that other currency will increase. Consequently, increases and decreases in the value of the euro may affect the value in euros of our non-euro assets, liabilities, income, and expenses, even though the value of these items has not changed in their original currency.

In 2011, we generated approximately 82% of our sales in currencies other than the euro, with approximately 20% denominated in US or Canadian dollars. As a result, a 10% change in the US dollar/euro exchange rate and in the Canadian dollar/euro exchange rate would have an impact on our sales of approximately 311 million euros.

In addition, on December 31, 2011, before currency swaps, 17% of our total debt was denominated in US dollars and 11% in British pounds. After taking into account the swaps, our US dollar denominated debt amounted to 13% of our total debt, while our debt denominated in British pounds represented 5% of the total. A +/-5% fluctuation in the US dollar/euro and in the British pound/euro exchange rate would have an estimated maximum impact of -/+ 122 million euros on our debt exposed to these two foreign currencies as of December 31, 2011.

The table below provides information about our debt and foreign exchange derivative financial instruments that are sensitive to exchange rates. The table shows:

- for debt obligations, the principal cash flows in foreign currencies by expected maturity dates and before swaps;
- for foreign exchange forward agreements, the notional amounts by contractual maturity dates. These notional amounts are generally used to calculate the contractual payments to be exchanged under the contract.

MATURITIES OF NOTIONAL CONTRACT VALUES ON DECEMBER 31, 2011

(million euros)	2012	2013	2014	2015	2016	> 5 YEARS	TOTAL	FAIR VALUE
DEBT IN FOREIGN CURRENCIES*								
US dollar	379	438	32	463	657	518	2,487	2,432
British pound	508	423	-	-	-	658	1,589	1,634
Other currencies	720	208	301	69	26	62	1,386	1,316
TOTAL	**1,607**	**1,069**	**333**	**532**	**683**	**1,238**	**5,462**	**5,382**
FOREIGN EXCHANGE DERIVATIVES**								
Forward contract purchases and currency swaps								
US dollar	1,158	-	-	-	-	-	1,158	22
British pound	1,040	-	-	-	-	-	1,040	17
Other currencies	217	-	-	-	-	-	217	-
TOTAL	**2,415**	**-**	**-**	**-**	**-**	**-**	**2,415**	**39**
Forward contract sales and currency swaps								
US dollar	645	23	-	-	-	-	668	(23)
British pound	55	-	-	-	-	-	55	-
Other currencies	424	1	-	-	-	-	425	(2)
TOTAL	**1,124**	**24**	**-**	**-**	**-**	**-**	**1,148**	**(25)**

* *The fair value of long-term debt was determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate that takes into account the Group's incremental borrowing rate at year-end for similar types of debt arrangements. Market price is used to determine the fair value of publicly traded instruments.*

** *The fair value of foreign currency derivative instruments has been calculated using market prices that the Group would pay or receive to settle the related agreements.*

Based on outstanding hedging instruments on December 31, 2011, a +/-5% shift in exchange rates would have an estimated maximum impact of respectively -/+3 million euros on equity in respect of foreign currency derivatives designated as hedging instruments in a cash flow hedge relationship. The net income statement impact of the same exchange rate fluctuations on the Group's foreign exchange derivative instruments is not material. Fair values are calculated with internal models that rely on market observable data (currency spot rate, forward rate, currency rate curves, etc.).

Interest rate risks and sensitivity

INTEREST RATE RISKS

We are exposed to interest-rate risk through our debt and cash. Our interest rate exposure can be sub-divided among the following risks:

- price risk for fixed-rate financial assets and liabilities.

By contracting a fixed-rate liability, for example, we are exposed to an opportunity cost in the event of a fall in interest rates. Changes in interest rates impact the market value of fixed-rate assets and liabilities, leaving the associated financial income or expense unchanged;

- cash flow risk for floating-rate assets and liabilities.

Changes in interest rates have little impact on the market value of floating-rate assets and liabilities, but directly influence the future income or expense flows of the Company.

In accordance with the general policy established by our senior management, we seek to manage these two types of risks, including the use of interest-rate swaps and forward rate agreements. Our corporate Treasury department manages our financing and interest rate risk exposure in accordance with rules defined by our senior management in order to keep a balance between fixed rate and floating rate exposure.

Although, we manage our interest rate exposure to some extent, it cannot immunize us fully from interest rate risks.

See Note 25 (Debt) on page F54 and Note 26 (Financial instruments) on page F57 to our consolidated financial statements for more information. Additional information on the Group policies in place to mitigate this risk can be found in Section 2.2 (Risk management) on page 20.

INTEREST RATE SENSITIVITY

Before taking into account interest rate swaps, on December 31, 2011, 76% of our total debt carried a fixed rate. After taking into account these swaps, the portion of fixed-rate debt amounted to 67%.

A +/-1% change in short-term interest rates calculated on the net floating rate debt, taking into account derivative instruments would have a maximum impact on the Group's 2011 consolidated income before tax of -/+18 million euros.

The table below provides information about our interest-rate derivative instruments and debt obligations that are sensitive to changes in interest rates and presents:

- for debt obligations, the principal cash flows by expected maturity dates and related weighted average interest rates before swaps;
- for interest-rate derivative instruments, notional amounts by contractual maturity dates and related weighted average interest rates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average floating rates are based on effective rates at year-end.

MATURITIES OF NOTIONAL CONTRACT VALUES ON DECEMBER 31, 2011

(million euros)	AVERAGE RATE (%)	2012 H1	2012 H2	2013	2014	2015	2016	> 5 YEARS	TOTAL	FAIR VALUE
DEBT (1)										
Long-term debt (2)	6.3	279	1,529	1,802	1,990	1,368	2,187	4,869	**14,024**	13,569
Fixed-rate portion	*6.7*	*38*	*451*	*1,148*	*1,834*	*1,316*	*1,884*	*4,826*	***11,497***	*11,121*
Floating-rate portion	*4.2*	*241*	*1,078*	*654*	*156*	*52*	*303*	*43*	***2,527***	*2,448*
Short-term debt	4.6	936	98						**1,034**	1,034
INTEREST-RATE DERIVATIVES (3)										
Pay Fixed										
Euro	4.5	-	70	58	42	-	-	-	**170**	(8)
Other currencies	7.2	9	25	67	104	-	-	-	**205**	52
Pay Floating										
Euro	1.7	200	1,000	300	-	-	-	-	**1,500**	3
Other currencies	1.8	-	-	77	240	-	-	-	**317**	4
Other interest-rate derivatives										
Euro	-	-	-	-	-	-	-	-	**-**	-
Other currencies	2.2	-	19	332	-	-	-	-	**351**	(2)

(1) The fair value of long-term debt was determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate that takes into account the Group's incremental borrowing rate at year-end for similar types of debt arrangements.
(2) Including the current portion of long-term debt.
(3) The fair value of foreign interest rate derivative instruments has been calculated using market prices that the Group would pay or receive to settle the related agreements.

Based on outstanding hedging instruments on December 31, 2011, a +/-100 basis point shift in yield curves would have an estimated maximum impact of respectively -/+ 6 million euros on equity in respect of interest-rate derivatives designated as hedging instruments in a cash flow hedging relationship. The impact on the income statement related to interest-rate derivative instruments designated as hedging instruments in a fair value hedging relationship is netted off by the revaluation of the underlying debt. Furthermore, the income statement impact of the same yield curve fluctuations on interest-rate derivative instruments, not designated as hedges for accounting purposes, would have a maximum impact of -/+ 1 million euros in income. Fair values are calculated with internal models that rely on observable market data (interest rates curves, "zero coupon" curves, etc.).

Commodity risk and sensitivity

We are subject to commodity risk with respect to price fluctuations mainly in the electricity, natural gas, petcoke, coal, fuel, diesel and also maritime freight markets.

We attempt to limit our exposure to fluctuations in commodity prices and to increase our use of alternative fuels and renewable energies.

From time to time, and if a market exists, we hedge our commodity exposures through derivative instruments at the latest when a firm commitment is entered into or known, or where future cash flows are highly probable. These derivative instruments are generally limited to swaps and options, with maturities and terms adaptable on a case by case basis.

We do not enter into commodities contracts other than for hedging purposes.

Based on outstanding hedging instruments on December 31, 2011, a +/-20% change in the commodity indexes against which Lafarge is hedged, *i.e.* mainly power, natural gas (Nymex), heating oil (Nymex), gas oil (IPE), maritime freight (Panamax), and coal (Newcastle FOB), would have an estimated maximum impact of respectively -/+11 million euros on equity in respect of commodity derivative instruments designated as hedging instruments in a cash flow hedging relationship. The net income statement impact of the same commodity index fluctuations on the Group's commodity derivative instruments is not material. Fair values are calculated with internal models that rely on observable market data (raw materials spot and forward rates, etc.).

See Note 26 (e) - (Commodity risk) to our consolidated financial statements on page F62 for more information on financial instruments and commodity risk.

Counterparty risk for financial operations

We are mainly exposed to credit risk in the event of default by a counterparty (mainly banks and other financial institutions). We attempt to limit our exposure to counterparty risks by rigorously selecting the counterparties with whom we trade, by regularly monitoring the ratings assigned by credit rating agencies, and by taking into account the nature and maturity of our exposed transactions, according to internal Group policies. We establish counterparty limits that are regularly reviewed. We believe our counterparty management risk cautious and in line with market practises but this may not prevent us from being significantly impacted in case of systemic crisis.

For further information on our exposure to credit and counterparty risks and our management thereof, see Note 26 (Financial instruments) to our consolidated financial statements on page F57 as well as Section 2.3 (Insurance and risk coverage) on page 23.

Listed shares risk

QUOTED EQUITY

After the disposal of all of our investment in Cimpor (Portugal) in February 2010, the Group no longer holds non consolidated investments in listed companies which could have a significant impact on the Group's profit and financial situation.

See Section 3.2.2 (Recent acquisitions, partnerships and divestitures) on page 28 for further details on the disposal of our participation in Cimpor in February 2010.

The Group's principal defined benefits pension plans, which are situated in the United Kingdom and in North America, are managed by pension funds that invest their assets in listed securities. The fair value of these assets as well the split of the investments between stock, bonds and others can be found in Note 23 (Pensions plans, termination benefits and other post-employment benefits) to our consolidated financial statements on page F49.

In the United Kingdom, the pension assets are principally administered through a unique pension fund, governed by an independent board.

See Pension Plans risk on page 16.

TREASURY SHARES

On December 31, 2011 the Group held 233,448 treasury shares. These shares are assigned to cover stock-option or performance share grants. The risk exposure regarding our self-owned shares is considered not significant by the Group.

2.2 Risk management

In order to ensure the sustainability of its business development and to meet its targets, the Group makes ongoing efforts to prevent and control the risks to which it is exposed.

Risk management requires establishing standard procedures to identify and analyze the main risks to which the Group is exposed and continually deploying and managing risk management systems designed to eliminate or reduce the probability that risks will arise and to limit their impact.

2.2.1 Risk identification and analysis

Risk identification and analysis is structured around several coordinated approaches conducted within the Group under the responsibility of the Group Executive Committee.

A detailed update of the Group risk mapping was carried out at the end of 2011 and the outcome will be presented to the Audit Committee in 2012. The main areas identified have been subjected to in-depth analysis and development of actions plans, which will be progressively implemented. The update also included a follow-up of action plans implemented to mitigate key risks reported through the previous risk mapping.

As part of the Group's management cycle, strategic reviews of all Group business units are conducted periodically by the heads of the business units, the Divisions and the Group. These strategic reviews include an analysis of the main risks to which the operational entities are exposed.

Every year, an analysis of risks related to the reliability of financial information, asset protection, and fraud detection and prevention is performed at the Group level by the Internal Control department, in conjunction with the relevant functional departments. This analysis serves as a basis for updating the Group's internal control standards, which are deployed across the Group's main business units, the Divisions and within the Group's functional departments.

The annual audit plan drawn up by the Group Internal Audit department takes into account the various analyses described above. In preparing this plan, Group Internal Audit also conducts a large number of interviews and corroborates or supplements these analyses. Implementation of this plan and the summary of work presented to the Group Executive Committee and Audit Committee lead to more in-depth analyses in certain areas and contribute to the ongoing risk identification process.

2.2.2 Risk management systems

An active risk management plan based on the risk identification and analysis work described above has been in place within the Group for several years. It is continually adjusted in response to new issues and risks to which the Group is exposed.

General risk management framework and Code of Business Conduct

RESPONSIBILITY AND PRINCIPLES UNDERLYING RISK MANAGEMENT

Generally speaking, the heads of the Divisions, Business Units and functional departments are responsible for defining and/or applying the measures required to reduce the Group's risk exposure.

Risk management is based primarily on certain defining principles, such as:

- the Group's Principles of Action, which define the Group's commitments to customers, employees, local community institutions, and shareholders, and explain the "Lafarge Way", *i.e.* the Group's management philosophy;
- the principles of organization, which define responsibilities at different levels within the organization and the different factors in the management cycle.

These principles are communicated on an ongoing basis and are a major component of the Group's preventive management of main risks by defining the Group's fundamental values and clearly identifying responsibilities.

In addition, the Group and each functional department have defined a set of complementary policies and rules. The functional managers, their staff, and the business unit managers are in charge of disseminating and applying these policies and rules to ensure that practices are consistent at each level of the organization. All these rules have been gradually assembled to facilitate their implementation.

LAFARGE EMPLOYEE CODE OF CONDUCT

As a core part of its policies, in 2004, the Group adopted a Code of Business Conduct that sets out the principles of conduct that each individual is to adopt in every day business situations. The Code of Business Conduct is essential in preventing the main risks faced by the Group, by setting out the issues, recommendations, and prohibitions pertaining primarily to the following: compliance with laws and regulations, abiding by free competition, corruption prevention, insider trading, conflicts of interest, participation in politics, health and safety, discrimination and harassment prevention, respect for the environment, protection of assets, reliability of information, importance of internal control and application of sanctions in case of violations.

The action to strengthen the dissemination of the Code of Business Conduct and its appropriation by all Group employees was largely completed in 2009. This training program, which is based on concrete case studies drawn from business examples, was reviewed by Transparency International and the International Chamber of Commerce in 2008, and a complete presentation was made to the Group Stakeholders' Panel. The Group continued in 2011 the active promotion of this program and will implement in 2012 training tools, accessible through the Group intranet in all countries where the Group operates.

ASSET PROTECTION

For many years, the Group has been defining policies and practices implemented for the purpose of protecting its assets, both tangible (property, plant and equipment, inventories, accounts receivable, financial assets, etc.) and intangible (brand, information, know-how, patents, etc.). The application of these policies has been strengthened by establishing internal control standards in the Group's main business units and functional departments, with one main objective being the safeguarding of assets.

FRAUD PREVENTION PROGRAM

The Group has a program designed to prevent, deter, and detect fraud. This program has been gradually reinforced since 2004 and encompasses:

- the Code of Business Conduct, which provides a general framework in this area;
- a procedure that was defined and deployed for reporting and monitoring cases of fraud and breaches of the Code of Business Conduct, which requires that each case be reported to Group through the various channels set out in this procedure and defines the role of the different parties involved (Group heads of the business units, Legal, Internal Audit, and Internal Control departments), the various types of fraud and the course to be followed in case of suspected fraud;
- an ethics line set up to enable employees, anywhere in the world to anonymously exercise their whistleblowing rights, to report any breach of the rules laid down in the Code of Business Conduct and, more specifically, to report fraud cases. The guidelines issued by the Cnil (the French national data protection and privacy agency) were used to set up this system, including the most recent developments related to the decision of the Cassation Court, which ensures strict adherence to specific rules implemented in France regarding reporting mechanisms;
- the Group's internal control standards, which cover many key controls that directly and indirectly target the risk of fraud and have been widely deployed;
- and, more generally, the body of rules, procedures, and controls applied within the Group's organizations.

Systems for managing specific risks

In particular, risk management systems have been developed and applied in the following areas:

- management of the Group's asset portfolio;
- actions to secure access to raw materials;
- environmental risk management and safety program;
- antitrust compliance program;
- financial and market risks management.

These systems are defined by precise objectives, which are approved by the Group's governing bodies, the use of dedicated tools and resources to achieve these objectives, and a set of oversight and monitoring actions to ensure that they are properly implemented.

MANAGEMENT OF THE GROUP'S ASSET PORTFOLIO

Management of the Group's asset portfolio mainly entails:

- actively monitoring country risks, particularly those arising from the economic, political and social climate;
- a process for geographically modeling natural disaster risks;
- a structured decision-making process for investments and divestments;
- a system to optimize the flows of funds into the Group.

The Group Strategy department has defined a methodology for measuring and monitoring country risk trends over time. This analysis is conducted annually and is taken into account when defining the Group's asset management strategy. With the support of these analyses, we continue to diversify our portfolio geographically and exercise care to manage the respective weight of each country for the Group.

The Group's Risks and Insurance department has developed a process for modeling natural event risks with the primary aim of setting up insurance programs to secure optimum coverage for such risks.

Acquisitions and disposals are subject to review and approval at various levels as a function of their materiality, upon completion of each phase – economic opportunity study, feasibility study and detailed study. The Risk and Portfolio Committee reviews the risks and rewards of each acquisition or disposal project submitted thereto, based on an assessment report that covers the strategic, business and financial, legal, tax, Human Resources, and technical aspects (status of assets and mineral reserves, energy access conditions), as well as aspects related to sustainable development. A risk and opportunity analysis is performed in each of these areas.

Lastly, a Dividends Committee, in which the Group's Tax, Legal, Control and Consolidation and Financing and Treasury departments are represented, determines how to optimize returns of cash to the Group.

ACTIONS TO SECURE ACCESS TO CERTAIN RAW MATERIALS

Managing the risk associated with access to raw materials is organized upstream in the Group's development process, primarily through actions to secure long-term access to resources via acquisitions and development projects and ongoing management of land resources and other supply sources.

See Section 3.4.4 (Mineral reserves and quarries) on page 42 for further information.

MANAGEMENT OF ENVIRONMENTAL, HEALTH AND SAFETY RISKS

The Group takes many measures to manage the environmental impact of its business operations. The Group's Environmental and Public Affairs department monitors the application of its environmental policy throughout all Group entities. This policy covers managing production facilities in compliance with the law, minimizing quantities of non-renewable resources used, minimizing waste production, and implementing quarry rehabilitation plans. Audits and performance controls are carried out to ascertain that standards and performance targets are met.

The Group is engaged in an ambitious program to improve its performance in terms of the health and safety of persons who work on its sites. This is being accomplished by defining a risk management standard, deploying specific operational rules and standards, as well as through systematic analyses of the causes of serious incidents, and by disseminating information on experiences and good practices throughout the sites. All Group business units have been mobilized to implement these standards, which are gradually reducing accident risks. The Health and Safety Management System (HSMS) has the main following governance Standards: Incident Reporting and Investigation, Contractor Safety Management, Risk Management. On top of these, the HSMS has the following operational standards: Work at Height, Personal protective Equipment, Energy Isolation, transport of people and loads and Confined Space. This list is not exhaustive.

ANTITRUST COMPLIANCE PROGRAM

The Group antitrust compliance program ("Compliance Program"), which has been in place since 2007, aims to ensure that Group employees strictly abide by antitrust rules and regulations. It is applicable in all countries where the Group has operations and covers all of its activities, including those conducted jointly with third parties in the context of partnerships. The Compliance Program is being deployed steadily and continuously worldwide through a number of awareness-building and training actions for the Group's employees, as well as verifications that the rules of the Compliance Program are being followed at the business unit level and information reporting through a dedicated network of antitrust coordinators based in every country where the Group operates.

In general, in the event of allegations of breach of compliance with antitrust rules and regulations made against the Group or one of its subsidiaries, the Group's policy is to fully collaborate with the local antitrust authorities.

In 2011, the Group Competition Team and local lawyers continued the promotion of this program with specific trainings performed worldwide. In addition, to the foregoing, several Group guidelines are available with the objective to increase the awareness of Group employees towards specific competition risks and to support them in effectively managing risks in line with the Compliance Program. Pursuant to the sustainability ambitions undertaken by the Group, 100% of its significant business units were tested for compliance with the Compliance Program by the end of 2011.

FINANCIAL AND MARKET RISK MANAGEMENT

Management of financial and market risks (currency and interest rate risk, liquidity risk, equity risk and risk of price volatility for energy sources used in the production cycle) is centralized by the Group Finance department, which works jointly with the Group Purchasing department for energy source issues. A set of strict policies and procedures is determined at Group level to cover these risks and define the responsibilities of the different parties involved.

Approval must be obtained from the Group Finance department for all operations or transactions involving setting up financing and guarantees for a term of more than one year or above a certain amount, the use of some hedging instruments or derivatives, and the distribution of dividends.

Our policies do not allow for any speculative positions on the market. We have instituted management rules based on the segregation of duties, financial and administrative control and risk measurement. We have also introduced an integrated system for all operations managed at corporate level that permits real-time monitoring of hedging strategies.

Our policy is to use derivative instruments to hedge our exposure to exchange rate and interest rate risks. We also use derivative instruments from time to time to manage our exposure to commodity risks.

We use financial instruments only to hedge existing or anticipated financial and commercial exposures. We undertake this hedging in the over-the-counter market with a limited number of highly rated counterparties. Our positions in derivative financial instruments are monitored using various techniques, including the fair value approach.

To reduce our exposure to currency risks and interest rate fluctuations, we manage our exposure both on a central basis through our Treasury department and in conjunction with some of our subsidiaries. We use various standard derivative financial instruments, such as forward exchange contracts, interest rate, currency swaps, and forward rate agreements, to hedge currency, and interest rate fluctuations on assets, liabilities and future commitments, in accordance with guidelines established by our senior management.

We are subject to commodity risk with respect to price changes principally in the energy and maritime freight markets. From time to time, we use derivative financial instruments to manage our exposure to these commodity and energy risks.

A follow-up of risks related to financial instruments is regularly carried out based on indicators provided to the management team through internal reporting.

Lafarge participates in the selection and monitoring of financial assets covering pension benefit obligations in conjunction with the entities that manage these funds.

2.3 Insurance and risk coverage

The Group's general insurance policy is based on the following key principles:

- implement prevention and protection actions in order to mitigate risks;
- retain exposure to frequency risks through Group captives;
- transfer only severity risks, above the self-retention threshold, to the leading insurers and reinsurers. Special attention is given to the financial strength of market participants;
- cover subsidiaries in which we own a majority shareholding under Group-wide insurance policies, subject to local regulatory constraints and specific geographical exclusions.

In 2011, the total cost of the Group's insurance programs, including the risks self-insured via the captives, amounted to about 3.9 per thousand of the revenues of the insured perimeter.

Property damage and business interruption insurance

These insurance programs cover property losses resulting from fire, explosion, natural disasters, machinery breakdown, etc. and related business interruption, if any. These programs provide worldwide coverage. Group assets are insured at their actual cash value. Total insured values amount to 27,433 million euros.

Potential fire loss scenarios for the largest sites are regularly evaluated with specialized engineers from an external consulting firm. The highest "Maximum Foreseeable Loss" for fire per site is lower than 200 million euros except for the Group's Egyptian cement plant where it could reach 230 million euros taking into consideration this plant's very large production capacity. Accordingly, the Group "Property Damage and Business Interruption" program limit remains at 200 million euros per claim, with the usual sub-limits set by insurance companies. Due to the highest "Maximum Foreseeable Loss" in Egypt, an additional 30 million euros of coverage is still in force for this plant in 2011.

The Group has implemented a regular modelization process of risks linked to natural disasters, based on the best tools used by international insurers and reinsurers. This process aims at identifying the sites with main exposure, classifying potential losses according to their financial impact per event, country and occurrence probability, in order to adjust the coverage of the Group's assets. This process covers risks which can be modeled (earthquake, flood, etc.) on the basis of available models and data.

The number and diverse geographical locations of the Group's industrial sites all over the world help mitigate the risk of high business interruption exposure.

In accordance with the plan decided by the Group, fire risk protection standards are progressively implemented in all cement plants with the support of prevention engineers from an external consulting firm.

Liability insurance

Public liability, product liability and environmental impairment liability policies are the main liability-type policies within the Group. They cover amounts commensurate with the nature of Lafarge's business activities, the relevant countries, loss experience and available capacity in the insurance and reinsurance markets. Within our global public and product liability program, Lafarge North America Inc., our subsidiary in North America, has its own stand-alone primary casualty insurance program designed to cover the specific liability risks in North America.

Captive insurance

The Group has one insurance and one reinsurance captive insurance companies located in Europe to manage the frequency risk of the Group's subsidiaries. The amount of liability retained by these captives stands at a maximum of 2 million euros per casualty claim and 5 million euros per property damage claim.

In North America, the Group has two insurance captive companies covering workers compensation, automobile liability and general liability coverage. The maximum liability retained by these captives ranges from 2 million US dollars to 5 million US dollars per loss, depending on the type of coverage.

3 INFORMATION ON LAFARGE

3.1 The Group

General presentation

Lafarge S.A. is a Limited Liability Company (*Société Anonyme*) incorporated in France under French law. We produce and sell building materials – cement, aggregates and ready-mix concrete principally – worldwide, mostly under the "Lafarge" brand name. Our products are used to build and renovate residential, commercial and public works throughout the world. Based on sales, we are the world leader in building materials. Based on internal and external research, we are believed to be the world leader in the cement market, the second largest producer of aggregates and the fourth largest producer of ready-mix concrete worldwide.

Lafarge shares have been traded on the Paris Stock Exchange (NYSE Euronext Paris) since 1923. They are a component of the CAC 40, the principal market index in France (and have been in such index calculation since the beginning).

Our reporting currency is the euro (€). In 2011, the Group generated 15,284 million euros in sales, and posted a current operating income (as defined in Section 4.2 (Accounting policies and definitions)) of 2,179 million euros and net income, Group share of 593 million euros. At year-end 2011, its assets totalled 40,719 million euros and the Group employed approximately 68,000 people in 64 countries.

Lafarge S.A. was incorporated in 1884 under the name "J. et A. Pavin de Lafarge". Our corporate term is due to expire on December 31, 2066 and may be extended pursuant to our by-laws. Our registered office is located at 61, rue des Belles Feuilles, 75116 Paris, France, and our telephone number is + 33 1 44 34 11 11. We are registered under the number "542 105 572 RCS Paris" with the registrar of the Paris Commercial Court (*Tribunal de commerce de Paris*).

3.1.1 History and development of the Group

We began operating in France around 1833 when Joseph-Auguste Pavin de Lafarge set up a lime operation in Le Teil (Ardèche), in the Valley of the Rhône. Through sustained internal growth and numerous acquisitions of lime and cement companies throughout France, we became France's largest cement producer by the late 1930s. Our first foray outside France took place in 1864 when we supplied lime for construction of the Suez Canal, which was the prelude to our expansion in the Mediterranean Basin. Our international expansion continued in the 20th century when we set up operations in North Africa and later when we began doing business in Brazil and Canada in the fifties. Through our 1981 acquisition of General Portland Inc., we became one of the largest cement manufacturers in North America. In 1989, the acquisition of the Swiss group Cementia brought a number of new positions, including in Europe and East Africa. We further expanded internationally, in particular in Asia, with our first operations in China and India in the nineties. Through the purchase of the British cement company Blue Circle Industries plc ("Blue Circle") in 2001 we became the world leader in cement and strengthened our position in emerging markets. The January 2008 acquisition of Orascom Building Materials Holding S.A.E ("Orascom Cement"), the Cement activities of the Orascom group, provided us with a leading position and unparalleled presence in Middle East and Africa. This transaction represented a decisive step in the Group's Cement strategy, diversified our worldwide presence, and accelerated our growth in emerging markets.

We have also broadened our other product lines of aggregates, concrete and gypsum plasterboard. Our Aggregates and Ready-Mix Concrete business developed progressively over the years and made a significant leap forward in 1997 with the acquisition of Redland plc, one of the principal manufacturers of Aggregates and Ready-Mix Concrete worldwide at the time, and to a lesser extent through our acquisition of Blue Circle in 2001.

During the second half of 2011, we sold the major part of our Gypsum operations, which had first started in 1931 with the production of plaster powder in France.

We also draw on a shared culture and shared ambitions with all our employees, which are expressed in our Principles of Action.

KEY DATES

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

3.1.2 Organizational structure

In 2011, the Group was organized in Divisions, each with decentralized local operations and strong corporate expert departments, involved in strategic decisions.

To reinforce its efficiency in its markets and accelerate its development, Lafarge establishes, in 2012, a new, country based, organization, more agile, reactive and customer and market-oriented.

This organization is characterized by three major changes:

- the implementation of a country-based structure, with country CEOs' responsibilities covering all Cement, Aggregates & Concrete activities, and using common support functions;
- the removal of one hierarchical layer, the regions;
- the resulting transformation of the structure and responsibilities of the Executive Committee, including the creation of a Performance function and an Innovation function.

The new Executive Committee comprises the Chairman and Chief Executive Officer, an Executive Vice-President (EVP) Innovation, an EVP Performance, three EVPs Operations responsible for supervising business units, an EVP Strategy, Development and Public Affairs, an EVP Finance, an EVP Organization and Human Resources, and one Senior Vice-President Group Communications.

This constitutes the natural next step following Lafarge's geographical expansion and its recent refocusing on Cement, Aggregates & Concrete, particularly after the disposal of most of its Gypsum activities.

Its aim is to increase Lafarge's differentiation through the development of higher value-added products and higher added value solutions for construction, associating all competencies, Cement, Aggregates and Concrete in each country, and thus reinforce Lafarge position as a key actor in sustainable construction.

3.2 Our strategy

3.2.1 Strategic objectives and priorities

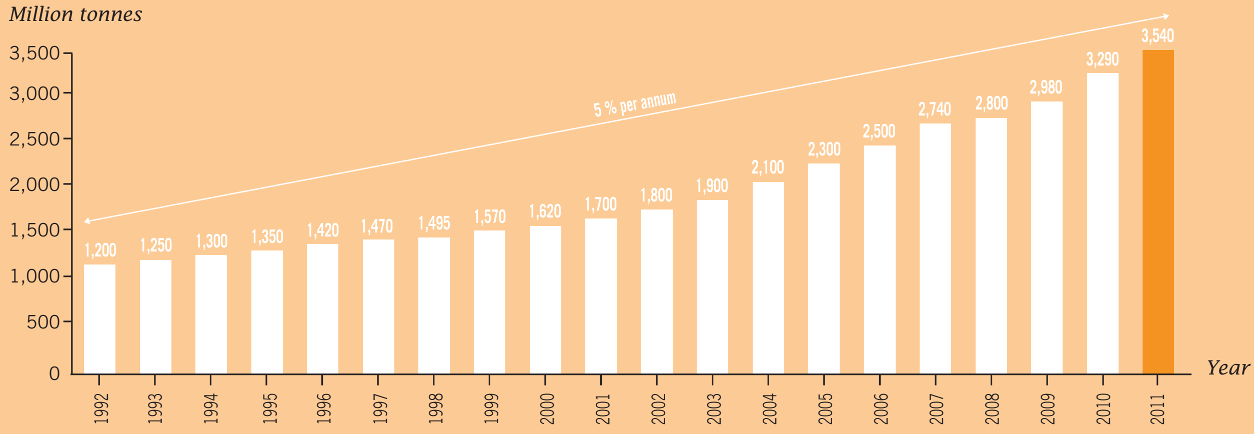
Our goal is to create shareholder value. To achieve this, the Group's strategy aims at strengthening our position as world leader in building materials, in terms of market share, innovation, recognition by customers, geographical portfolio, and profitability.

We have two strategic priorities: cement, primarily in emerging markets, and innovative products and solutions, particularly construction systems, including sustainable construction solutions.

Over the past twenty years, world cement consumption has significantly increased with an average rate of growth above 5% per year. Despite the economic and financial crisis, global cement demand grew by approximately 8% in 2011, supported by the dynamism of most large emerging markets, particularly China, Brazil, India and Sub Saharan Africa. Mid and long-term prospects for cement demand remain favorable, especially in these markets, where demography, urbanization and economic growth drive the needs for housing and infrastructure. Emerging markets account for 71% of Group's current operating income (76% for the Cement Division) in 2011.

We believe that we are in a very good position to benefit from this long-term fundamental growth thanks to our well diversified geographical portfolio, strengthened during recent years by our cement capacity increase program and the acquisition of Orascom Cement in January 2008. Most of our new production capacity projects are located in emerging markets.

EVOLUTION OF THE CEMENT WORLD MARKET



Lafarge estimate

Our second strategic priority is to develop our sales of innovative building materials, systems and services that meet the expectations of our clients in terms of sustainable construction, aesthetics and cost.

The experience accumulated by the Group in the developed markets was considerably enriched by our development in emerging countries. The combined effect of the cross-fertilization between our various geographies and the increase of our Research & Development capabilities has led to a broadening of our product range and services. These higher value-added products and systems aim at meeting the increased expectations of our clients in terms of performance, ease of use, reduced application time and recycling.

Sustainable development is core to the Group's strategy. It encompasses:

- preservation of the environment and combating climate change (limited raw materials extraction, emissions reduction – notably CO_2 – and biodiversity promotion);
- health protection and medical care for our employees and neighboring communities; and
- more generally the Group's social involvement, as illustrated by the Group's actions following natural disasters.

Furthermore, Lafarge has three operational priorities:

- the first is the day-to-day health and safety of the women and men who work for the Group, be they on the payroll or with sub-contractors, on site or on the road. Between 2008 and 2011 (based on our 2008 business scope), we managed to reduce by 57% the number of workplace lost time-incidents, demonstrating our commitment to deliver in this area;

  See Section 7.2 (Health and Safety) for more information.
- the Group's second operational priority is cost-reduction. After having delivered 250 million euros of savings in 2011, the Group adopted a new objective of 500 millions euros, of which at least 400 millions by the end of 2012;
- the third priority is People Development with a focus on filling our talent pipeline, developing our talents, leveraging diversity, and ensuring effective organization.

We estimate that the Group's strategy strongly supports our goal of being recognized as the best creator of value by our shareholders, the best supplier of products and services by our customers, the best employer by our employees and the best partner for the communities in the regions where we operate.

3.2.2 Recent acquisitions, partnerships and divestitures

Significant recent acquisitions

See Notes 3 (Significant events) and 10 (b) (Acquisitions and Disposals) to our consolidated financial statements for more information on these acquisitions.

Brazil. In February 2010, the Group sold its 17.28% stake in Cimpor (Portugal) to Votorantim (Brazil) in exchange for Cement operations in Brazil. These operations located in North East and Mid-West Brazil and around Rio de Janeiro include two grinding stations, one cement plant, slag and clinker supply agreements to grinding stations. These operations, valued at 755 million euros, were transferred to the Group on July 19, 2010.

In addition, over the past two years, we have acquired a limited number of small-to-medium size businesses.

Acquisitions during the last two years had an overall positive effect on our revenues of 198 million euros in 2011 compared with 2010.

Significant recent partnerships

See Notes 3 (Significant events) and 20 (Equity) to our consolidated financial statements for more information on these transactions.

United Kingdom. On February 18, 2011, Lafarge and Anglo American plc announced an agreement to combine their cement, aggregates, ready-mix concrete, asphalt and contracting businesses in the United Kingdom. The transaction will form a 50-50 joint venture and will create a leading UK construction materials company, with a portfolio of high quality assets drawing on the complementary geographical distribution of operations and assets, the skills of two experienced teams and a portfolio of well-known and innovative brands. The closing of this transaction is subject to approval by the competition authorities.

Central and Eastern Europe. On May 25, 2010, Lafarge and STRABAG announced their agreement to combine their cement activities in several Central European countries. Lafarge brought its cement plants in Mannersdorf and Retznei in Austria, Cížkovice in Czech Republic and Trbovlje in Slovenia, while STRABAG contributed the plant built in Pécs in Hungary. Lafarge holds a 70% interest in the joint venture, and STRABAG holds 30%. After obtaining the approval by the competition authorities in February 2011 and the fulfilment of other conditions precedent, the transaction became final on July 29, 2011.

Significant recent divestitures

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

Asia. On December 9, 2011, Lafarge sold its stake in LBGA (Lafarge Boral Gypsum Asia) to its partner Boral. LBGA was a joint venture owned 50/50 by Lafarge and Boral and dedicated to Gypsum activities in Asia.

Europe and South America. On November 4, 2011, Lafarge completed the sale of its Gypsum activities in Europe and South America to the Etex group. Lafarge retains a 20% stake in the new entities that combine gypsum operations of both companies in Europe and South America.

Australia. On August 5, 2011, Lafarge sold its gypsum operations in Australia to Knauf, composed of two plants of plasterboard and other related products and of a national network of distribution and sales.

The United States. On October 3, 2011, Lafarge completed the sale of its Cement and Concrete businesses in the South East of the United States to the Colombian conglomerate Cementos Argos. The Cement business sold includes Harleyville cement plant in South Carolina and Roberta cement plant in Alabama, a cement grinding station in Atlanta, Georgia, and the associated distribution terminals. Lafarge also sold its ready-mix concrete business units in this region of the United States.

Switzerland and Alsace (France). On December 31, 2010, Lafarge sold its Aggregates & Concrete business in Alsace and Switzerland, including 8 concrete production plants (4 in Alsace and 4 in Switzerland) and 8 aggregates quarries in Alsace. The Swiss-based concrete operations have been sold to Holcim and the French-based Aggregates & Concrete activities have been sold to Eiffage Travaux Publics and Holcim.

Portugal. On December 27, 2010, Lafarge entered into an agreement for the sale of its entire Aggregates & Concrete business in Portugal (29 concrete plants and 4 aggregates quarries) to the Portuguese construction group Secil. Approval by the competition authorities was obtained on June 2011 and the transaction closed on June 30, 2011.

Malaysia. On July 16, 2010, Lafarge sold a 11.2% interest in Lafarge Malayan Cement Berhad ("LMCB") by way of placement done on Bursa Malaysia Securities Berhad. Lafarge keeps the management control of the Malayan activities and remains the majority shareholder with a 51% controlling shareholding in LMCB.

Portugal. On February 3, 2010, Lafarge sold its 17.28% minority interest in the Portuguese company Cimpor to the Brazilian company Votorantim. This transaction is an exchange of Cimpor shares held by Lafarge for some of Votorantim's cement assets in Brazil, as described above in *Significant recent acquisitions*.

In addition, during 2010 and 2011, we carried out several small-to-medium sized divestments.

In total, divestitures during the last two years reduced the Group's sales by 186 million euros in 2011 compared to 2010.

3.3 Innovation

3.3.1 Innovation, Research & Development (R&D)

Innovation is one of the Group's two strategic priorities. The Group's R&D activities focus on three main objectives: researching new products and systems that offer increased value-added solutions to our customers, developing our product ranges to respect our commitments in terms of sustainable construction, and implementing processes and products that help reduce CO_2 emissions.

In 2011, the overall Group expenditure for product innovation and industrial process improvement was 129 million euros, compared to 153 million euros in 2010.

High level research teams and international network

The Group's Research investments are mainly based at the Lafarge Research Center (LCR), located near Lyon in France. Today, this research center is made up of approximately 240 talented men and women: engineers and technicians who come from various scientific and international backgrounds. LCR is an acknowledged leader and continues to attract researchers from all over the world.

LCR's research activity is organized in a matrix structure based on scientific competencies and management of different project portfolios. The organization of LCR's expertise and scientific management was strengthened in 2011 and international partnerships were significantly increased, particularly in emerging markets. More specifically, in March 2011, the Group signed a partnership agreement with IIT Madras, India to set up a new research laboratory on concrete durability. It also concluded a research partnership agreement with Chongqing University, China in September.

In addition, a Symposium jointly organized in July in Beijing with Tsinghua University and China Ceramic Society brought together over 150 representatives from China's construction industry as well as a panel of international scientific leaders (from China, USA and Europe) specializing in our domains. They presented the latest scientific breakthroughs in concrete science as well as the wide scope for the use of concrete in sustainable construction.

Finally, the Lafarge Academic and Research Chair (École des Ponts ParisTech) on Materials Science for Sustainable Construction was renewed in 2011. After MIT in 2007, Berkeley in 2008, Georgia Tech in 2009 and Delft in 2010, students from the Master's supported by this Chair attended a three-day seminar at MIT. This confirms the interest of foreign universities in a doctorate program which remains today the only one of its kind in the world.

Well-established innovation dynamics

Informed through their responsibilities of trends and expectations of the markets, the members of the Executive Committee share a dialog with researchers about "the field of possibilities" and the results within the research programs.

The dynamics for boosting our project portfolio is sustained by the impetus of a Creativity team composed of volunteer engineers and technicians. They have *carte blanche* to stimulate the emergence of new ideas in line with our strategic goals and in liaison with our marketing teams.

Furthermore, we are continuing to widen our sources of innovation, in particular with the second edition of our "Lafarge Invention Awards 2011" contest open this time to construction scientists and inventors in India. Over 60 submissions were collected and 3 winners were awarded prizes at an awards ceremony in Mumbai in March 2012. The objective of the contest was to reward innovative Indian projects related to Lafarge materials and contributing to sustainable construction. It was also an opportunity to broaden the Group's scientific network in India and to establish contacts with the best Indian research teams.

Innovative research focuses

Our research work for the Business Divisions in 2011 was directed as follows:

CEMENT

We pursued our work to reduce the carbon footprint of our products. We successfully performed an industrial trial to produce Aether™ clinker, which allowed us to confirm a 25% reduction of carbon emissions per ton of clinker, as well as a 15% reduction in the energy needed for burning, achieved without any significant process modifications. The European Union has lent us its financial support for this project as part of the Life+ program.

We continued to support the Novacem start-up, whose objective is to produce a magnesium silicate binder (an alternative to limestone and clay with which our cements are manufactured) via a process with potentially low carbon emissions.

Increasing the percentage of mineral additives in our cements remains a priority as it helps to reduce the environmental impact. This research work is based on the fundamental research results obtained by the Nanocem European research network. We also accelerated our research on the impact that high percentages of additives have on concrete durability.

We pursued a number of programs aiming to differentiate our products for specific segments of the construction market. The priority was given to bagged cement for masonry work and low cost binders for affordable housing.

We also began new research work into the cement manufacturing process, especially grinding and the preparation of alternative fuels used in our kilns, as well as new design concepts for our installations to reduce our investment costs.

We are fostering an active partnership with the MIT (Massachussetts Institute of Technology) as part of the CSHub (Concrete Sustainability Hub). This ambitious project aims to describe the fundamental mechanisms governing cement performances and to identify the innovation levers for reducing environmental impact, using the most advanced tools from materials science, in particular molecular computing methods.

Amid the economic conditions currently prevailing, cutting production costs and raising operational performance are more than ever major priorities for our Cement business. To this end, the Division is backed up by our network of Technical Centers providing plants with the permanent support of their high-caliber experts in all the key areas of the cement industry, i.e. Safety, Environment, Geology, Processes, Products and Equipment.

Aside from providing strong support to operations with the deployment of a genuinely safety-oriented culture and assisting in the reduction of the environmental footprint of our plants, the Technical Centers particularly support the rapid deployment of the performance programs launched by the Cement activity, such as Excellence 2010. By focusing on the principal levers of industrial performance, including reducing power and heat consumption, increasing the use of cheap alternative fuels and cement additives, and cutting fixed costs, this program focuses the Cement activity's attention on objectives that will pave the way for cost reductions in the short to medium term.

Likewise, the continuous improvement programs to enhance plant reliability, the installation of automatic control systems for kilns and grinding plants, assistance with the development of new products and the industrialization of the R&D's results also form part of the Technical Centers' role. Late 2010, we launched a program for further improving our plant's mastery and technical performances. This program is based on worldwide implementation of a single operational model, on competency certification programs and on clear and simple industrial standards. The implementation is monitored by the Technical Centers and will be audited on a regular basis. This new program will not only increase our performances rapidly but will also help to sustain them more reliably over the long term.

The Technical Centers are also responsible for integrating recently built plants and newly acquired units, which can thus adopt the Group's standard practices and rapidly deliver high performances.

Generally speaking, the Technical Centers continuously analyze and benchmark the results of the plants and are able to respond very rapidly to the slightest dip in performance, sending in their experts promptly in the event of a serious incident in order to analyze and resolve the underlying problems. Lastly, the Technical Centers are responsible for capitalizing, sharing and implementing best practices and technical standards, which aim to sustain the benefits of short-term initiatives over time.

AGGREGATES & CONCRETE

Research on aggregates was pursued in 2011: product performances were optimized according to their destination and certain by-products were upgraded, thus contributing to the preservation of this natural resource.

The "Road" program focused its efforts on road material recycling. The aim is to reduce energy production costs and the carbon footprint of asphalts.

The 2011 priority was to widen the range of Thermedia™ concretes for thermal insulation, contributing to improved energy efficiency in buildings. We have also completed our research work on new concretes with high-performance environmental characteristics such as low carbon concretes and Hydromedia™ pervious concretes, which help to better manage storm and rain water runoffs. Hydromedia™ was launched in several countries and its deployment will continue in 2012.

World-wide transfers of recent concrete innovations (Extensia™ large slabs without joints, Chronolia™ rapid-setting concrete, Agilia® self-leveling concrete, Artevia™ architectonic concretes) were pursued at a rapid pace thanks to the dedicated team of engineers and technicians and supported by the facilities in the technological building inaugurated in 2008. We are pursuing the development of our material Ductal®, belonging to the family of UHPFRC (Ultra-High Performance Fiber Reinforced Concrete). Many job sites using this material are currently in progress.

GYPSUM

Our Gypsum research team worked more particularly on improving fundamental knowledge of water and humidity resistance of gypsum board systems and on how to make the boards lighter. They also worked on reinforcing our system offer in terms of acoustic comfort and thermal insulation in buildings.

This work resulted in a significant increase in our sales of PrégyWab™ products (gypsum boards for moisture-laden rooms and light façades) and Prégymax™ (which includes a layer of thermal-acoustic insulation allowing optimal thermal performance). It has also helped us to remain competitive on the light gypsum board market.

We pursued the development of new finishing coatings to meet local market requirements and also anticipate user expectations in terms of new functionalities and innovation. Finally, part of our research work helped to continue improving gypsum production processes, thus respecting our commitments to industrial performance and reduction of the environmental impact in gypsum board production.

CONSTRUCTION SYSTEMS

Two laboratories, one in Lyon (Euromed zone) and one in Chongqing (China) dedicated to Construction Development were founded in 2011. A third laboratory was created in Mumbai (India) early 2012. These laboratories provide the Group with the means to accelerate innovation and the use of our products in different construction systems, while reinforcing our diversity by bringing us closer to local construction markets. These teams bring together new competencies in various domains, such as implementation and methods, thermal properties of buildings, structural calculations or construction engineering in general.

3.3.2 Intellectual property

Lafarge has a substantial portfolio of intellectual property rights including patents, trademarks, domain names and registered designs, which are used as a strategic tool in the protection of its business activities. Lafarge aims to enhance the value of this intellectual property by coordinating, centralizing and establishing its titles through patents, trademarks, copyright and other relevant laws and conventions and by using legal and regulatory recourse in the event of infringement of the rights by a third party.

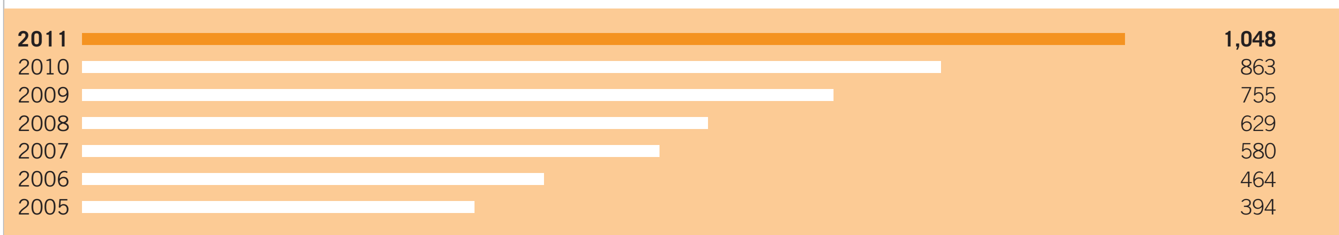
The Group Intellectual Property department is in charge of protecting the Group trade name, which is a registered trademark in more than 120 countries, and implementing the necessary legal recourse against third party unauthorized use of the Lafarge name. Action against illegal use of the Lafarge name and logo continued against local counterfeiters in respect to cement bags. In particular, the lawsuits initiated in 2010 continue after the seizure in China of 100,000 counterfeited cement bags bearing the Lafarge name and logo. Investigations have also been launched in Ukraine after counterfeited cement bags were identified on the Ukrainian market.

In line with the Group's focus on sustainable construction, trademark protection continues to be sought for the new slogans "Efficient Building with Lafarge™" and "*Pro Eco Efficient Building avec Lafarge*™" with trademark registrations now complete in 39 countries. Global trademark protection has also been sought for the new permeable concrete product which has been launched under the name Hydromedia™.

The use of, and access to, Lafarge's Intellectual Property rights are governed by the terms of license agreements granted by Lafarge S.A. to its subsidiaries. The agreements provide for a series of licenses, permitting the use of the intangible assets developed by the Group (such as know-how, trademark, trade name, patents, and best practices).

The Lafarge patent portfolio continues to grow considerably, thereby reflecting Lafarge's commitment to innovation; in particular, the patent portfolio relating to the Cement, Aggregates & Concrete businesses continues to grow steadily as presented in the figure below.

CUMULATED NUMBER OF PATENTS APPLIED FOR OR REGISTERED FOR CEMENT AND AGGREGATES AND CONCRETE BUSINESSES



3.4 Our businesses

Overview

The 2011 contribution to the Group's consolidated sales by Division and by region was as follows compared with 2010:

SALES BY DIVISION *

	2011		2010 **	
	(million euros)	*(%)*	*(million euros)*	*(%)*
Cement	9,975	65.3	9,656	65.1
Aggregates & Concrete	5,227	34.2	5,088	34.3
Other	82	0.5	90	0.6
TOTAL	**15,284**	**100.0**	**14,834**	**100.0**

* After elimination of inter-Division sales.
** 2010 figures have been restated as mentioned in Note 3 (Significant events) to the Consolidated Financial Statements following the disposal of the Gypsum Division.

SALES BY GEOGRAPHIC AREA (1)

	2011		2010 (3)	
	(million euros)	*(%)*	*(million euros)*	*(%)*
Western Europe (2)	3,431	22.5	3,482	23.5
North America	3,110	20.3	3,153	21.3
Central & Eastern Europe(2)	1,302	8.5	1,066	7.2
Middle East & Africa	3,897	25.5	3,883	26.2
Latin America	1,035	6.8	838	5.6
Asia	2,509	16.4	2,412	16.2
TOTAL	**15,284**	**100.0**	**14,834**	**100.0**

(1) By destination.
(2) Austria was reclassified from Western Europe to Central & Eastern Europe.
(3) 2010 figures have been restated as mentioned in Note 3 (Significant events) to the Consolidated Financial Statements following the disposal of the Gypsum Division.

For each Division, the following schedule presents the contribution made to current operating income in years ending December 31, 2011 and 2010:

CONTRIBUTION TO GROUP CURRENT OPERATING INCOME *

(%)	2011	2010 **
Cement	90.3	93.2
Aggregates & Concrete	10.9	9.0
Other	(1.2)	(2.2)
TOTAL	**100.0**	**100.0**

* As defined in Section 4.2 (Accounting Policies and Definitions).
** 2010 figures have been restated as mentioned in Note 3 (Significant events) to the Consolidated Financial Statements following the disposal of the Gypsum Division.

In the following pages of this Section 3.4:

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

When operating our business, we may face risks presented in Section 2 (Risks Factors).

3.4.1 Cement

Cement is the principal hydraulic binder. It is the principal strength-giving and property-controlling component of concrete. It is a high quality, cost-effective building material that is a key component of construction projects throughout the world, including the 58 countries in which we have cement operations. Based on both internal and external research, we believe that we are the world's leading producer of cement, taking into account sales, production capacity, geographical positions, technological development and quality of service. At year-end 2011, the Group's consolidated businesses operated 124 cement, 36 clinker grinding and 6 slag grinding plants, with an annual production capacity of 225 million tonnes, (total capacity of entities controlled by Lafarge, of which 202 million tonnes after deduction of our partners' share in joint ventures). Consolidated sales for 2011 reached approximately 145.3 million tonnes.

Products

We produce and sell an extensive range of cements and hydraulic binders for the construction industry, including basic Portland and masonry cements and a variety of other blended and specialty cements and binders. We offer our customers a broad line, which varies somewhat by market. Our cement products (all of which are referred to as "cement" in this report) include specialty cements suitable for use in a variety of environmental conditions (*e.g.* exposure to seawater, sulfates and other natural conditions hostile to concrete) and specific applications (*e.g.* white cement, oil-well cements, blended silica fume, blended fly-ash, blended pozzolan, blended slag cements and road surfacing hydraulic binders), natural lime hydraulic binders, masonry cements, and ground blast furnace slag.

We design our cements to meet the diverse needs of our customers, including high-performance applications for which enhanced durability and strength are required. We also offer our customers a number of extra services, such as technical support in connection with the use of our cements, ordering and logistical assistance to ensure timely delivery to the customers, plus documentation, demonstrations and training relating to the properties and appropriate use of our cements.

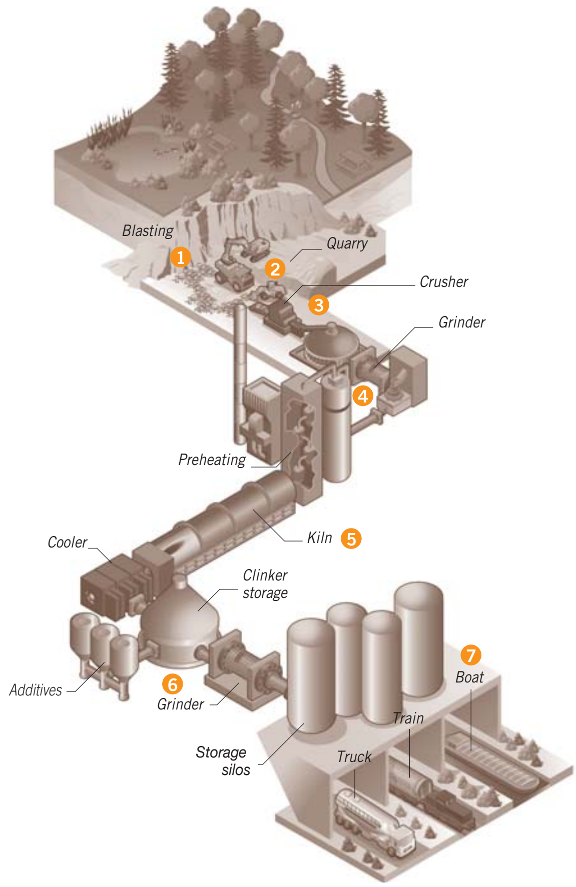
Production and facilities information

COMPOSITION AND PRODUCTION OF CEMENT

Cement is made by extracting, crushing and grinding calcium carbonate (limestone), silica (sand), alumina and iron ore in appropriate proportions and heating the resulting mixture in a rotary kiln to approximately 1,500°C. In the more modern "dry process" used by around 88% of Lafarge's plants, the ore mixture enters the kiln dry, as opposed to the older process in which it is mixed with water. Each process produces "clinker", which is then finely ground with gypsum to make cement powder. An average breakdown of the production cost of cement (before distribution and administrative costs) is approximately: energy 33%, raw materials and consumables 28%, labor, maintenance and other production costs 27%, and depreciation 12%.

Raw materials for making cement (calcium carbonate, silica, alumina, and iron ore) are usually present in limestone, chalk, marl, shale and clay, and are available in most countries. Cement plants are normally built close to large deposits of these raw materials. For most of our cement plants, we obtain these materials from nearby land that we either own or over which we hold long-term quarrying rights. The quantity of proven and permitted reserves at our cement plants is believed to be adequate to operate the plants at their current levels for their planned service life.

See Section 3.4.4 (Mineral reserves and quarries) for more information.



Where technically and economically feasible, we substitute ground blast furnace slag, pozzolan or fly ash for certain raw materials when making cement, or mix slag, pozzolan or fly ash with cement at the end of the process. Ground blast furnace slag is a by-product of steel manufacturing, and fly ash is a product of burning coal in electric thermal utility plants. Whether and how they are used depends on the physical and chemical characteristics of the slag or ash and on the physical and chemical properties required of the cement being produced. These materials help lower our capital costs per tonne of cement produced. Their use is environmentally friendly since it increases cement supplies by recycling post-industrial material and helps to limit CO_2 emissions. We measure improvement by the cement over clinker ratio which reached 1.32 in 2011 compared to 1.30 in 2010 and 1.29 in 2009.

ENERGY OPTIMIZATION

Energy is the largest expense item among the Group's production costs (33% of total, excluding distribution and administrative costs).

Wherever possible, we use advanced plant designs (such as preheaters to heat raw materials prior to entering the kiln) and waste materials (*e.g.* tires, used oils) to curb the use of fossil fuels. In 2011, fuel waste materials accounted for close to 14% of our worldwide cement manufacturing fuel consumption, with almost two-thirds of our cement plants using some form of fuel waste materials. The availability of fuel waste materials varies widely from region to region, and in particular between developed markets (where they are more abundant) and emerging markets (where they are at an early stage of development). In addition, many of our plants can switch between several fuels with minimal disruption to production, allowing us to enjoy the benefit of lower cost fuels.

MANUFACTURING EXPERTISE

We have developed significant expertise in cement manufacturing through our experience of operating numerous cement production facilities worldwide for over 175 years. This expertise has been formally documented and is passed on via our Technical Centers. We strive to share our collective knowledge throughout the Group to improve our asset utilization, lower our production costs, and increase the product efficiency. Through this culture of knowledge-sharing, we also endeavor to disseminate best production practices and employ benchmarking tools worldwide to drive superior performance and unlock continuous operating improvements.

Customers

In each of the major regions in which we operate, we sell cement to several thousand customers, primarily concrete producers, precast concrete product manufacturers, contractors, builders and masons, as well as building materials wholesalers. Our cement is used in three major segments of the construction industry: residential, non residential construction and infrastructure projects.

Cement performance characteristics and service requirements from our customers vary widely depending on the projects for which our cement is used, as well as their experience and expertise. We strive to meet our customers' diverse requests and to deliver quality, distinctive and targeted solutions enabling them to create more value in their businesses.

Our customers generally purchase cement from us through current orders in quantities sufficient to meet the needs of their building or renovation projects.

Markets

CEMENT INDUSTRY

Historically, the global cement industry was fragmented, with most markets served by a local producer.

Beginning in Europe in the 1970s, then continuing in the United States during the 1980s and later in Asia, the cement industry underwent significant worldwide consolidation which opened many markets to competition and technical progress.

Today, there are many international cement groups, including Lafarge and its major worldwide competitors, i.e. Holcim (Switzerland), Italcementi (Italy), Buzzi (Italy), Cemex (Mexico), Cimpor, (Portugal), HeidelbergCement (Germany), Taiheiyo (Japan), Votorantim (Brazil), and many medium-size groups.

In the various markets around the world, these companies compete one against another and also against strongly established local producers

It results that the cement industry is highly competitive in our major markets. Some countries or regions are more exposed during certain periods than others due to factors such as the strength of demand, market access, and raw material reserves.

Cement production is capital intensive. Construction of a new dry process cement line represents more than two years of its full capacity sales.

CEMENT MARKETS

Emerging markets represent approximately 90% of the worldwide market, with North America and Western Europe accounting for most of the remainder. We have substantial operations in many of these markets, along with other multinational cement companies and local cement producers.

A country's cement demand is generally driven by the growth in per capita income. Demographic growth, industrialization and urbanization progress tend to trigger a rapid growth in housing and infrastructure needs, leading to increased cement consumption.

LOCATION OF OUR CEMENT PLANTS AND MARKETS

Cement is a product that is rather costly to transport over land. Consequently, the radius within which a typical cement plant is competitive extends for no more than 300 kilometers for the most common types of cement. However, cement can be shipped more economically by sea and inland waterway over great distances, significantly extending the competitive radius of cement plants with access to waterborne shipping lanes. Thus, the location of a cement plant and the cement's transportation cost produced through our distribution network significantly affect the plant's competitiveness.

CEMENT QUALITY AND SERVICES

The reliability of a producer's deliveries and the quality of our cement and support services are also factors influencing a cement producer's competitiveness. Accordingly, the Group strives to deliver consistent cement quality over time, to maintain a high standard and quality of support service and to offer special-purpose cements.

BREAKDOWN BY REGION

We produce and sell cement in the regions and countries listed in the tables below.

The following presentation shows each region's percentage contribution to our 2011 cement sales in euros, as well as the number of plants we operate, our cement production capacity, and approximate market share in each country over the year ending December 31, 2011.

SALES BY DESTINATION 2011

	%
Western Europe	15
Central & Eastern Europe	10
Middle East & Africa	33
North America	11
Latin America	9
Asia	22
TOTAL	**100**

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

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

Comparable information for the year 2010 is available in the 2010 Registration Document.

WESTERN EUROPE (15% OF THE DIVISION'S 2011 SALES)

COUNTRIES	NUMBER OF CEMENT PLANTS	NUMBER OF GRINDING PLANTS	CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
			(million tonnes)	*(%)*
France	10	4	10.2	34
United Kingdom	5	-	5.1	40
Greece	3	-	9.8	50
Spain	3	2	6.8	10
Germany	3	-	3.4	10
TOTAL WESTERN EUROPE	**24**	**6**	**35.3**	

Austria was reclassified to Central and Eastern Europe in 2010 and 2011.

In 2011, France, Germany and United Kingdom registered volume increases, Austria remained flat while Greece and Spain experienced significant declines, reflecting the macro-economic trends. The region as a whole consumed close to 155 million tonnes of cement in 2011, according to the Jefferies Report. We sold 18.4 million tonnes of cement in Western Europe in 2011 and 18.8 million tonnes in 2010.

NORTH AMERICA (11% OF THE DIVISION'S 2011 SALES)

COUNTRIES	NUMBER OF CEMENT PLANTS	NUMBER OF GRINDING PLANTS	CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
			(million tonnes)	*(%)*
United States	10	2	12.8	12
Canada	7	2	6.4	33
TOTAL NORTH AMERICA	**17**	**4**	**19.2**	

Our markets remained flat in 2011 reflecting the uncertain economic environment. Sales are seasonal in Canada and much of the East Coast and Mid West of the United States, because temperatures in the winter fall below minimum setting temperatures for concrete. The Jefferies Report estimated that the region as a whole experienced a flat consumption of cement (81 million tonnes) in 2011. We sold 13.5 million tonnes of cement in North America in 2011 and 13.6 million tonnes in 2010. We finalized in October 2011 the sale of our United States South East activities to Argos, which included two cement plants in South Carolina and in Alabama as well as a grinding station in Georgia and the related terminals.

CENTRAL AND EASTERN EUROPE (10% OF THE DIVISION'S 2011 SALES)

COUNTRIES	NUMBER OF CEMENT PLANTS	NUMBER OF GRINDING PLANTS	CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
			(million tonnes)	*(%)*
Austria	2	-	2.0	32
Poland	3	-	5.7	20
Romania	2	1	4.9	31
Russia	2	-	4.1	7
Moldova	1	-	1.4	62
Ukraine	1	-	1.3	12
Serbia	1	-	2.0	45
Slovenia	1	-	0.6	38
Hungary	1	-	1.0	8
Czech Republic	1	-	1.2	9
TOTAL CENTRAL AND EASTERN EUROPE	**15**	**1**	**24.2**	

Austria was reclassified to Central and Eastern Europe in 2010 and 2011.

After two years of depressed residential market due to the economic crisis, Central and Eastern Europe experienced in 2011 a very positive market trend. Estimates from the Jefferies Report for the region give a 2011 cement consumption close to 110 million tonnes. We sold 14.2 million tonnes of cement in Central and Eastern Europe in 2011 and 12.6 million tonnes in 2010.

MIDDLE EAST AND AFRICA (33% OF THE DIVISION'S 2011 SALES)

COUNTRIES	NUMBER OF CEMENT PLANTS	NUMBER OF GRINDING PLANTS	CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
			(million tonnes)	*(%)*
Morocco	3	1	6.8	43
Nigeria	3	-	5.7	32
Algeria	2	-	8.6	36
Iraq	3	-	5.8	24
Jordan	2	-	4.8	47
Zambia	2	-	1.3	75
Egypt	1	-	10.0	20
United Arab Emirates	1	-	3.0	6
Syria	1	-	2.6	23
South Africa	1	2	3.6	17
Tanzania	1	-	0.3	22
Kenya	1	1	2.0	48
Uganda	1	-	0.8	62
Cameroon	1	1	1.7	92
Benin	1	-	0.7	37
Zimbabwe	1	-	0.5	38
Malawi	-	1	0.2	76
TOTAL MIDDLE EAST AND AFRICA	**25**	**6**	**58.4**	

In this region with a consumption close to 316 million tonnes of cement in 2011 (according to the Jefferies Report estimates), we have sold 44.0 million tonnes of cement in 2011, compared to 40.2 million tonnes of cement in 2010. Sustained demographic growth and significant needs for housing and infrastructures support the strong potential of this region.

In Morocco, the Group develops its cement business through a joint venture with Société Nationale d'Investissement.

The Group also operates through a joint venture in the United Arab Emirates.

In Saudi Arabia, the Group holds a 25% stake in Al Safwa Cement which operates 2 million tonnes capacity plant.

LATIN AMERICA (9% OF THE DIVISION'S 2011 SALES)

COUNTRIES	NUMBER OF CEMENT PLANTS	NUMBER OF GRINDING PLANTS	CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
			(million tonnes)	*(%)*
Brazil	5	3	7.1	11-12
Mexico	2	-	0.8	NS
Ecuador	1	-	1.4	20
Honduras	1	1	1.3	55
French West Indies/Guyana	-	3	1.0	100
TOTAL LATIN AMERICA	**9**	**7**	**11.6**	

Latin America as a whole consumed about 155 million tonnes of cement in 2011 according to the Jefferies Report. We sold 10.5 million tonnes of cement in Latin America in 2011, compared to 8.4 million tonnes in 2010.

ASIA (22% OF THE DIVISION'S 2011 SALES)

COUNTRIES	NUMBER OF CEMENT PLANTS	NUMBER OF GRINDING PLANTS	CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
			(million tonnes)	*(%)*
China	20	12	33.6	6–22 (1)
Philippines	5	-	6.0	33
Malaysia	3	1	12.5	37
South Korea	1	2	9.6	13
India	2	2	8.4	20 (2)
Pakistan	1	-	2.1	6
Indonesia	1	-	1.6	4
Bangladesh (3)	1	-	1.6	7
Vietnam	-	1	0.5	1
TOTAL ASIA	**34**	**18**	**75.9**	

(1) Depending on region where Lafarge is operating.
(2) For the North East region.
(3) See Note 29 (Legal and arbitration proceedings) to the Consolidated Financial Statements for more information on Lafarge Surma Cement.

We believe that the long-term growth prospects for Asia are very promising. According to the Jefferies Report, the region as a whole consumed about 2,560 million tonnes of cement in 2011. We sold 44.7 million tonnes of cement in the region in 2011 and 42.1 million tonnes in 2010.

In China, the Group operates through a joint venture with Hong Kong based company Shui On. This joint venture is currently the market leader in Southwest China (Sichuan, Chongqinq, Guizhou, and Yunnan).

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

CEMENT TRADING ACTIVITIES

The Group also manages worldwide cement trading activities, which help us to meet fluctuations in demand in certain countries, without building plants that may result in excess capacity. We conduct these activities primarily through our Cementia Trading subsidiary. In addition, our Marine Cement subsidiary acts mainly as an importer and distributor of cement in the Indian Ocean and the Red Sea countries.

3.4.2 Aggregates & Concrete

Aggregates and concrete, like cement, are key components of the building industry. Based on internal and external analysis, in 2011 Lafarge was the world's second largest producer of aggregates and the world's fourth largest producer of ready-mix concrete. On December 31, 2011, we had production facilities and sales offices in 35 countries. In the year ending December 31, 2011, our consolidated businesses operated 392 aggregates industrial sites, which sold approximately 193 million tonnes of aggregates, and 1,046 concrete plants, which sold approximately 34 million cubic meters of concrete. We also produce pre-cast concrete products and asphalt.

We are vertically integrated to varying degrees with our Cement Division which supplies substantial volumes to our concrete operations in several markets. Also within our Aggregates & Concrete Division, our aggregates operations supply a substantial volume of aggregates required for our concrete and asphalt operations.

Products

AGGREGATES

Aggregates are used as raw materials for concrete, masonry, asphalt, and other industrial processes, and as base materials for roads, landfills, and buildings. The primary aggregates we produce and sell are hard rock (usually limestone and granite), but we also produce natural sand and gravel. Additionally, depending on the market, we process and sell recycled asphalt and concrete. Aggregates differ in their physical and chemical properties, granularity and hardness. Local geology determines the type of aggregates available in a given market, and not all types of aggregates are available in every market. Through our Research & Development (Lafarge Research Center, LCR) we have greatly increased our understanding of the impact that the various properties of aggregates have in their final applications. Consequently, we have been able to refine our product offerings and step up innovation in our downstream products.

See Section 3.3 (Innovation) for more information on the R&D in the Group.

READY-MIX CONCRETE

Concrete is a mix of aggregates, cement, admixtures, and water that hardens to form the world's most used building material. Tensile strength, resistance to pressure, durability, set times, ease of placing, aesthetics, workability under various weather and construction conditions as well as environmental impact are the main characteristics that our customers consider when buying concrete. From the very basic to the cutting edge, we produce and sell a wide range of concrete and masonry mixes to meet our customers' diverse needs.

Through our internal Research center we have introduced innovative products such as: Agilia® which offers superior coverage and filling abilities and self-levelling capability, with enhanced durability and aspect; Extensia®, flooring concrete which significantly reduces saw joints; Chronolia® whose drying speed allows to remove formworks four hours after placing. In addition, we continue to successfully develop in all our markets our Artevia® range of decorative concretes.

Demand for new products and for a broader range of products is accelerating due to sustainability initiatives and new customer needs. In association with a leading partner, Bouygues Construction, we launched in 2009 a new generation of concrete to boost buildings' energy performance: the Thermedia® range. In 2011, the Group has introduced Hydromedia™, a new generation pervious concrete, the result of 2 years' research in collaboration with university laboratories, civil engineering companies and project owners. This fast-draining concrete pavement solution limits the urban impact on the natural water cycle and reduces the risk of flooding. We believe our strong Research & Development program gives us a distinct advantage over our competitors.

See Section 3.3 (Innovation) for more information on the R&D in the Group.

ASPHALT

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

In Asphalt, we are using our internal Research center to develop new products, such as the Durapave® with enhanced appearance, placing and energy efficiency properties. Demand for new products and for a broader range of products is accelerating due to environmental initiatives and new customer needs.

Production and Facilities Information

AGGREGATES

Aggregates production involves primarily blasting hard rock from quarries and then crushing and screening it to various sizes to meet our customer's needs. Aggregates production also involves the extraction of sand and gravel from both land and marine locations, which generally requires less crushing but still needs screening to different sizes. The production of aggregates involves intensive use of heavy equipment and regular use of loaders, haul trucks, crushers and other equipment at our quarries. After mineral extraction, we restore our sites to a high standard so that they may be used for other purposes: agricultural, commercial or natural.

In a world of growing environmental pressures, where it is increasingly difficult to obtain extraction permits, and where mineral resources are becoming more scarce, mineral reserve management is a key to success in the aggregate business. Consequently, we emphasize mineral and land management in our activity. Across our existing markets, we regularly search for new material reserves to replace depleting deposits well in advance of their exhaustion, and we work to obtain necessary government permits allowing the extraction of our raw materials.

We seek to position new reserves as close to our markets as possible.

See Section 3.4.4 (Mineral reserves and quarries) for more information.

READY-MIX CONCRETE

Ready-mix concrete is produced by mixing aggregates, cement, chemical admixtures and water in varying proportions at concrete production plants and placing the resulting mixture in concrete trucks where it is usually mixed further and delivered to our customers. We obtain most of our concrete raw materials (e.g. cement and aggregates) from internal sources. Concrete is produced with equipment that mixes raw materials in desired ratios, checks the quality of the product obtained, and places the mixture into concrete trucks. Concrete plants can be either fixed permanent sites or portable facilities, which may be located at our customers' construction sites.

Many concrete mixes are designed to achieve various performance characteristics desired by our customers. Cement and aggregate chemistries may be varied, chemical admixtures may be added (such as retarding or accelerating agents) and other cementitious materials (such as fly ash or slag) may be substituted for portions of cement to adjust the concrete performance characteristics desired by the customer. Consequently, significant technical expertise and quality control are required to address the many construction issues our customers face, such as concrete setting time, pumpability, placeability, weather conditions, shrinkage and structural strength. Through our extensive Research & Development activities, we focus on supplying concrete that meets these various needs.

Because of concrete's limited setting time, logistics is key to ensure timely delivery of our product.

Raw material prices account for approximately 70% of the cost to supply concrete and may vary considerably across the many markets in which we operate. Given the significantly high percentage of raw materials costs, we strive to adjust concrete mix designs to optimize our raw material usage. Delivery represents the second largest cost component, accounting for approximately 20% of the costs to supply concrete.

PRE-CAST CONCRETE PIPES, WALL PANELS AND OTHER PRODUCTS

These products are manufactured by pouring the proper type of concrete into molds and compacting the concrete through pressure or vibration, or a combination of both. In order to limit the transport costs ,the pre-cast plants are usually located close to aggregates resources which are themselves close to principal markets.

ASPHALT

As described above, asphalt is produced by blending aggregates with liquid bitumen at asphalt production plants. We obtain much of the aggregates needed to produce asphalt from internal sources and purchase the bitumen from third party suppliers. Bitumen is a by-product of petroleum refining, the price of which is tied to oil prices. Asphalt is produced at low capital-intensive plants consisting of raw material storage facilities and equipment for combining raw materials in the proper proportions at a high temperature. Our asphalt plants range in output from 5,000 to 500,000 tonnes per year and are located in North America and the United Kingdom.

Customers

We sell our aggregates, concrete and asphalt to thousands of unaffiliated customers in local markets throughout the world.

We sell aggregates primarily to concrete producers, manufacturers of pre-cast concrete products, asphalt producers, road contractors, and construction companies of all sizes. In some markets, we sell aggregates for use in various industrial processes, such as steel manufacturing. We sell concrete primarily to construction and road contractors ranging from major international construction companies to small residential builders, farmers, and do-it-yourself individuals. We sell asphalt primarily to road contractors for the construction of roads, driveways, and parking lots, as well as directly to state and local authorities.

Our customers generally purchase aggregates, concrete, and asphalt in quantities sufficient to meet their immediate requirements. Occasionally, we enter into agreements to supply aggregates to certain plants which produce concrete, asphalt, or pre-cast concrete products. These contracts tend to be renegotiated annually. Backlog orders for our aggregates, concrete, and asphalt are normally not significant.

Markets

DESCRIPTION OF MARKETS AND OF OUR POSITION IN THESE MARKETS

Most local aggregates, concrete, and asphalt markets are highly fragmented and are served by a number of multinational, regional, and local producers.

Globally, **the aggregates industry** is in the early stages of consolidation, mainly in developed markets. We face competition in our local markets from independent operators, regional producers (such as Martin Marietta Materials and Vulcan Materials in the United States) and international players (Cemex, CRH, HeidelbergCement and Holcim).

Environmental and planning laws in many countries restrict new quarry development. In addition, excluding the cost of land and mineral rights, the plant and equipment costs for a new quarry range from around 2 to 4 million euros for a small quarry to several tens of million euros for a very large quarry. We have implemented standards for the design and construction of our plants.

We believe we have a strong competitive position in aggregates through our well located reserves in key markets and our logistic networks. Our worldwide experience allows us to develop, employ, and refine business models through which we share and implement best practices relating to strategy, sales and marketing, manufacturing and land management; this gives us a superior quality product to offer the market. In addition, we have a strong understanding of the needs of most of our aggregates customers since we are vertically integrated in their predominant lines of business. Finally, we believe that we have a reputation for responsible environmental stewardship and land restoration, which assists us in obtaining new permits more easily and encourages landowners to deal with us as the operator of choice.

Consolidation in **the global concrete industry** is less pronounced and, as with aggregates, we face competition from numerous independent operators throughout our markets. However, we often compete with multinational groups such as Cemex, CRH, HeidelbergCement, Holcim and Italcementi depending on their geographical portfolio.

An essential element of our strategy is innovation. We have developed substantial technical expertise relating to concrete. Consequently, we can provide significant technical support and services to our customers to differentiate us from competitors. Furthermore, as a consequence of this technical expertise, we recently developed several new products, such as Agilia®, Artevia®, Chronolia®, Extensia®, Thermedia® and the new Hydromedia® lines. Again, our worldwide experience permits us to further differentiate ourselves based on product quality and capability.

To improve our competitive position in local concrete markets, we situate our plants to optimize our delivery flexibility, production capacity and backup capability. We evaluate each local market periodically and may realign our plant positioning to maximize profitability when market demand declines or capacity rises too high. We developed our use of mobile plants in a number of markets to improve our flexibility in redeploying plants in response to market changes and to meet customers' needs.

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

LOCATION OF OUR MARKETS

Shipping aggregates over long distances is costly, and concrete and asphalt cannot be transported over distances that involve more than about one hour of transportation time. Consequently, markets for these products tend to be local in nature. However, where our quarries have access to shipping lanes or railroads, we may ship aggregates over significant distances. While brand recognition and loyalty play a role in sales of these products, local customers tend to choose producers based on location, quality of product, reliability of service, and price. Furthermore, demand for aggregates, concrete, and asphalt depends mostly on local market conditions, which can vary dramatically within and across a broader regional or national market.

The majority of our aggregates, concrete, and asphalt operations are located in Western Europe and North America, where national demand generally moves in line with the country's level of infrastructure and construction spending. In these countries the nature and enforcement of applicable regulations provide a balanced playing field. However, during the recent years, we have more actively searched opportunities to penetrate fast growing markets in emerging countries, to the extent that rules of the game allowing us to operate soundly are established.

PORTFOLIO MANAGEMENT

In line with the Group's strategy, we continued this year our selective divestment policy with the sale of the Aggregates & Concrete activity in Portugal as well as our Concrete assets the

South East United States. We also started to operate in a few countries that we believe are offering growing opportunities: Iraq and Kuwait for Concrete and for Aggregates Russia in partnership with the EBRD. We also announced in February 2011, the formation of a 50/50 joint venture with Anglo American plc which will combine our Cement, Aggregates, Ready-mix Concrete, Asphalt and Paving businesses in the United Kingdom. The latter still requires regulatory approval.

BREAKDOWN BY REGION

We produce and sell aggregates and concrete in the regions and countries of the world listed in the table below. The table shows the number of industrial sites we operated on December 31, 2011 and the volume of aggregates and concrete sold by our consolidated operations in 2011.

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

REGION/COUNTRY	NUMBER OF INDUSTRIAL SITES		VOLUMES SOLD	
	AGGREGATES*	CONCRETE	AGGREGATES	CONCRETE
			(million tonnes)	*(million cubic meters)*
WESTERN EUROPE				
France	114	260	37.4	7.2
United Kingdom	35	96	14.2	1.8
Spain	12	77	4.2	1.5
Greece	9	24	1.9	0.7
Portugal	-	-	0.7	0.4
Others	-	2	-	0.2
NORTH AMERICA				
Canada	97	132	51.8	4.1
United States	52	52	45.6	2.9
CENTRAL & EASTERN EUROPE				
Poland	14	33	13.2	1.0
Romania	13	15	2.6	0.4
Russia	4	1	1.5	-
Ukraine	3	-	3.8	-
Hungary	1	-	0.6	-
MIDDLE EAST & AFRICA				
South Africa	20	54	4.4	1.2
Reunion/Mauritius	3	10	1.0	0.4
Egypt	4	18	2.3	1.2
Algeria	-	18	-	0.5
Morocco	1	24	0.4	0.4
Qatar	1	14	0.8	0.6
Iraq	-	16	-	0.5
Oman	-	10	-	0.2
Jordan	-	8	-	0.7
Saudi Arabia	-	3	-	0.2
United Arab Emirates	-	3	-	0.2
Kuwait	-	3	-	0.1
OTHER				
Malaysia/Singapore	4	33	2.8	1.7
Brazil	3	41	2.2	0.9
India	-	84	0.4	3.6
Others	2	15	0.9	1.2
TOTAL	**392**	**1,046**	**192.7**	**33.8**

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

In 2011, our asphalt operations produced and sold a total of 5.1 million tonnes in the United States, Canada and the United Kingdom.

3.4.3 Gypsum

During 2011, most of the Group gypsum activities were disposed of (Asia, Europe and South America, Australia).

See Section 3.2.2 (Recent acquisitions, partnerships and divestitures) and Note 3 (Significant events) to our consolidated financial statements for more information on these disposals.

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

We believe that, before the disposal of these activities, we were among the three largest manufacturers of gypsum wallboard worldwide. At the end of 2010, we had production facilities in 30 countries. Our consolidated businesses operated 41 wallboard plants (with an annual production capacity of over 1 billion square meters) and 36 other plants which produced primarily plaster, plaster blocks, joint compounds, or metal studs as well as paper (2 wallboard paper plants).

Products

WALLBOARD

The principal gypsum product is wallboard. Wallboard is produced in a number of standard lengths, widths and thicknesses and with a variety of characteristics depending on the intended use of the board. We offered a full line of wallboard and finishing products: "standard" wallboard; and technical wallboards – e.g. fire retardant, water-resistant, sag-resistant, resistant to mold, high humidity, "design and decoration" and very high traffic areas. Some of these wallboards combine two or more of these properties.

OTHER PRODUCTS

Production also includes gypsum plaster, plaster blocks, joint compounds, metal studs, anhydrite binders for self-levelling floor-screeds and industrial plasters, which are also intended for the construction and decorating industries. Sales of such products accounted for approximately one third of our Gypsum sales in 2011.

Production and facilities information

Gypsum manufacturing uses the crystalline structure of gypsum (calcium sulfate dihydrate – a naturally occurring mineral common in sedimentary environments), within which water molecules are physically retained. Plaster is made by grinding and heating gypsum to release the trapped water molecules, wallboard is made by mixing the plaster with water to form a slurry, extruding the slurry between two continuous sheets of paper, and then drying and cutting the resulting board into proper sizes. When recombining with water, the slurry is transformed into gypsum crystals which interlock with each other and "grow" into the liner paper, giving the board its strength. Both naturally occurring gypsum and synthetic gypsum are used to produce wallboard. Synthetic gypsum is a by-product of certain chemical manufacturing and fossil fuels power production operations.

At the end of 2010, our businesses operated and owned 21 gypsum quarries worldwide, including 16 in Europe. Some of our plants have entered into long-term supply contracts with third parties to supply natural gypsum. The plants using synthetic gypsum are supplied through long-term contracts, most of which contain one or more options to renew. We believe our current supply of gypsum, both natural and synthetic, is adequate for current and foreseeable operating levels.

Paper and gypsum account for approximately 25% and 15% of wallboard production costs, respectively. Before the sales, we produced approximately half of our wallboard paper requirements at our own mills in France and at a joint venture the United States. All of our paper production is based on recycled waste paper fibers.

Customers

Gypsum wallboard products are mostly sold to general building materials distributors, plasterboard installers, wallboard specialty dealers, do-it-yourself home centers and transforming industries. In some markets, prescribers (such as architects) may influence which products are to be used to construct given projects.

Markets

DESCRIPTION OF MAIN MARKETS AND POSITION IN THESE MARKETS

We believe that at the end of 2010, before the sales, we shared approximately 75% of today's worldwide wallboard market with six other producers in a sector which is increasingly concentrated (Saint-Gobain, Knauf, US Gypsum, Yoshino, National Gypsum, BNBM). These companies operate gypsum wallboard plants and usually own the gypsum reserves they use to produce their wallboard.

In the gypsum wallboard market, companies compete, on a regional basis, on price, product quality, product range, solution design, efficiency, flexibility, and customer service. Our largest competitors in Western Europe are Knauf and Saint-Gobain, and in the United States National Gypsum, Saint-Gobain, and US Gypsum.

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

Western Europe

Western Europe is the world's third largest regional wallboard market. The technical performance of products and systems plays a critical role in this market. The region as a whole consumed close to one billion square meters of wallboard in 2010, based on our estimates. We sold over 250 million square meters of wallboard in Western Europe in 2010. Additionally, we had a minority interest in Yesos Ibericos (Grupo Uralita) in Spain.

North America

North America is the world's largest regional wallboard market. The region as a whole consumed close to 2 billion square meters of wallboard in 2009, based on our estimates. We sold over 150 million square meters of wallboard in North America in 2010.

Asia

In Asia, the world's second largest regional wallboard market, we conducted gypsum wallboard and related operations through a 50/50 joint venture managed jointly with the Australian company Boral Limited. The joint venture operates three wallboard plants in South Korea, four in China, one in Malaysia, two in Thailand, two in Indonesia, one in Vietnam, and one in India. It also has several plaster and metal stud plants in these countries.

At December 31, 2011, Lafarge was present in Gypsum actitvies in Algeria, Canada, Mexico, Morocco, South Africa, Turkey and USA.

See Note 3 (Significant events) to our consolidated financial statements for more information.

3.4.4 Mineral reserves and quarries

Willing to secure the availability of raw materials necessary to produce our products, we are implementing internal procedures for the management of land control and permits and the follow-up and control of the reserves of our quarries.

Objectives

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

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

In particular they must ensure to have adequate reserves for:

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

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

Requirements

- Each business unit has to define its "proven", "probable" and "potential" reserves in terms of years of production of aggregates or clinker (for cement) production as compared to the production of previous years. The target is to maintain fifty years of proven and probable reserves except justifiable cases such as constraints due to local regulations.
- For each deposit, business units must establish a long term plan for obtaining or extending mining rights, land control and administrative permits. This plan must contain the following information for all areas impacted by the long term mining plan including buffer zones:
  - property limits;
  - expiry dates of mining permits;
  - tonnage and chemistry of reserves;
  - characteristics of the deposits and their environmental constraints;
  - action plans and necessary budget.

Definitions

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

1) PROVEN AND PROBABLE RESERVES

The reserves are defined as proven when we have the full control over them through the following parameters:

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

Reserves are defined as probable if one of the above parameter is not fully achieved, such as:

- the mining rights could be limited in duration or some necessary administrative permits for mining operations could be incomplete;
- the control of the land for which we have the mining rights could be incomplete;
- the geology is not defined well enough.

2) POTENTIAL RESERVES

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

Remarks on the impact of local regulations for permitting

- In some countries, permits are given for a limited period of time. Reserves are therefore proven for the duration of the permits and probable for the remaining time. Local regulations may therefore impact proven reserves. In France for example, the mining right duration is not more than 30 years; in the most favorable case, the reserves can only be proven for 30 years. In other countries the mining rights could be obtained for a very long period of time but the surface rights are limited to 5 years. In this case, reserves are proven for 5 years and probable for the remaining duration of the mining rights. For this reason, proven and probable reserves are reported together.
- The mining rights procedures in each country may also influence the land control strategy that is implemented locally. For example, a limited duration of mining rights provides less visibility on the future. Surface rights will be granted until expiry of this period but not necessarily beyond. As a consequence, the surface rights control actions may be staged over time. In that hypothesis, the corresponding reserves are only potential. Land management is therefore specific to each situation.

Internal yearly reporting

A senior geologist in the technical centre must approve the report for all the reserves for cement production in his area. For aggregates, the calculation of reserves is approved by the real property director of each business unit.

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

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

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

1. The technical centre raw material expert obtains the tonnage mined during the previous year from the quarry manager.
2. The reserve calculation is done by the technical centre raw material expert for cement and by the business unit geologist for aggregates:
   - simple yearly calculation by subtracting quarry production from the last reserve estimation;
   - full reserves reconciliation using accurate topographic survey, deposit block model and production figures (each 3-5 years).
3. For cement the result is validated through an exchange between the plant quarry manager, the country raw material manager and the technical centre raw material expert. For aggregates, the calculation is validated by the quarry manager, the business unit raw material manager and the real property manager of the business unit.

Even if a rigorous process is in place internally in order to assess the reserves, the results are subject to small variations resulting from minor inaccuracies of the block model, which can affect the global consolidation.

For the purposes of the tables below, the reserves are consolidated region by region with the total tonnage of raw material reserves available divided by the total production of the plants in each region. As explained above, the production taken as a reference is the production of the previous year for aggregates and the average of the production of the past 3 years for cement. Mothballed plants are included in this computation. All the plants technically managed by Lafarge at the end of December 2011 are fully taken into account, even if Lafarge is not the majority shareholder.

In very few particular cases, the plants don't control their raw-materials but have to purchase them. Those plants are not included into the following table considering the reserve duration. Three Lafarge plants have to purchase their main raw-materials for a volume representing less than 1% of the limestone used in cement.

CEMENT

	AVERAGE PRODUCTION 2009-2011 *(MT CLINKER)*	PROVEN + PROBABLE RESERVES *(YEARS)*	POTENTIAL RESERVES *(YEARS)*	NUMBER OF CLINKER PRODUCTION SITES
Western Europe	13.6	43	60	24
North America	10.7	125	85	17
Central and Eastern Europe	11.2	146	25	15
Middle East & Africa	34.3	62	31	25
Latin America	5.3	116	170	9
Asia	39.0	58	32	34
TOTAL	**114.1**	**76**	**46**	**124**

AGGREGATES

	AVERAGE PRODUCTION 2009-2011 *(MT)*	PROVEN + PROBABLE RESERVES *(YEARS)*	POTENTIAL RESERVES *(YEARS)*	NUMBER OF QUARRIES
Western Europe	58.1	33	8	170
North America	89.3	117	3	149
Central and Eastern Europe	15.9	34	92	35
Middle East & Africa	13.2	32	8	29
Latin America	2.4	93	56	4
Asia	4.2	36	0	5
TOTAL	**183.2**	**75**	**13**	**392**

3.4.5 Summary of our capital expenditures in 2011 and 2010

The following table presents the Group's capital expenditures for each of the two years ending December 31, 2011 and 2010. Sustaining expenditures serve to maintain or replace equipment, while internal development expenditures are intended to enhance productivity, increase capacity, or build new production lines. External development expenditures are devoted to the acquisition of production assets and equity interests in companies. Amounts presented below are net of cash and cash equivalents of companies acquired.

(million euros)	SUSTAINING AND INTERNAL DEVELOPMENT EXPENDITURES 2011	2010 *	EXTERNAL DEVELOPMENT EXPENDITURES 2011	2010 *
Western Europe	208	193	6	23
North America	92	154	7	5
Central & Eastern Europe	159	158	40	33
Middle East & Africa	305	431	11	24
Latin America	54	37	2	(26)
Asia	236	279	5	10
TOTAL	**1,054**	**1,252**	**71**	**69**

* *2010 figures have been restated as mentioned in Note 3 (Significant events) to the Consolidated Financial Statements following the disposal of the Gypsum Division.*

See Section 4.4 (Liquidity and Capital Resources) for more information on 2011 investments.

The Group generally owns its plants and equipment. The legal status of the quarries and lands depends on the activity of the Division:

- in the Cement Division, we own our quarries or hold long-term operating rights;
- in the Aggregates Division, we favor mineral lease contracts in order to minimize the capital employed.

See Section 3.4.4 (Mineral reserves and quarries) for more information.

3.4.6 Capital expenditures planned for 2012

Capital expenditures for 2012 are expected to be approximately:

- 0.4 billion euros for sustaining capital expenditure;
- 0.4 billion euros for development capital expenditure, mainly related to the building of new capacities for the Cement Division in emerging markets.

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

3.5 Intra-Group Relationships

See Note 35 to our consolidated financial statements for more information on our significant subsidiaries.

Lafarge S.A. is a holding company. We conduct our operations through nearly 1,000 subsidiaries, out of which 75% are consolidated. We have a large number of operating companies because we conduct our operations through several Divisions, our businesses are local in nature, and we have facilities in 64 countries.

Lafarge S.A.'s relationship with its subsidiaries

Lafarge S.A.'s relationship with its subsidiaries is that of an industrial holding and includes a financial component and an assistance component.

The financial component covers the financing by Lafarge S.A. of most subsidiaries' operations and the transfer of dividends from subsidiaries.

On December 31, 2011, Lafarge S.A. held approximately 82% of the Group's debt excluding put options on shares of subsidiaries. Lafarge S.A. is subject to a quotation by Standard & Poor's and by Moody's. The Company has access to short-term and long-term financial markets and large banking networks, and provides financing to its subsidiaries through inter-company loans. To fund such loans, we draw primarily on our Euro Medium Term Note program for medium to long-term financing and the related Commercial Paper program for short-term financing.

Nevertheless, this general financing rule has some exceptions. As an example, if we cannot obtain financing through these programs in a subsidiary's local currency, we secure local funding to ensure the subsidiary's operations are financed in the relevant local currency. Furthermore, certain of our consolidated subsidiaries, which have minority shareholders, can access the financial markets on their own and, thus, obtain and carry their own financing.

For those subsidiaries for which it is possible (most subsidiaries located in the euro-zone, Hungary, Poland, Romania, Switzerland and the United Kingdom), Lafarge S.A. uses a cash pooling program, through which cash generated by such subsidiaries is consolidated and managed by Lafarge S.A. in connection with the financing of the subsidiaries' operations.

See Section 4.4 for more information on Liquidity and capital resources.

The assistance component relates to the supply by Lafarge S.A. of administrative and technical support to the subsidiaries of the Group. Lafarge S.A. also grants rights to use its brands, patents, and industrial know-how to its various subsidiaries. The Research & Development activities are managed by the Lafarge Research Center located in Lyon (L'Isle-d'Abeau), France. In the Cement Division, technical support services are provided by our various Technical Centers located in Lyon, Vienna, Montreal, Atlanta, Beijing, Kuala Lumpur and Cairo.

Subsidiaries are charged for these various services and licenses under patent license, support, or brand licensing contracts.

See Section 3.3 (Innovation) for more information.

Group relationship with minority shareholders of its subsidiaries

In addition to our listed subsidiaries that have a broad base of minority shareholders, certain other controlled subsidiaries may have industrial or financial partners, government entities, prior employees or prior owners as minority shareholders. In some cases, such minority shareholdings are required by local law or regulations (e.g. in the case of a partial privatization, mergers, local regulations, listing on capital markets). In other instances, we have partnered with them to share our business risk. In many cases, we have entered into shareholder agreements with such minority shareholders providing for Board membership or other similar provisions, shareholders' information rights and control provisions. We have not recently experienced any difficulties in managing these subsidiaries with our partners, which could present a risk to our financial structure.

A limited number of these shareholder agreements contain exit provisions for our minority shareholders that may be exercised at any time, at certain fixed times, or under specific circumstances, such as a continuing disagreement between Lafarge S.A. and the shareholder or a change in control of the relevant subsidiary or Lafarge S.A. In particular, our shareholder agreement relating to our Cement operations in Morocco contains provisions that enable our partners to buy back our shareholding in this business in the event of a change in control of Lafarge S.A. Similarly, the shareholder agreement with Strabag in the Cement activities in Eastern Europe (Austria, Hungary, Czech Republic, Slovenia and Slovakia) allows our partner to acquire our stake should we lose the control of our subsidiary carrying the Group's interest in this joint venture.

See Note 25 (f) (Debt) to our consolidated financial statements for more information on put options on shares of subsidiaries.

4 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.1 Overview

4.1.1 Summary of our 2011 results

The results of 2011 show as follows:

- Current operating income grew in the fourth quarter from higher sales volumes, higher pricing, and cost cutting measures. For the year, 9% reduction of current operating income; higher cost inflation and the negative impact of foreign exchange lowered overall results.
- The Group successfully achieved its 2 billion euros net debt reduction target and strengthened its liquidity situation, which was already solid. Net non recurring gains from discontinued operations of 466 million euros mainly result from the strategic divestment of Gypsum assets.
- Cost savings accelerated at the end of 2011, with 100 million euros delivered in the fourth quarter achieving 250 million euros for the full year, well above the 200 million euros target.
- Net earnings were impacted by a non-cash goodwill impairment losses of 285 million euros, mainly in Greece.

4.1.2 Trend information and 2012 perspectives

Further to the divestment of a majority of the gypsum assets and the fundamental changes to the management structure, the Group has fully refocused on its core businesses of cement, aggregates and concrete. This strategic shift will accelerate growth and innovation.

Overall the Group sees cement demand moving higher and estimates market growth of between 1 to 4 percent in 2012 versus 2011. Emerging markets are the main driver of demand growth and Lafarge benefits from its well balanced geographic spread of high quality assets. We expect higher average pricing for the year and that cost inflation will increase at a lower rate than in 2011.

Additional debt reduction is targeted in 2012 as the Group maximizes its operational cash flows.

The Group will drive its 500 million euros cost reduction program, of which at least 400 million euros of savings will be delivered in 2012, and will implement price actions as a response to cost inflation. We will also further reduce capital expenditures to 800 million euros, and execute strategic divestments for more than 1 billion euros.

The above trends and targets do not constitute forecasts. They are by nature subject to the risks and uncertainties (see section 2 (Risk factors)). These statements do not reflect future performance of the Company and the Group, which may materially differ. The Company does not undertake to provide updates of theses statements.

4.1.3 Recent events

See Section 3.2.2 (Recent acquisitions, partnerships and divestitures) for more information.

4.2 Accounting policies and definitions

4.2.1 Critical accounting policies

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

Impairment of goodwill

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

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

Impairment tests are carried out in two steps:

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

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

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

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

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

Pension plans, termination benefits and other post-employment benefits

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

The main defined benefit pension plans and other post-employment benefits provided to employees by the Group are in the United Kingdom and North America (the United States of America and Canada). The related projected benefit obligations as of December 31, 2011 represent 54% and 35%, respectively, of the Group's total obligations in respect of pension plans, termination benefits and other post-employment benefits.

See Note 23 to our consolidated financial statements for more information on the primary assumptions made to account for pension plans, termination benefits and other post retirement benefits.

Our pension and other post-employment benefit obligations are impacted by the 2011 discount rates, which reflect the rate of long-term high-grade corporate bonds. The impact of decreasing the discount rate assumption by one percentage point at December 31, 2011 for the valuation of the most significant benefit plans located in the United Kingdom and North America would have been to increase the total benefit obligation by approximately 735 million euros.

Environmental costs

Costs incurred that result in future economic benefits, such as extending useful lives, increasing capacity or safety, and those costs incurred to mitigate or prevent future environmental contamination are capitalized. When we determine 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 cost is recorded as a provision without contingent insurance recoveries being offset (only quasi-certain insurance recoveries are recognized as an asset). When we do not have a reliable reversal time schedule or when the effect of the passage of time is not significant, the provision is calculated based on undiscounted cash flows.

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

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

Site restoration

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

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

Income tax

In accordance with IAS 12 – Income tax and deferred income tax are accounted for by applying the liability method to temporary differences between the tax basis of assets and liabilities and their carrying amounts (including tax losses available for carry forward). Deferred taxes are measured by applying currently enacted or substantially enacted tax laws. Deferred tax assets are recognized, and their recoverability is then assessed. If it is unlikely that a deferred tax asset will be recovered in future years, we record a valuation allowance to reduce the deferred tax asset to the amount that is likely to be recovered.

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

We calculate our income tax obligations in accordance with the prevailing tax legislation in the countries where the income is earned.

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

4.2.2 Effects on reported results of changes in the scope of operations and currency fluctuations

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

Changes in the scope of our operations

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

Currency fluctuations

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

4.2.3 Definition

The Group has included the "Operating income before capital gains, impairment, restructuring and other" subtotal (which we commonly refer to as "current operating income" hereinafter) on the face of consolidated statement of income. This measure excludes aspects of our operating performance that are by nature unpredictable in their amount and/or in their frequency, such as capital gains, asset impairment charges and restructuring costs. While these amounts have been incurred in recent years and may recur in the future, historical amounts may not be indicative of the nature or amount of these charges, if any, in future periods. The Group believes that the "Operating income before capital gains, impairment, restructuring and other" subtotal is useful to users of the Group's financial statements, as it provides them with a measure of our operating performance that excludes these items, enhancing the predictive power of our financial statements and providing information regarding the results of the Group's ongoing trading activities that allows investors to better identify trends in the Group's financial performance.

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

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

4.2.4 Reconciliation of our non-GAAP financial measures

Net debt and cash flow from operations

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

See Section 4.4 (Liquidity and capital resources – Level of debt and financial ratios at December 31, 2011 and 2010) for the value of these ratios in 2011 and 2010.

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

(million euros)	2011	2010
Long-term debt	12,266	14,096
Short-term debt and current portion of long-term debt	2,940	3,184
Derivative instruments, liabilities – non-current	46	57
Derivative instruments, liabilities – current	34	84
Cash and cash equivalents	(3,171)	(3,294)
Derivative instruments, assets – non-current	(80)	(78)
Derivative instruments, assets – current	(61)	(56)
NET DEBT	**11,974**	**13,993**

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

We calculate the **cash flow from continuing operations to net debt ratio** by dividing our cash flow from continuing operations by our net debt as computed above. Cash flow from continuing operations (after interest and income tax paid) is the net cash provided by operating activities from operations, before changes in operating working capital items, excluding financial expenses and income taxes, as follows:

(million euros)	2011	2010 *
Net operating cash generated by continuing operations **	1,597	2,098
Changes in operating working capital items, excluding financial expenses and income taxes	(20)	(361)
CASH FLOW FROM CONTINUING OPERATIONS	**1,577**	**1,737**

* Figures have been adjusted as mentioned in Note 3 (Significant events) following the disposal operations of Gypsum activities.
** Including payment during 2010 of the 338 million euros Gypsum competition fine.

Free cash flow

Free cash flow is defined as net operating cash generated by operations less sustaining capital expenditures.

EBITDA

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

Return on capital employed before tax

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

See Note 4 (Business segment and geographic area information) to our consolidated financial statements for more information on current operating income, share of "net income (loss) of associates" and "capital employed" by Division.

For 2011 and 2010, return on capital employed before tax for each Division and the Group was calculated as follows:

2011

(million euros)	CURRENT OPERATING INCOME (A)	SHARE OF NET INCOME (LOSS) OF ASSOCIATES (B)	CURRENT OPERATING INCOME WITH INCOME FROM ASSOCIATES (C) = (A)+(B)	CAPITAL EMPLOYED AT DECEMBER 31, 2011** (D)	CAPITAL EMPLOYED AT DECEMBER 31, 2010 * (E)	AVERAGE CAPITAL EMPLOYED (F) = ((D)+(E))/2	RETURN ON CAPITAL EMPLOYED BEFORE TAX (%) (G) = (C)/(F)
Cement	1,968	(10)	1,958	25,836	26,780	26,308	7.4
Aggregates & Concrete	237	3	240	5,024	5,200	5,112	4.7
Other	(26)	(1)	(27)	574	372	473	N/A
TOTAL FOR OPERATIONS	**2,179**	**(8)**	**2,171**	**31,434**	**32,352**	**31,893**	**6.8**

* *Figures 2010 have been adjusted for 1,410 million euros following the disposal operations of Gypsum activities mentioned in Note 3 (Significant events) to our consolidated financial statements.*

** *Of which 1,492 million euros related to Lafarge UK capital employed presented as assets held for sale in our consolidated financial statements.*

2010

(million euros)	CURRENT OPERATING INCOME (A)	SHARE OF NET INCOME (LOSS) OF ASSOCIATES (B)	CURRENT OPERATING INCOME WITH INCOME FROM ASSOCIATES* (C) = (A)+(B)	CAPITAL EMPLOYED AT DECEMBER 31, 2010 (D)	CAPITAL EMPLOYED AT DECEMBER 31, 2009 (E)	AVERAGE CAPITAL EMPLOYED (F) = ((D)+(E))/2	RETURN ON CAPITAL EMPLOYED BEFORE TAX (%) (G) = (C)/(F)
Cement	2,230	(26)	2,204	26,780	24,924	25,852	8.5
Aggregates & Concrete	216	5	221	5,200	5,102	5,151	4.3
Other (out of which Gypsum)	(5)	5	-	1,782	1,810	1,796	N/A
TOTAL FOR OPERATIONS	**2,441**	**(16)**	**2,425**	**33,762**	**31,836**	**32,799**	**7.4**

* *Out of which 2,370 million euros related to continuing operations.*

4.3 Results of operations for the fiscal years ended December 31, 2011 and 2010

All data presented regarding sales, current operating income and sales volumes, include the proportional contributions of our proportionately consolidated subsidiaries.

Demand for our Cement and Aggregates & Concrete products is seasonal and tends to be lower in the winter months in temperate countries and in the rainy season in tropical countries. We usually experience a reduction in sales on a consolidated basis in the first quarter during the winter season in our principal markets in Western Europe and North America, and an increase in sales in the second and third quarters, reflecting the summer construction season.

In order to reflect its divestment intentions and announcements, the activities in Europe, North America, Asia and Latin America of the Gypsum Division are presented as discontinued operations in the Group's consolidated financial statements. In compliance with IFRSs, the presentation of the Gypsum discontinued activities in the Group's consolidated statements of income and statements of cash flows, has been reclassified to specific lines for all the years presented. In the Group's consolidated statements of financial position, Gypsum assets and liabilities are shown on separate lines for December 2011, only, with no restatement for prior periods.

Additionally, we have reclassified our Austrian activities from Western Europe to Central and Eastern Europe. This reflects the contribution of our Austrian operations into a new company with Strabag which strengthens our industrial network in Central Europe.

4.3.1 Consolidated sales and current operating income

Sales

Compared to 2010, consolidated sales increased 3.0% to 15,284 million euros from 14,834 million euros for the full year.

Net changes in the scope of consolidation had a positive impact on our sales of 1.5% year-to-date, with the combined effect of the consolidation of our new cement Brazilian assets from July 2010 and the incremental contribution of our new cement plant in Syria, partly offset by the divestment of our South East assets in the United States from October 2011. Currency fluctuations were unfavorable (-3.0% year-to-date), driven by the depreciation against the euro of the

Egyptian pound and most currencies in Middle East and Africa, along with the depreciation of the US dollar and Indian rupee.

At constant scope and exchange rates, consolidated sales increased 4.5% year-to-date, helped by volume increases throughout all our emerging markets while volumes in mature markets showed mixed trends. Western Europe benefited from higher volumes in France and the United Kingdom, helped by favorable fourth quarter weather, but was negatively impacted by the tougher economic environment in Greece and Spain. In North America, subdued growth was experienced in the United States while Canada showed more positive trends.

Contribution to our sales by Division (before elimination of inter-Division sales) for the years ended December 31, 2011 and 2010, and the related percentage changes between the two periods were as follows:

SALES

	2011	VARIATION 2011/2010	2010
	(million euros)	*(%)*	*(million euros)*
Cement	10,622	3.3	10,280
Aggregates & Concrete	5,238	2.8	5,093
Other	82	N/A	90
Elimination of inter-division sales	(658)	N/A	(629)
TOTAL	**15,284**	**3.0**	**14,834**

Contribution to our consolidated sales by Division (after elimination of inter-Division sales) for the years ended December 31, 2011 and 2010, and the related percentage changes between the two periods were as follows:

SALES

	2011		VARIATION 2011/2010	2010	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Cement	9,975	65.3	3.3	9,656	65.1
Aggregates & Concrete	5,227	34.2	2.7	5,088	34.3
Other	82	0.5	N/A	90	0.6
TOTAL	**15,284**	**100.0**	**3.0**	**14,834**	**100.0**

At constant scope and exchange rates, the changes in sales by Division between the years ended December 31, 2011 and 2010 were as follows:

	2011			2010					% VARIATION	
	ACTUAL	SCOPE IN EFFECT *	ON A COMPARABLE BASIS	ACTUAL	SCOPE EFFECT OF DISPOSALS	AT CONSTANT SCOPE	CURRENCY FLUCTUATION EFFECTS	ON A COMPARABLE BASIS	% OF GROSS CHANGE ACTUAL	% CHANGE AT CONSTANT SCOPE AND EXCHANGE RATES
(million euros)	(A)	(B)	(C) = (A)-(B)	(D)	(E)	(F) = (D)+(E)	(G)	(H) = (F)+(G)	(I) = (A-D)/(D)	(J) = (C-H)/(H)
Cement	10,622	292	10,330	10,280	(43)	10,237	(326)	9,911	3.3	4.2
Aggregates & Concrete	5,238	117	5,121	5,093	(149)	4,944	(87)	4,857	2.8	5.4
Other	82	-	82	90	-	90	(5)	85	nm**	nm**
Elimination of inter-Division sales	(658)	-	(658)	(629)	6	(623)	6	(617)	nm**	nm**
TOTAL	**15,284**	**409**	**14,875**	**14,834**	**(186)**	**14,648**	**(412)**	**14,236**	**3.0**	**4.5**

* *Including acquired and new production capacities*
** *not meaningful*

Current operating income

Current operating income decreased 9% in 2011 versus 2010, at 2,179 million euros from 2,393 million euros in 2010.

Net changes in the scope of consolidation has a positive net effect of 83 million euros on the current operating income on a full year basis, benefiting from the effect of the new cement capacities and with the stopping of depreciation of the UK assets as of March 1, 2011 due to their scheduled contribution to the joint-venture with Tarmac UK (50 million euros[1], *see Note 3 (Significant events to our consolidated financial statements)*), but they were more than offset by the effect of adverse currency fluctuations of 86 million euros.

(1) Impact of 32 million euros for cement and 18 millions euros for A&C.

At constant scope and exchange rates, current operating income decreased by 9% for the full year, mostly due to high cost inflation that was only partially offset by higher volumes and strong cost reductions across the Divisions. An improvement was experienced in the fourth quarter, with current operating income up by 1%, reflecting the combined effect of improved prices, higher volumes helped by a mild winter, and a strong focus on cost containment.

Our Cement division benefited from higher volumes, with brisk construction activity in most emerging markets while mature markets experienced contrasted trends. In general, rising costs lowered overall earnings. Cement prices moved up 1% compared to the fourth quarter 2010, and were marginally higher than 2010 average levels.

Our Aggregates and Concrete division benefited from growth in France, in the United Kingdom, in Central and Eastern Europe and in Canada. Solid prices overall and strong cost cutting helped to partially offset cost inflation.

As a percentage of sales, current operating income margin was 14.3% in 2011, compared to 16.1% in 2010, primarily reflecting the impact of higher cost inflation.

Group return on capital employed was 6.8% compared to 7.4% in 2010, reflecting lower earnings.

See Section 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on capital employed.

Contribution to our current operating income by Division for the years ended December 31, 2011 and 2010, and the related percentage changes between the periods were as follows:

CURRENT OPERATING INCOME

	2011		VARIATION 2011/2010	2010	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Cement	1,968	90.3	(11.7)	2,230	93.2
Aggregates & Concrete	237	10.9	9.7	216	9.0
Other	(26)	(1.2)	nm	(53)	(2.2)
TOTAL	**2,179**	**100.0**	**(8.9)**	**2,393**	**100.0**

At constant scope and exchange rates, the changes in consolidated current operating income by Division between the years ended December 31, 2011 and 2010 were as follows:

	2011			2010					% VARIATION	
	ACTUAL	SCOPE IN EFFECT*	ON A COMPARABLE BASIS	ACTUAL	SCOPE EFFECT OF DISPOSALS	AT CONSTANT SCOPE	CURRENCY FLUCTUATION EFFECTS	ON A COMPARABLE BASIS	% OF GROSS CHANGE ACTUAL	% CHANGE AT CONSTANT SCOPE AND EXCHANGE RATES
(million euros)	(A)	(B)	(C) = (A)-(B)	(D)	(E)	(F) = (D)+(E)	(G)	(H) = (F)+(G)	(I) = (A-D)/(D)	(J) = (C-H)/(H)
Cement	1,968	55	1,913	2,230	10	2,240	(83)	2,157	(11.7)	(11.3)
Aggregates & Concrete	237	17	220	216	2	218	(2)	216	9.7	1.9
Other	(26)	(1)	(25)	(53)	-	(53)	(1)	(54)	nm	nm
TOTAL	**2,179**	**71**	**2,108**	**2,393**	**12**	**2,405**	**(86)**	**2,319**	**(8.9)**	**(9.1)**

* *Including acquired and new production capacities*

Sales and current operating income by division

METHOD OF PRESENTATION

Sales before elimination of inter-Division sales

Figures for individual Divisions are stated below prior to elimination of inter-Division sales. For sales by each Division after elimination of inter-Division sales, see the table under "Sales and Current Operating Income" above.

Geographic market information: by "domestic" origin of sale and by destination

Unless stated otherwise, we analyze our sales for each region or country by origin of sale.

"Domestic sales" and "domestic volumes" concern only sales and volumes both originating and completed within the relevant geographic market, and thus exclude export sales and volumes. When not described as "domestic", this information includes domestic sales or volumes plus exports to other geographic markets. Unless stated otherwise, all "domestic" information is provided at constant scope and exchange rates.

Certain volume information is also presented "by destination market". Such information represents domestic volumes for the relevant market plus imports into this market. Exports to other markets are then excluded.

4.3.2 Cement

SALES AND CURRENT OPERATING INCOME

	2011	2010	VARIATION 2011/2010	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	*(million euros)*	*(%)*	*(%)*
SALES	**10,622**	**10,280**	**3.3**	**4.2**
CURRENT OPERATING INCOME	**1,968**	**2,230**	**(11.7)**	**(11.3)**

Sales

Contribution to our sales by geographic origin of sale for the years ended December 31, 2011 and 2010, and the related percentage change between the two periods were as follows:

SALES

	2011		VARIATION 2011/2010	2010	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Western Europe	1,747	16.5	(2.1)	1,785	17.4
North America	1,287	12.1	(3.5)	1,333	13.0
Middle East & Africa	3,589	33.8	1.7	3,530	34.3
Central & Eastern Europe	1,012	9.5	17.1	864	8.4
Latin America	881	8.3	22.0	722	7.0
Asia	2,106	19.8	2.9	2,046	19.9
SUB-TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	**10,622**	**100.0**	**3.3**	**10,280**	**100.0**

Sales of the Cement Division were up 3.3% to 10,622 million euros in 2011, driven by solid market trends in most emerging markets, while mature markets experienced contrasted trends, with volume growth in Canada, the United Kingdom and France, stable volumes in the United States, and Greece and Spain still impacted by the difficult economic environment.

Currency fluctuations had a negative impact of 326 million euros (or -3.3%) on sales, particularly significant for the Middle East and Africa region. Changes in the scope of consolidation had a net positive impact of 249 million euros (or 2.4%), mostly reflecting the contribution of our new plant in Syria and the full year consolidation of our new Brazilian assets versus only 5 months in 2010, partly offset by the divestment of our South East assets in the United States from October 2011.

The total of volumes sold in 2011 was up 7% (+5% at constant scope) for the full year at 145.3 million tons, with all emerging market regions showing an increase versus 2010.

At constant scope and exchange rates, our sales increased 4.2%.

Current operating income

Contribution to our current operating income by region for the years ended December 31, 2011 and 2010, and the related percentage change between the periods were as follows:

CURRENT OPERATING INCOME

	2011		VARIATION 2011/2010	2010	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Western Europe	393	20.0	(1.8)	400	17.9
North America	74	3.8	(6.3)	79	3.5
Middle East & Africa	812	41.3	(18.8)	1,000	44.8
Central & Eastern Europe	235	11.9	6.8	220	9.9
Latin America	203	10.3	5.2	193	8.7
Asia	251	12.7	(25.7)	338	15.2
SUB-TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	**1,968**	**100.0**	**(11.7)**	**2,230**	**100.0**

Current operating income decreased by 12% to 1,968 million euros in 2011, compared to 2,230 million euros in 2010.

Currency fluctuations had a negative impact of -4% or -83 million euros on our current operating income, partially offset by the positive effect of net changes in the scope of consolidation of 65 million euros (or 3%).

At constant scope and exchange rates, and excluding the impact of the Egyptian clay tax provision reversal in 2010 (67 million euros), current operating income decreased 9% for the year. As a percentage of the Division's sales, current operating income margin declined to 18.5% in 2011, from 21.0% in 2010, under the pressure of cost inflation, despite higher volumes and significant cost-cutting measures.

Return on capital employed was 7.4% in 2011 compared to 8.5% in 2010, reflecting lower earnings.

See Section 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on return on capital employed.

Western Europe

SALES

In Western Europe, sales decreased by 2% to 1,747 million euros compared to 2010.

At constant scope and exchange rates, domestic sales decreased by 2%, with highly contrasted trends within the region. Volumes sold in Western Europe were 18.4 million tonnes in 2011 versus 18.8 million tonnes in 2010, a decrease of 2%.

- In France, domestic sales were up 4%, driven by volume growth, while average prices were slightly down mostly due to the mix of project work. The country benefited from improved market conditions mainly due to the residential segment and mild weather versus 2010.
- In the United Kingdom, domestic sales increased a strong 10%, helped by Olympic construction and more favorable weather in fourth quarter versus last year. Prices were solid overall.
- In Spain, domestic sales experienced a drop of 15% due to lower volumes in the context of a significant decline in the Spanish construction sector with reductions in civil works and a weak residential sector. Prices were stable overall, in a context of high cost inflation.
- In Greece, the overall economic situation and austerity measures continued to impact the construction market. As a consequence, domestic volumes were down 31% with lower prices.

CURRENT OPERATING INCOME

Current operating income in Western Europe slightly decreased in 2011, at 393 million euros. Results for 2011, include the 32 million euros effect of the stopping of depreciation of the UK assets as of March 1, 2011 due to their scheduled contribution to the joint-venture with Tarmac UK.

See Note 3 (Significant events) to our consolidated financial statements.

At constant scope and exchange rates, current operating income decreased by 11%. For the year 2011, reduced CO_2 emissions combined with lower sales volumes allowed the Group to sell 136 million euros of carbon credit, compared with 113 million euros in 2010.

- In France, higher volumes helped mitigate a higher cost of petcoke and slightly lower prices.
- The United Kingdom benefited from stronger construction volumes and contained costs.
- Despite cost reduction measures, Spain's earnings were affected by the impact of the challenging residential construction market conditions, austerity measures, and increased input costs.
- In Greece, kiln shutdowns and other cost containment actions were successfully implemented to reduce fixed costs in response to the difficult market conditions, and partially mitigated the strong impact of lower sales.

North America

SALES

Sales decreased 3% to 1,287 million euros compared to 1,333 million euros in 2010, with a negative effect of currency fluctuations and the impact of the divestment of our assets in the South East of the United States.

At constant scope and exchange rates, domestic sales increased by 1% for the full year. Volumes sold in North America were rather stable versus 2010, at 13.5 million tonnes. Domestic volumes in Canada increased 5% helped by project work and continuing demand in the oil sector, while domestic volumes in the United States were stable. Average prices were below 2010 levels mostly due to declines that occurred in the second half of 2010 in the United States, while prices in Canada were solid overall.

CURRENT OPERATING INCOME

Current operating income in North America moved slightly down to 74 million euros in 2011, helped by a strong increase in fourth quarter results reflecting an acceleration in cost containment measures. At constant exchange rates, current operating income for the year was slightly lower as the higher volumes and continued cost cutting measures only partially offset the combined effect of lower prices and higher fuel and transportation costs.

Emerging Markets

SALES

Sales in emerging markets increased 6% to 7,588 million euros in 2011 from 7,162 million euros in 2010, representing more than two-third of our cement sales. The currency translation effects lowered our sales by 280 million euros, more than offsetting the positive net effect of changes in scope of 259 million euros. At constant scope and exchange rates, sales in emerging markets grew 7% for the full year.

In the Middle East and Africa region, our sales increased 2%, to 3,589 million euros, against 3,530 million euros in 2010. Solid markets overall and the increasing contribution of our new plants in Syria and Nigeria were partly offset by lower sales in Egypt and Jordan and a particularly negative impact of currency fluctuations.

At constant scope and exchange rates, domestic sales increased 4% for the full year. Volumes sold in Middle East and Africa increased to 44.0 million tonnes, against 40.2 million tonnes in 2010.

- In Algeria, solid market trends, improved industrial performance and satisfactory evolution of prices due to new product launch led domestic sales to increase a strong 24%.
- In Egypt, our domestic sales decreased 23% due to a decrease in volumes attributable less to the slight decrease of the market than to the arrival of new capacities on the market, and to the decrease of average prices of slightly more than 20% vs 2011 highest prices. Prices have been very volatile during the second half of 2011.
- In Morocco, domestic sales were up 3% helped by public spending, particularly for social housing, in a stable price environment.
- In Iraq, domestic sales were stable for the year; the strong increase in volumes in the first semester was indeed offset by lower volumes in the second half of the year, due to high temperatures in the third quarter, higher imports and slightly lower prices.
- In Jordan, domestic sales dropped by 25%, still affected by new capacities that entered the market.
- In Nigeria, our domestic sales increased by 33% on the back of strong market trends and with the start-up of our new production line in September 2011. Production levels were also improved due to the implementation of a captive power plant securing our sourcing of electricity at Ewekoro, helping us to further capture the market growth opportunities.
- In Kenya, our domestic sales were up 7% driven by a strong domestic demand, even after the rise in interest rates decided by the Central Bank in September 2011 to contain inflation.
- In South Africa, domestic sales increased 5%, with good market trends and prices well oriented.
- Also during the year we benefited from two new plants started in Uganda and Syria, in the second quarter and the fourth quarter 2010, respectively.

Our sales **in Central and Eastern Europe** were up 17% in 2011 to 1,012 million euros from 864 million euros in 2010.

At constant scope and exchange rates, domestic sales increased 17% for the full year, helped by market recovery in Russia and Poland and overall mild weather in winter. Volumes sold in Central and Eastern Europe were up 10% to 14.2 million tons.

- Poland benefited from the European Union Funding for infrastructure projects and the structural deficit in housing. As a result, domestic sales increased 27%, with significant volume increases all along the year and positive prices.
- In Russia, our domestic sales increased a strong 46% versus last year, helped by recovering economic environment and well-oriented prices progressively recovering from low levels.
- Romania experienced a 4% domestic sales increase, with positive volumes driven by non-residential and infrastructure works and lower prices partially due to a negative mix effect.
- In Serbia, domestic sales were slightly down, with positive volume trends on the back of increased public infrastructure spending offset by lower average prices.

In Latin America, our sales jumped by 22% to 881 million euros, from 722 million euros in 2010, benefiting from well-oriented markets and acquisition of Votorantim assets in Brazil.

At constant scope and exchange rates, full year domestic sales increased by 10%. Volumes sold in Latin America increased to 10.5 million tons from 8.4 million tons in 2010.

- In Brazil, domestic sales rose 7%, bolstered by good market trends and well-oriented prices. Additionally, the region continued to benefit from the contribution of our new Brazilian assets located in the north-east region and consolidated from the end of July 2010. Production issues at one plant lowered the potential incremental contribution for the year, but improved going into the fourth quarter.
- In Ecuador, domestic sales increased 14% with good market conditions and solid prices.
- Honduras sales strongly increased after a challenging 2010 year in terms of the economic and political environment.

Our sales **in Asia** grew by 3% to 2,106 million euros, despite the depreciation of most of the Asian currencies against the euro.

At constant scope and exchange rates, domestic sales increased 7% versus last year. Volumes sold in Asia were up 8% versus last year at 44.7 million tonnes.

- In China, our domestic sales were up 21% on the back of continuous strong demand and the full effect of the start-up of the new plants that started at the end of 2010. Prices progressively improved throughout the year versus the year-end 2010 levels. The fourth quarter was somewhat marked by a slowdown in demand growth due to the government's monetary policy actions to reduce inflation.
- In India, domestic sales slightly contracted 2%, with a subdued market growth in our regions due to a slowdown in government spending that also weighed on price levels.

- In Malaysia, domestic sales increased 11%, driven by positive market trends across all sub-sectors and price increases advanced in the second quarter.
- In the Philippines, domestic sales decreased 10%, market trends and prices were affected by the Government's temporary suspension of key infrastructure projects in the first half of the year. Some improvements were experienced in the second half of the year with a double-digit volume growth and prices stabilizing.
- In South Korea, our domestic sales grew 4% mostly due to price gains.
- In Indonesia, the ramp-up of our Aceh plant started in 2010 allowed us to fully capture market growth opportunities.

CURRENT OPERATING INCOME

Current operating income in emerging markets decreased by 14% in 2011 to 1,501 million euros compared to 1,751 million euros in 2010, representing 76% of the Cement Division's current operating income. Currency fluctuations had a negative impact of 84 million euros on current operating income.

At constant scope and exchange rates, and when restating the one-time reversal of a regulatory fee provision in Egypt for 67 million euros in the fourth quarter 2010, current operating income decreased by 8% over the year, but improved 5% in the fourth quarter.

In Middle East and Africa, current operating income in 2011 decreased by 19% to 812 million euros compared to 1,000 million euros in 2010. The impact of the currency fluctuations was particularly negative as most currencies within the region depreciated against the euro and was only partly offset by the increasing contribution of our new plant in Syria.

At constant scope and exchange rates, and when restating the one-time reversal of a regulatory fee provision in Egypt for 67 million euros in the fourth quarter 2010, current operating income decreased by 8%, mostly due to cost inflation and a challenging situation in Egypt.

- In Egypt, earnings were strongly impacted by higher cost inflation and lower prices and volumes since January 2011 that lowered our sales; we estimate the impact of the disruptions of the first quarter 2011 due to political events to be roughly 30 million euros on our earnings.
- In Algeria, earnings strongly increased with higher sales, lower clinker purchases due to improved industrial performance, partly offset by higher raw material costs.
- In Morocco, higher volumes almost offset higher petcoke and other costs in a stable pricing environment.
- Nigeria earnings benefited from the incremental contribution of our new line started in September 2011, good market trends and the strong improvements achieved in energy costs.
- In Iraq, earnings slightly decreased under the combined effect of slightly lower prices and the start-up costs for our new operations in the south of the country.
- In Jordan, our results declined due to the impact of lower volumes and higher fuel costs. Significant cost reduction measures, including temporary kiln shutdowns were implemented to limit this impact.
- In Kenya, higher sales were more than offset by higher costs of coal, power and transport.
- In South Africa, higher sales fully compensated for higher variable production costs, notably an increase in the power tariff.

In Central and Eastern Europe, current operating income was up 7% to 235 million euros compared to 220 million euros in 2010.

At constant scope and exchange rates, current operating income increased 12% in 2011, under the combined effect of higher sales, cost inflation and slightly lower carbon credit sales. For the full year 2011, we sold 41 million euros of carbon credit, compared with 44 million euros in 2010.

- In Poland, the strong increase in volumes was the primary driver for earnings increase, while prices progressively improved in a cost inflationary context.
- In Russia, significant price gains recovering from historical low levels more than offset higher energy, wages and maintenance costs.
- In Romania, despite an improvement in volumes, earnings decreased with lower prices and higher petcoke costs.
- In Serbia, increased volumes helped to partially offset lower prices and increased input costs.

In Latin America, current operating income was up 5% to 203 million euros from 193 million euros in 2010.

At constant scope and exchange rates, current operating income decreased 2% year-to-date but was up 5% in the fourth quarter, as the effect of positive market trends in the region progressively helped to offset significantly higher variable costs.

- Brazil benefited from higher sales, but earnings were strongly impacted by large variable costs increases, particularly for petcoke and transport.
- In Ecuador, higher volumes drove the current operating income improvement.
- In Honduras, earnings strongly increased due to higher sales and contained costs.

In Asia, current operating income decreased by 26% to 251 million euros in 2011 from 338 million euros in 2010.

At constant scope and exchange rates, current operating income decreased by 24% for the year, mostly reflecting higher variable costs, but improved 15% in the last quarter, with a progressive improvement of price trends along the year.

- In China, the increase in sales was sufficient to absorb the impact of higher coal prices, with some coal shortages in certain locations due to temporary mining stoppages after some accidents have occurred.
- In India, our earnings were impacted by lower average prices for the year and higher energy and transportation costs.
- In Malaysia, well-oriented prices, higher volumes and actions to cut fixed costs more than offset the strong increase in input costs, mostly fuel.
- In the Philippines, a slowdown in government construction spending in the first part of the year, lower prices and higher energy costs put pressure on earnings.
- In South Korea, the improvements experienced in both volume and prices only partly mitigated the impact of increased fuel prices.
- In Indonesia, higher sales and improved operational performance only partially offset higher fixed costs, higher costs of cement imports during the ramp-up phase and higher depreciation charge due to the start-up of the plant at the end of 2010.

4.3.3 Aggregates & Concrete

SALES AND CURRENT OPERATING INCOME

	2011	2010	VARIATION 2011/2010	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	*(million euros)*	*(%)*	*(%)*
SALES	**5,238**	**5,093**	**2.8**	**5.4**
CURRENT OPERATING INCOME	**237**	**216**	**9.7**	**1.9**

Sales

Contribution to our sales by activity and geographic origin for the years ended December 31, 2011 and 2010, and the related percentage change between the two periods were as follows:

SALES

	2011		VARIATION 2011/2010	2010	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
AGGREGATES & RELATED PRODUCTS	**2,647**		**5.4**	**2,511**	
Of which pure aggregates:					
Western Europe	*829*	*38.3*	*3.0*	*805*	*39.5*
North America	*931*	*43.0*	*2.0*	*913*	*44.9*
Emerging Markets	*404*	*18.7*	*27.0*	*318*	*15.6*
TOTAL PURE AGGREGATES	**2,164**	**100.0**	**6.3**	**2,036**	**100.0**
READY MIX CONCRETE & RELATED PRODUCTS	**2,971**		**0.8**	**2,946**	
Of which ready-mix:					
Western Europe	*1,127*	*39.6*	*(2.3)*	*1,153*	*40.6*
North america	*783*	*27.6*	*(1.3)*	*793*	*28.0*
Emerging Markets	*933*	*32.8*	*4.6*	*892*	*31.4*
TOTAL READY MIX CONCRETE	**2,843**	**100.0**	**0.2**	**2,838**	**100.0**
Elimination of intra Aggregates & Concrete sales	(380)		(4.4)	(364)	
TOTAL AGGREGATES & CONCRETE BEFORE ELIMINATION OF INTER-DIVISIONS SALES	**5,238**		**2.8**	**5,093**	

Sales of the Aggregates & Concrete Division were up 3% to 5,238 million euros in 2011 compared to 5,093 million euros in 2010.

Net scope effects and net impact of currency fluctuations were -32 million euros and -87 million euros on sales, respectively. The effect of the divestment of some of our activities in France, Portugal or in the South East of the United States was partly offset by the development of our Aggregates and Ready-mix concrete activities in some targeted emerging markets.

At constant scope and exchange rates, sales increased 5% year-on-year, benefiting from improved volumes in France, the United Kingdom, Canada and Central and Eastern Europe, with contrasted trends in the other regions.

Sales of **pure aggregates** increased by 6% to 2,164 million euros in 2011 compared with 2,036 million euros in 2010. Currency fluctuations had a negative impact on sales of 33 million euros, partially offset by the net impact of scope changes of 19 million euros. At constant scope and exchange rates, sales increased by 7% year-to-date. Aggregates sales volumes in 2011 were stable at 192.7 million tonnes; at constant scope, sales volumes increased by 1%.

Sales of **ready-mix concrete** were 2,843 million euros in 2011, stable versus 2010. Currency fluctuations and changes in scope of consolidation had a negative impact on sales of 50 million euros and 26 million euros, respectively. At constant scope and exchange rates, sales increased by 3% year-to-date. Sales volumes of ready-mix concrete were stable at 33.8 million cubic meters.

Current operating income

Contribution to our current operating income by activity and by region for the years ended December 31, 2011 and 2010, and the related percentage change between the periods were as follows:

CURRENT OPERATING INCOME

	2011		VARIATION 2011/2010	2010	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Aggregates & related products	192	81.0	9.7	175	81.0
Ready-mix concrete & concrete products	45	19.0	9.8	41	19.0
TOTAL BY ACTIVITY	**237**	**100.0**	**9.7**	**216**	**100.0**
Western Europe	82	34.6	32.3	62	28.7
North America	122	51.5	27.1	96	44.4
Emerging Markets	33	13.9	(43.1)	58	26.9
TOTAL BY REGION	**237**	**100.0**	**9.7**	**216**	**100.0**

Current operating income of the Aggregates & Concrete Division increased by 10% to 237 million euros in 2011 from 216 million euros in 2010. Changes in scope had a positive impact of 19 million euros while the effect of currency fluctuations was negligible. At constant scope and exchange rates, current operating income was up 2% year-to-date.

As a percentage of the Division's sales, current operating income margin improved to 4.5% in 2011, compared to 4.2% in 2010, reflecting cost containment and further helped by the 18 million euros effect of the stopping of depreciation of the UK assets as of March 1, 2011 due to their scheduled contribution to the joint-venture with Tarmac UK *(see Note 3 (Significant events) to our consolidated financial statements)*.

Current operating income for aggregates & related products increased by 10% to 192 million euros in 2011 from 175 million euros in 2010. Excluding the 15 million euros impact of the stopping of depreciation of the UK assets, current operating income stabilized, as higher sales and significant cost cutting measures implemented in all regions helped limit the impact of production and shipping costs increases.

Current operating income for ready-mix concrete & concrete products was up 10% in the year, at 45 million euros in 2011, from 41 million euros in 2010. Excluding the 3 million euros impact of the stopping of depreciation of the UK assets, current operating stabilized, under the combined effect of higher delivery costs and other costs partially passed on to customers, the value-added products incremental contribution and cost containment measures.

Return on capital employed increased to 4.7% in 2011 from 4.3% in 2010, reflecting the improving current operating income.

See Section 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on return on capital employed.

Western Europe

SALES

Pure aggregates sales increased 4% like for like to 829 million euros compared with 805 million euros in 2010. France, and to a lesser extent the UK, benefited from higher volumes partly due to a particularly low base level of activity in the fourth quarter 2010 versus a favorable weather in fourth quarter 2011. Spain and Greece suffered from difficult economic conditions with reduced public spending and the impact of austerity measures. Overall, prices were solid. Asphalt and paving sales increased, helped by several infrastructure projects in the UK.

Ready-mix concrete sales increased 3% like for like to 1,127 million euros compared with 1,153 million euros in 2010. Ready-mix concrete volumes were 9% up in France driven by large projects and also favorable weather, and continued to grow in the UK. In other parts of Western Europe, and noticeably in Greece and Spain, depressed market conditions drove volume declines. Prices were well oriented overall.

CURRENT OPERATING INCOME

Current operating income in Western Europe was up 32% to 82 million euros in 2011 versus 62 million euros in 2010. Excluding the 18 million euros impact of the stopping of depreciation of the UK assets, current operating income stabilized for the year, as higher sales and significant cost cutting measures implemented in all regions helped limit the impact of production costs and delivery costs increases.

North America

SALES

At constant scope and exchange rates, pure aggregates sales and ready-mix concrete sales increased 5% and 3% respectively for the year, with positive market trends and projects works in West Canada and in some regions of the United States. Overall, the market demand remained subdued due to constraints with federal and States funding. Prices were solid for aggregates, and were slightly lower for ready-mix concrete, partly due to adverse product and geographical mix.

At constant scope and exchange rates, Asphalt and paving sales benefited from positive market trends in most of our regions and benefited from price gains.

CURRENT OPERATING INCOME

In North America, current operating income strongly increased to 122 million euros in 2011 from 96 million euros in 2010. At constant scope and exchange rates, the increase in current operating income was driven by strong cost cutting measures, higher aggregates prices and higher ready-mix volumes that fully compensated for cost inflation, mostly due to higher energy costs.

Emerging Markets

SALES

At constant scope and exchange rates, pure aggregates sales and ready-mix concrete sales in emerging markets increased 21% and 3% like for like, respectively.

The strong pure aggregates sales increase was driven by the marked positive trends in Poland all along the year, while South Africa was down 5%. The ready mix concrete sales benefited from higher volumes in Central and Eastern Europe, Brazil and India, while South Africa was mostly stable and Egypt down due to the slowdown of infrastructure projects.

CURRENT OPERATING INCOME

Current operating income decreased by 43% to 33 million euros in 2011, as higher volumes and price gains in some countries only partially mitigated strong cost inflation and lower earnings in Middle East and Africa.

4.3.4 Other (including holdings)

Sales

Sales from other operations, mainly comprised of sales from our Gypsum activities in Middle East and Africa, decreased to 82 million euros in 2011 compared to 90 million euros in 2010, mostly due to adverse foreign exchange fluctuations.

Current operating income (loss)

Current operating loss of our other operations, which notably includes central unallocated costs and the results of our Gypsum operations in Middle East and Africa was 26 million euros in 2011 compared to a loss of 53 million euros in 2010. Excluding a one time gain for a pension curtailment of 66 million euros in 2011, a net change in captive insurance results of -20 million euros, and the gain from a change in the pension indexation in the United Kingdom in 2010, current operating loss was 72 million euros for 2011 versus 73 million euros in 2010.

4.3.5 Consolidated operating income and consolidated net income

The table below shows our consolidated operating income and net income for the years ended December 31, 2011 and 2010:

	2011	VARIATION 2011/2010	2010
	(million euros)	*%*	*(million euros)*
CURRENT OPERATING INCOME	**2,179**	**(8.9)**	**2,393**
Net gains (losses) on disposals	45	0.0	45
Other operating income (expenses)	(541)	(78.0)	(304)
OPERATING INCOME	**1,683**	**(21.1)**	**2,134**
Finance (costs) income	(999)	(40.3)	(712)
Of which:			
Finance costs	*(1,142)*	*(8.2)*	*(1,055)*
Finance income	*143*	*(58.3)*	*343*
Share of net income (loss) of associates	(8)	65.2	(23)
INCOME BEFORE INCOME TAX	**676**	**(51.7)**	**1,399**
Income tax	(432)	(41.6)	(305)
NET INCOME FROM CONTINUING OPERATIONS	**244**	**(77.7)**	**1,094**
Net income from discontinued operations	492	nm	20
NET INCOME	**736**	**(33.9)**	**1,114**
Of which attributable to:			
Owners of the parent company	**593**	**(28.3)**	**827**
Non-controlling interests	143	(50.2)	287

Net gains (losses) on disposals were 45 million euros in 2011, stable versus 2010, and mainly include the gain of the divestment of our operations in the South East of the United States and our A&C business in Portugal.

Other operating expenses primarily reflect the impact of impairments, restructuring, and legal actions. They were 541 million euros in 2011 versus 304 million euros in 2010. This is mainly comprised of an impairment of goodwill in Greece and United Arab Emirates for a total of 285 million euros, given the strained economic environment in those two countries, accelerated depreciation of some assets in Western Europe, restructuring costs for 61 million euros in various locations, and costs of on-going disposals. In 2010, the Group recorded closure and impairment costs of a paper plant in Sweden, the impairment of assets located in Western Europe and South Korea, and restructuring costs primarily in Western Europe.

Operating income decreased by 21% to 1,683 million euros, from 2,134 million euros in 2010.

Finance costs, comprised of financial expenses on net debt, foreign exchange results and other financial income and expenses, were 999 million euros versus 712 million euros in 2010.

The financial expenses on net debt increased 10% from 766 million euros to 841 million euros, reflecting the higher average cost of debt. The decisions of Standard & Poor's and Moody's to downgrade our credit rating on March 17, 2011 and August 8, 2011 respectively, triggered step-up clauses on certain of our bonds, increasing the rate of interest to be paid. The impact of the application of these step-up clauses was 21 million euros of additional financial costs for 2011, and will be 65 million euros in 2012. The average interest rate on our gross debt was 5.7% in 2011, as compared to 5.3% in 2010.

Foreign exchange resulted in a loss of 79 million euros in 2011 compared with a loss of 24 million euros in 2010, mostly relating to loans and debts denominated in currencies for which no hedging market is available.

Other finance income and expenses included the gain of the disposal of Cimpor shares for 161 million euros in 2010. Excluding this one-off item, other financial costs slightly decreased from 83 million euros to 79 million euros, and mainly comprise bank commissions and the amortization of debt issuance costs.

The contribution from our associates represented in 2011 a net loss of 8 million euros, versus a loss of 23 million euros in 2010.

Income tax increased to 432 million euros in 2011 from 305 million euros in 2010. The effective tax rate for 2011 increased to 63% from 21% in 2010, mostly reflecting the non-deductibility of impairments of goodwill, the one-off impact on the Egyptian deferred tax position to reflect the newly applicable tax rate and some other one-off elements such as the impact of the divestment of our South East US assets, while 2010 benefited from the non taxable gain on the disposal of Cimpor shares.

Net income from continuing operations was 244 million euros versus 1,094 million euros in 2010, mostly due to a significant impact from impairments in 2011, a lower current operating income, higher net financial expenses, some one-time negative effects on income tax and a difficult comparison basis due to a one time gain of 161 million euros relating to the sale of the investment in Cimpor in 2010.

Net income from discontinued operations increased to 492 million euros from 20 million euros, with a net non-recurring gain of 466 million euros, mostly due the gain of the divestments of our Gypsum operations in Europe, South America, Asia and Australia.

Net income Group Share(1) decreased 28% to 593 million euros in 2011 from 827 million euros in 2010.

2011 and 2010 were impacted by significant one-off items. In 2011, they included a net non-recurring gain of 466 million euros on discontinued operations, and impairments on goodwill for 285 million euros whereas in 2010, they comprised the gain on the disposal of Cimpor shares for 161 million euros.

Non-controlling interests were 143 million euros in 2011, halved versus 2010, under the combined effect of lower volumes, notably in Egypt and Jordan, and the one-off impact of the increase in the Egyptian tax rate, with a reevaluation of the opening deferred tax position.

Basic earnings per share decreased 28% for 2011 to 2.07 euros, compared to 2.89 euros in 2010, reflecting the decrease in net income - attributable to the owners of the parent company, while the average number of shares was relatively stable at 286.5 million versus 286.1 million in 2010.

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

4.4 Liquidity and capital resources

4.4.1 Group funding policies

Our Executive Committee establishes our overall funding policies. The aim of these policies is to safeguard our ability to meet our obligations and to maintain a strong financial structure. These policies take into consideration our expectations concerning the required level of leverage, coverage ratios, the average maturity of debt, interest rate exposure and the level of committed credit lines. These targets are monitored on a regular basis. As a result of these policies, a significant portion of our debt has a long-term maturity. We constantly maintain unused medium term committed credit lines.

We are subject to foreign exchange risks as a result of our subsidiaries' transactions in currencies other than their operating currencies. Our general policy is for subsidiaries to borrow and invest excess cash in the same currency as their functional currency. However, we encourage the investment of excess cash balances in US dollars or euros in emerging markets. A portion of our subsidiaries' debt funding is borrowed at the parent company level in foreign currencies or in euros and then converted into foreign currencies through currency swaps.

4.4.2 Cash flows

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

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

4

COMPONENTS OF CASH FLOW

(million euros)	2011	2010 (1)
CASH FLOW FROM CONTINUING OPERATIONS	**1,577**	**1,737 (2)**
Changes in operating working capital items excluding financial expenses and income taxes	**20**	**361**
Net operating cash generated/(used) by continuing operations	1,597	2,098
Net operating cash generated/(used) by discontinued operations	22	74
Net operating cash generated/(used) by operations	**1,619**	**2,172**
Net cash provided by/(used in) investing activities from continuing operations	891	(1,186)
Net cash provided by/(used in) investing activities from discontinued operations	(48)	(58)
Net cash provided by/(used in) investing activities	**843**	**(1,244)**
Net cash provided by/(used in) financing activities from continuing operations	(2,455)	59
Net cash provided by/(used in) financing activities from discontinued operations	(74)	(21)
Net cash provided by/(used in) financing activities	**(2,529)**	**38**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(67)**	**966**

(1) 2010 figures have been restated as mentioned in Note 3 (Significant events) to our consolidated financial statements following the disposal of Gypsum activities.
(2) Including the 338 million euros one-time payment for the Gypsum competition fine.

a) Net cash provided by operating activities

Net cash provided by continuing operating activities was 1,597 million euros in 2011, versus 2,098 million euros in 2010.

Excluding the non-recurring payment of the Gypsum competition fine for 338 million euros in July 2010, net cash provided by the operations decreased 839 million euros, reflecting the decrease of cash flows from operations and the evolution of the change in working capital requirements.

The decrease of cash flows from operations primarily comes from the decrease in operating earnings and higher income taxes paid, notably in North America and because of the progressive withdrawal of temporary tax holidays in certain emerging countries.

Due to the particularly optimized level of the working capital level at the end of 2010, the working capital requirements were stable at the end of December 2011 versus December 2010 level, while it decreased by 361 million euros between December 2009 and December 2010. In 2011, we pursued our actions to optimize our strict working capital requirements* that further decreased 2 days to 31 days when expressed as a number of days sales at the end of December 2011.

See Section 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on cash flow from operations.

b) Net cash provided by investing activities

Net cash provided by investing activities from continuing operations was 891 million euros in 2011, while in 2010, 1,186 million euros were used by investing activities.

** Strict working capital requirements defined as trade receivables plus inventories less trade payables.*

Sustaining capital expenditures were contained at 389 million euros in 2011 compared to 337 million in 2010.

Capital expenditures for the building of new capacity decreased to 665 million euros from 914 million euros in 2010, and reflect mainly major cement projects such as the extension of our capacities in Eastern India, China and Nigeria.

Including the acquisitions of ownership interests with no gain of control, acquisitions had a net impact of 145 million euros on our net debt, versus 83 million euros in 2010.

Acquisitions of ownership interests with no gain of control were 49 million euros in 2011, excluding two third-party puts, already recorded as debt, that were exercised in the period (a 51 million euros third-party put exercised in the first quarter, and a 111 million euros third-party put exercised in the third quarter).

Net of debt disposed of, and including the proceeds of the disposals of ownership interests with no loss of control, the divestment operations performed in 2011 have reduced, net of selling costs the Group's net financial debt by 2,226 million euros (362 million euros in 2010). In addition to the proceeds of the sale of some minority interests, disposals mainly comprise the proceeds of the sale our Gypsum operations in Australia, Asia, Europe and South America, the proceeds of the divestment of our Cement and Concrete South East US assets, the proceeds of the sale of our Aggregates and concrete business in Portugal, the third instalment of the divestment of our Venezuelan operations and the sale of industrial assets. In 2010, in addition to the proceeds of the sale of the minority stake in Lafarge Malayan Cement Berhad, disposals mainly included the second instalment of the divestment of our Venezuelan operations and the sale of several industrial assets.

See Section 3.2.2 (Recent acquisitions, partnerships and divestitures) for more information.

c) Net cash used in financing activities

At December 31, 2011, the Group's net debt amounted to 11,974 million euros (13,993 million euros at December 31, 2010). This two billion euros net debt reduction was achieved through the execution of our divestment program, while net cash provided by operating activities was used to fund dividends and targeted investments.

In 2011, we continued to maintain a solid liquidity position. Indeed, in addition to our level of cash of 3,171 million euros, we increased the level of unused committed credit lines to 4.0 billion euros with an average maturity of 2.2 years at December 31, 2011.

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

Long and medium term debt

In general, we meet our medium and long-term financing needs through bond issues and the use of long-term instruments, such as our Euro Medium Term Notes (EMTN) program and bank loans. Under our EMTN program, we have a maximum available amount of 12,000 million euros of which 8,748 million euros is used at December 31, 2011.

LONG AND MEDIUM-TERM DEBT SECURITIES ISSUANCES IN 2011 AND 2010

Lafarge S.A. has not issued any bond or other related security in 2011, either under the EMTN program or otherwise. On March 15, 2012, we issued a 50 million euros private placement under our EMTN Program, bearing a fixed interest rate of 5.25% with a 5-year maturity.

Under the EMTN Program

- on November 29, 2010, a 1,000 million euros bond bearing a fixed interest rate of 5.375% with an 8-year maturity;
- on April 13, 2010, a 500 million euros bond bearing a fixed interest rate of 5.000% with an 8-year maturity.

Outside the EMTN Program

- on July 6, 2010, the Group placed a 550 million US dollars bond on the American market, bearing a fixed interest rate of 5.500% with a 5-year maturity.

PRINCIPAL DEBT REPAYMENTS IN 2011

- on July 15, 2011, Lafarge S.A. repaid a 600 million US dollars bond;
- on May 27, 2011, Lafarge S.A. repaid a 750 million euros bond.

Short term debt

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

We currently have a euro-denominated commercial paper program, with a maximum available amount of 3,000 million euros. At December 31, 2011, 57 million euros in commercial paper were outstanding under this program.

We also currently have securitization programs, for which detailed information is given in *Note 17 (Trade receivables)* to our consolidated financial statements.

Committed credit lines

In addition to credit lines set up for specific purposes (as for the acquisition of Orascom Cement), we maintain committed credit lines with various banks (mainly at parent company level) to ensure the availability of funding on an as-needed basis. At December 31, 2011, these committed credit lines amounted to 4,023 million euros (compared with 3,852 million euros at December 31, 2010). Of this amount, 4,010 million euros were available at December 31, 2011 (compared with 3,839 million euros at December 31, 2010). The average maturity of these credit facilities was approximately 2.2 years at the end of 2011 versus 2.7 years at the end of 2010.

Cash and cash equivalents

Our cash and cash equivalents amounted to 3,171 million euros at year-end 2011, with close to half of this amount denominated in euros and the remainder in a large number of other currencies.

Cash management

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

Owing to legal or regulatory constraints or national regulations, we do not operate a fully global centralized cash management program. However, the policies set by our senior management tend to maximize cash recycling within the Group. Where cash cannot be recycled internally, cash surpluses are invested in liquid, short-term instruments, with at least half of any cash surplus invested in instruments with a maturity of less than three months.

Share capital

See Section 8.1 (Share capital), Note 15 (Net equity) to our statutory accounts and Note 20 (Equity) to our consolidated financial statements for information on the share capital of Lafarge S.A.

4.4.3 Level of debt and financial ratios

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

Total debt

On December 31, 2011, our total debt amounted to 15,058 million euros (compared with 17,013 million euros in 2010) excluding put options on shares of subsidiaries and impact of derivative instruments. At the end of 2011, we reclassified 57 million euros of short-term debt (724 million euros at the end of 2010) as long-term debt on the basis of our ability to refinance this obligation using the available funding provided by medium and long-term committed credit lines.

Long-term debt totalled 12,216 million euros at year-end 2011 compared with 14,033 million euros at year-end 2010. Approximately 40% of the 2011 long-term debt is due to mature after 2016. Long-term debt mainly comprises fixed-rate debt (after taking into account interest rate swaps). Most of this debt is denominated in euros, US dollars and British pounds.

At December 31, 2011, our short-term debt (including the current portion of long-term debt) amounted to 2,842 million euros (compared with 2,980 million euros in 2010).

At December 31, 2011, the average spot interest rate on our total debt after swaps was 6.2%, compared to 5.5% at December 31, 2010. The average annual interest rate on debt after swaps was 5.7% in 2011 (compared with 5.3% in 2010). This average interest rates increase in 2011 is mainly due to the "step-up" impact following our credit rating downgrade *(see Section 4.4.4 - Rating)*.

See Section 2.1.2 (Financial and market risks) and Notes 25 (Debt) and 26 (Financial instruments) to our consolidated financial statements for more information.

Net debt and net debt ratios

Our net debt, which includes put options on shares of subsidiaries and derivative instruments, totalled 11,974 million euros at December 31, 2011 (compared with 13,993 million euros at December 31, 2010).

Our net-debt-to-equity ratio stood at 66% at December 31, 2011 (compared with 77% at December 31, 2010).

Our cash flow from operations to net debt ratio stood at 13% at December 31, 2011 (compared with 12% at December 31, 2010, including exceptional Gypsum competition fine of 338 million euros).

See Section 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on these ratios.

Loan agreements

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

See Section 2.1.2 (Financial and market risks).

At December 31, 2011, the financing contracts of Lafarge S.A. do not contain any financial covenants. A few of our subsidiaries' loan agreements include such provisions. These subsidiaries are located in the following countries: Bangladesh, China, Ecuador, India, Jordan, Nigeria, Pakistan, Qatar, Syria, United Arab Emirates, United Kingdom and Vietnam. Debt with such financial covenants represents approximately 6% of the total Group debt excluding put options on shares of subsidiaries at December 31, 2011. For most of them, these financial covenants have a low probability of being triggered. Given the split of these contracts on various subsidiaries and the quality of the Group's liquidity through its access to committed credit lines, the existence of such clauses cannot materially affect the Group's financial situation.

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

4.4.4 Rating

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

Since the previous filing, the credit ratings for our short and long-term debt evolved as follows:

		12/31/2010	03/17/2011 (1)	08/05/2011 (2)	12/31/2011	03/13/2012 (3)
S&P	Short-term rating	A-3	B		B	
	Long-term rating	BBB- (negative outlook)	BB+ (stable outlook)		BB+ (stable outlook)	BB+ (negative outlook)
Moody's	Short-term rating	Not rated			Not rated	
	Long-term rating	Baa3 (negative outlook)		Ba1 (stable outlook)	Ba1 (stable outlook)	

(1) On February 23, 2011, the rating agency Standards & Poor's Ratings Services placed our long-term credit rating BBB- and our short-term credit rating A-3 under negative watch. On March 17, 2011, Standard & Poor's Rating Services downgraded our long-term credit rating to BB+ (stable outlook) and our short-term credit rating to B.

(2) On August 2, 2011, the rating agency Moody's placed our long-term credit rating Baa3 under review for downgrade. On August 5, 2011, Moody's downgraded our long-term rating to Ba1 (stable outlook).

(3) On March 13, 2012, Standard & Poor's Ratings Services revised its oultook on our longterm rating from stable to negative.

See Section 2.1.2 (a) (Financial risks - indebtedness) for information on the financial impact of changes to our credit ratings.

5 CORPORATE GOVERNANCE AND COMPENSATIONS

Declaration in terms of corporate governance – Governance Code of reference

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

This Code, which is available online on www.code-afep-medef.com, consolidates the various corporate governance principles and recommendations of the Afep and the Medef in its December 2008 version. It was recently modified in April 2010 to incorporate recommendations for an increased participation of women on Boards of Directors.

The Lafarge Board of Directors considers that the recommendations of the Afep-Medef Code are in line with the corporate governance principles of the Company.

In accordance with the Afep-Medef Code, companies which refer to this Code must state in their Registration Document how these recommendations have been implemented and explain, if need be, the reasons why they have not been complied with fully. If relevant, such explanations regarding compliance by Lafarge will be mentioned in the present Chapter 5.

See Section 5.7 (Implementation of the principle "comply or explain" of the Afep-Medef Code).

5.1 Board of Directors - Corporate Officers

At present, the Board of Directors of Lafarge consists of 17 members with various complementary profiles and experience. Its composition has been modified during the 2011 financial year as a result of the following events:

- Mr Pierre de Lafarge and Mr Michel Pébereau did not ask for the renewal of their offices as Directors upon expiry of their offices at the end of the General Meeting of May 12, 2011;
- the General Meeting of May 12, 2011 approved the nomination of Mr Baudouin Prot as a Director and re-appointed Mr Philippe Dauman as a Director, both of which are classified as independent Directors;
- at its meeting of November 3, 2011, the Board of Directors decided to co-opt Mr Ian Gallienne as a Director of Lafarge, in remplacement of Mr Gérald Frère further to the latter's resignation, for the remaining term of his office (namely until the gathering of the General Meeting called to approve the 2011 financial statements).

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

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

According to the Company's Articles of Association, the Directors are appointed for a 4-year office term.

Mr Bruno Lafont is the only Board member exercising executive functions within the Group.

Directors must not be over 70 years old, and each Director must hold a minimum of 1,143 shares of the Company.

There is no Director representing either the employee shareholders or the employees.

See Section 8.5 (Articles of Association) (statuts) for more information on the rules governing the Board of Directors.

5.1.1 Form of organization of the management – Board of Directors – Chairman and Chief Executive Officer – Vice-Chairman of the Board

Chairman of the Board and Chief Executive Officer

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

This type of governance is very common in French issuing companies with a Board of Directors. It is deemed appropriate given the organization and operating mode of Lafarge, and complies with the prerogatives of each governing body (General Meetings, Board of Directors, Executive Officers), in particular regarding control of Group's activity.

The Board's internal regulations ensure compliance with corporate governance best practices in the framework of such governance structure, in particular through the election of a Vice-Chairman of the Board (Lead Independent Director).

See Section 5.2.5 (Powers of the Chairman and Chief Executive Officer) for further information regarding the powers of the Chairman and Chief Executive Officer and their limitations.

Vice-Chairman of the Board (Lead Independent Director)

This office is currently held by Mr Oscar Fanjul.

In accordance with its internal regulations, which were last amended on this particular topic at the February 16th, 2012 Board meeting, the Board elects a Vice-Chairman of the Board (Lead Independent Director) from amongst the Directors who are classified as independent for a one-year renewable term of office upon recommendation by the Corporate Governance and Nominations Committee.

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

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

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

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

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

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

Such requests may not be dismissed without good reason.

On an annual basis, the Vice-Chairman draws up and presents to the Board an activity report helping it to assess the performance of his role and duties, particularly with regard to monitoring all the corporate governance-related issues in conjunction with the Chairman and Chief Executive Officer, and the use made of his prerogatives. The principal findings of this report can be incorporated in the description of corporate governance published in the Registration Document.

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

5.1.2 Information on Directors

The table below outlines the respective management experience and expertise of the Directors.

Presentation of the Directors – Expertise and experience

BRUNO LAFONT (born on June 8, 1956) French citizen	BUSINESS ADDRESS: 61, rue des Belles Feuilles, 75116 Paris, France	NUMBER OF LAFARGE SHARES HELD: 24,006

EXPERIENCE AND EXPERTISE

Chairman of the Board of Directors and Chief Executive Officer

Bruno Lafont was appointed as Chairman of the Board of Directors in May 2007. He has held the office of Director since May 2005 and Chief Executive Officer since January 1, 2006. He graduated from the Hautes Études Commerciales business school (HEC 1977, Paris) and the École Nationale d'Administration (ENA 1982, Paris). He began his career at Lafarge in 1983 and held various positions in finance and international operations. In 1995, Mr Lafont was appointed Group Executive Vice-President, Finance, then Executive Vice-President of the Gypsum Division in 1998. Mr Lafont joined the Group's General Management as Chief Operating Officer between May 2003 and December 2005. He also acts as Director for EDF and ArcelorMittal (Luxembourg).

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2005. Expiry of his term of office after the General Meeting called to approve the 2012 financial statements. Chief Executive Officer since January 2006. Chairman and Chief Executive Officer since May 2007.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director, Chairman and Chief Excutive Officer of Lafarge (listed company) Director of EDF (listed company) **Abroad:** Director of ArcelorMittal (Luxemburg) (listed company) Positions in various subsidiaries of the Group: Director of Lafarge India Private Limited (India) Director of Lafarge Shui On Cement Limited (China)	**Abroad:** Positions in various subsidiaries of the Group

OSCAR FANJUL (born on May 20, 1949) Spanish citizen	**BUSINESS ADDRESS:** Paseo de la Castellana, 28-5, ES-28046 Madrid, Spain	**NUMBER OF LAFARGE SHARES HELD:** 6,193

EXPERIENCE AND EXPERTISE

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

Oscar Fanjul was appointed to the Lafarge Board of Directors in 2005 and has been Vice-Chairman of the Board since August 1, 2007. He began his career in 1972 working for the industrial holding I.N.I. (Spain), then acted as Chairman Founder and Chief Executive Officer and Founder of Repsol (Spain) until 1996. He acts as Chairman of Deoleo, S.A. (Spain) and Vice-Chairman of Omega Capital, SL (Spain). Oscar Fanjul also is a Director of Marsh & McLennan Companies (United States) and Acerinox (Spain).

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2005. Expiry of his term of office after the General Meeting called to approve the 2012 financial statements.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director and Vice-Chairman of the Board of Lafarge (listed company) **Abroad:** Vice-Chairman of Omega Capital (Spain) Director of Marsh & McLennan Companies (USA) (listed company) Director of Acerinox (Spain) (listed company) Chairman of Deoleo, S.A. (Spain) (listed company)	**In France** Director of Areva (listed company) until 2011 **Abroad:** Director of Unilever (United Kingdom) (listed company) Director of Colonial (Spain) (listed company) Director of the London Stock Exchange (United Kingdom) (listed company)

MICHEL BON (born on July 5, 1943) French citizen	**BUSINESS ADDRESS:** 86, rue Anatole-France, 92300 Levallois-Perret, France	**NUMBER OF LAFARGE SHARES HELD:** 6,800

EXPERIENCE AND EXPERTISE

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

Michel Bon was appointed to the Lafarge Board of Directors in 1993. He is Chairman of the Supervisory Board of Devoteam and Éditions du Cerf. He is also a Director of Sonepar and senior adviser to Roland Berger and Vermeer Capital. He previously served as Chairman and Chief Executive Officer of France Telecom from 1995 to 2002, and Chief Executive Officer then Chairman and Chief Executive Officer of Carrefour from 1985 to 1992.

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 1993. Expiry of his term of office after the General Meeting called to approve the 2012 financial statements.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director of Lafarge (listed company) Director of Sonepar Chairman of the Supervisory Board of Éditions du Cerf Chairman of the Supervisory Board of Devoteam (listed company) **Abroad:** Director of SONAE (Portugal)	**In France:** Director of Provimi until 2010 Director of Editis until 2009 Censor of Asterop until 2008 Director of Banque Transatlantique until 2007 **Abroad:** Director of Myriad (Switzerland) until 2011 Director of Cie Européenne de Téléphonie (Luxembourg) until 2011

5

PHILIPPE CHARRIER (born on August 2, 1954) French citizen	BUSINESS ADDRESS: 60-62, rue d'Hauteville, 75010 Paris, France	NUMBER OF LAFARGE SHARES HELD: 5,382

EXPERIENCE AND EXPERTISE

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

Philippe Charrier was appointed to the Lafarge Board of Directors in 2005. He acts as President of Labco, Chairman of the Board of Directors of Alphident and Dental Emco S.A. He is also a Founder member of the Club Entreprise et Handicap and a Director of Rallye. He is President of the association Cap' Cités established in 2010 and President of the Clubhouse established in 2011. He was Vice-President, Chief Executive Officer and Director of Œnobiol from 2006 to 2010 and Chairman and Chief Executive Officer of Procter & Gamble France from 1999 to 2006. He joined Procter & Gamble in 1978 and held various financial positions before serving as Chief Financial Officer from 1988 to 1994, Marketing Director in France from 1994 to 1996, and Chief Operating Officer of Procter & Gamble Morocco from 1996 to 1998.

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2005. Expiry of his term of office after the General Meeting called to approve the 2012 financial statements.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director of Lafarge (listed company) President of Labco Chairman of the Board of Directors of Alphident and Dental Emco S.A. (subsidiary of Alphident) Director of Rallye (listed company) Director and Vice-president of the UNAFAM	**In France:** Vice-President, Chief Executive Officer and Director of Œnobiol from 2006 to 2010 Chairman of the Supervisory Board of Spotless Group until 2010 Chairman of Entreprise et Progrès until 2009 Chairman and Chief Executive Officer of Procter & Gamble in France from 1999 to 2006

BERTRAND COLLOMB (born on August 14, 1942) French citizen	BUSINESS ADDRESS: 61, rue des Belles Feuilles, 75116 Paris, France	NUMBER OF LAFARGE SHARES HELD: 112,942

EXPERIENCE AND EXPERTISE

Director and Honorary Chairman

Bertrand Collomb was appointed to the Lafarge Board of Directors in 1987 and served as Chairman and Chief Executive Officer from 1989 to 2003 and Chairman of the Board of Directors from 2003 to 2007. He previously held various executive positions with the Group, namely in North America, from 1975 to 1989 and in the French Ministry of Industry and government cabinets from 1966 to 1975. He is a Director of Total, Atco Ltd. (Canada) and DuPont (US). He is also a Chairman of the Institut des hautes études for Science and Technology and member of the Executive Committee of the European Institute of Innovation and Technology. He is a member of the Institut de France and Deputy Chairman of the "Académie des sciences morales et politiques".

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 1987. Expiry of his term of office after the General Meeting called to approve the financial statements for 2011, in accordance with the Articles of Association of Lafarge governing the Directors' age limit. Honorary Chairman of Lafarge.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director of Lafarge (listed company) Director of Total (listed company) **Abroad:** Director of Atco Ltd. (Canada) (listed company) Director of DuPont (USA) (listed company)	**Abroad:** Positions in various subsidiaries of the Group until 2007

PHILIPPE DAUMAN (born on March 1, 1954) American citizen	**BUSINESS ADDRESS:** 1515 Broadway, New York, NY 10036, USA	**NUMBER OF LAFARGE SHARES HELD:** 1,143

EXPERIENCE AND EXPERTISE

Director, member of the Corporate Governance and Nominations Committee, member of the Strategy, Investment and Sustainable Committee, Philippe Dauman was appointed to the Lafarge Board of Directors in May 2007. He has been President and Chief Executive Officer of Viacom Inc. (US) since September 2006. He was previously Joint Chairman of the Board and Managing Director of DND Capital Partners LLC (US) from May 2000. Before creating DND Capital Partners, Philippe Dauman was Vice-Chairman of the Board of Viacom from 1996 to May 2000, Executive Vice-President from 1995 to May 2000, and Chief Counsel and Secretary of the Board from 1993 to 1998. Prior to that, he was a partner in New York law firm Shearman & Sterling. He served as Director of Lafarge North America from 1997 to 2006. He is currently a Director of Viacom Inc. and National Amusements Inc. (US), a member of the Dean's Council for the University of Columbia Law School, a member of the Business Roundtable (US), a member of the Executive Committee of the National Cable & Telecommunications Association (US), and Vice-president of the Partnership for New York (US). He is also a member of the Board of Kipp Foundation (US), a member of The Paley Center for Media's Council (US), and a member of the Executive Committee of Lenox Hill Hospital (US).

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

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

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	**OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:**
In France: Director of Lafarge (listed company) **Abroad:** Director, President and Chief Executive Officer of Viacom Inc. (USA) (listed company) Director of National Amusements Inc. (USA) (listed company)	

PAUL DESMARAIS, JR. (born on July 3, 1954) Canadian citizen	**BUSINESS ADDRESS:** 751, Square Victoria, Montreal, Quebec H2Y 2J3, Canada	**NUMBER OF LAFARGE SHARES HELD:** 6,715

EXPERIENCE AND EXPERTISE

Director, member of the Strategy, Investment and Sustainable Development Committee
Paul Desmarais, Jr. was appointed to the Lafarge Board of Directors in January 2008. He has been Chairman and Co-Chief Executive Officer of Power Corporation of Canada (PCC) since 1996 and Co-Chief Executive Office and Chairman of the Board of Power Financial Corporation (PFC). Prior to joining PCC in 1981, he was at SG Warburg & Co. in London and Standard Brands Incorporated in New York. He was President and Chief Operating Officer of PFC from 1986 to 1989 and Chairman from 1990 to 2005. He is a Director and member of the Executive Committee of many Power group companies in North America. He is also Executive Director and Vice-Chairman of the Board of Pargesa Holding S.A. (Switzerland), and a Director of Groupe Bruxelles Lambert (Belgium), Total S.A. and GDF-Suez (France). Paul Desmarais, Jr. is Chairman of the Board of Governors of the International Economic Forum of the Americas, Founder and Chairman of the International Advisory Committee of the école des Hautes Études Commerciales (HEC) in Montreal and Founder and member of the International Advisory Board of the McGill University Faculty of Management. He is a member of the International Council and a Director of the INSEAD, and one of the trustees and Vice-president of the Brookings Institution (Washington, US). Paul Desmarais, Jr. is a member of the Economic Consultative Council directed by minister Flaherty (Canada), member of the Board of the Trudeau Foundation, Vice-Chairman of the Board and member of the Executive Committee of the CCCE (Conseil canadien des chefs d'entreprise). He is also member of the Honorary Council of the Peres Center for peace, member of the "National Strategy Concil" of the Mazankowski Alberta Heart Institute, member of the BAC and Co-President of the national campaign for the preservation of nature in Canada (NCC). Paul Desmarais, Jr. studied at McGill University where he obtained a Bachelor's degree in Commerce. He then graduated from the European Institute of Business Administration (INSEAD) in Fontainebleau, France, with an MBA.

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2011 financial statements. The renewal of his term of office will be proposed at the Shareholders General Meeting to be held on May 15, 2012.

PAUL DESMARAIS, JR. (born on July 3, 1954) Canadian citizen	BUSINESS ADDRESS: 751, Square Victoria, Montreal, Quebec H2Y 2J3, Canada	NUMBER OF LAFARGE SHARES HELD: 6,715

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:

In France:

- Director of Lafarge (listed company)
- Director of Total S.A. (listed company)
- Director of GDF-Suez (listed company)

Abroad:

- Chairman of the Board and Co-Chief Executive Officer of Power Corporation of Canada (listed company)
- Co-Chief Executive Officer and Director of Power Financial Corporation (Canada) (listed company)
- Vice-Chairman of the Board of Directors and Deputy Managing Director of Pargesa Holding (Switzerland) (listed company)
- Director and member of the Executive Committee of Great-West, Compagnie d'assurance-vie (Canada)
- Director and member of the Executive Committee of Great-West Life & Annuity Insurance Company (USA)
- Director and member of the Executive Committee of Great-West Lifeco Inc. (Canada) (listed company)
- Director and member of the Executive Committee of Groupe Bruxelles Lambert S.A. (Belgium) (listed company)
- Director and member of the Executive Committee of Groupe Investors Inc. (Canada)
- Director and member of the Executive Committee of London Insurance Group Inc. (Canada)
- Director and member of the Executive Committee of London Life Compagnie d'assurance-vie (Canada)
- Director and member of the Executive Committee of Mackenzie Inc. (Canada) (listed company)
- Director and member of the Executive Committee of Canada Life Assurance Company (Canada)
- Director and member of the Executive Committee of Canada Life Financial Corporation (Canada)
- Director and member of the Executive Committee of Canada Life Capital Corporation (Canada)
- Director and member of the Executive Committee of Power Corporation International (Canada)
- Director and Vice-president of the Board of Square Victoria Communications Group Inc. (Canada)
- Director and member of the Executive Committee of Crown Life Insurance Company (Canada)
- Director and member of the Executive Committee of IGM Financial Inc. (Canada)
- Member of the Supervisory Board of Parjointco N.V. (Netherlands)
- Director of Gesca Ltée (Canada)
- Director of La Presse Ltée (Canada)
- Director of Power Communications Inc. (Canada)
- Member of the Board of Directors of Putnam Investments LLC (USA)
- Director of Power Financial B.V. (Netherlands)

OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:

In France:

- Vice-Chairman of the Board of Imérys (listed company)
- Member of the International Advisory Board of the Group La Poste

Abroad:

- Director of GWL Properties (Canada) until 2007
- Director of Les Journaux Trans-Canada (1996) Inc. (Canada)

JUAN GALLARDO (born on July 28, 1947) Mexican citizen	BUSINESS ADDRESS: Monte Caucaso 915 - 4 piso, Col. Lomas de Chapultepec C.P., MX 11000 Mexico, Mexico	NUMBER OF LAFARGE SHARES HELD: 1,500

EXPERIENCE AND EXPERTISE

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

Juan Gallardo was appointed to the Lafarge Board of Directors in 2003. He has been Chairman of Grupo Embotelladoras Unidas S.A. de C.V. (Mexico) since 1985. He is the Chairman of Grupo Azucarero Mexico S.A., a Director of IDEA S.A. and Caterpillar Inc. (USA). He is a member of the Mexican Business Roundtable. He was previously a member of the International Advisory Council of Lafarge, the Chairman of the Fondo Mexico, Vice-President of Home Mart Mexico and Director of Grupo Mexico S.A. de C.V. (Mexico).

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2003. Expiry of his term of office after the General Meeting called to approve the 2012 financial statements.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director of Lafarge (listed company) **Abroad:** Chairman of the Board of Directors of Grupo Embotelladoras Unidas, S.A. de C.V. (Mexico) (listed company) Chairman of Grupo Azucarero Mexico S.A. (Mexico) (listed company) Director of IDEA S.A. (Mexico) Director of Caterpillar Inc. (USA) (listed company)	**In France:** Member of the International Advisory Board of Textron Inc. (listed company) **Abroad:** Director of Mexicana de Aviacion (Mexico) until 2010 Director of Grupo Mexico S.A. de C.V. (Mexico) (listed company)

IAN GALLIENNE (born on January 23, 1971) French citizen	BUSINESS ADDRESS: Avenue Marnix 24, 1000 Bruxelles, Belgium	NUMBER OF LAFARGE SHARES HELD: 1,143

EXPERIENCE AND EXPERTISE

Director, member of the Remunerations Committee

Ian Gallienne was appointed as a Director by the Board of Directors of Lafarge on November 3, 2011. Ian Gallienne is Managing Director of Groupe Bruxelles Lambert (Belgium) since January 1, 2012. He has a degree in Management and Administration, with a specialization in Finance, from the E.S.D.E. in Paris and an MBA from INSEAD in Fontainebleau. He began his career in Spain, in 1992, as co-founder of a commercial company. From 1995 to 1997, he was a member of management of a consulting firm specialised in the reorganization of ailing companies in France. From 1998 to 2005, he was Manager of the private equity funds Rhône Capital LLC in New York and London. From 2005 to 2012, he founded and served as Managing Director of the private equity funds Ergon Capital Partners, Ergon Capital Partners II and Ergon Capital Partners III in Brussels. He has been a Director of Groupe Bruxelles Lambert (Belgium) since 2009 and of Imerys (France) since 2010.

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Cooptation as a Director of Lafarge in 2011. Expiry of his term of office after the General Meeting called to approve the 2011 financial statements. The ratification of his cooptation by the Board of Directors and the renewal of his term of office will be proposed at the Shareholders General Meeting to be held on May 15, 2012.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:

In France:

- Director of Lafarge (listed company)
- Director of Imerys (listed company)
- Director of PLU Holding S.A.S

Abroad:

- Managing Director of Ergon Capital Partners S.A. (Belgium), Ergon Capital Partners II S.A. (Belgium) and Ergon Capital Partners III S.A. (Belgium)
- Director of Ergon Capital S.A. (Belgium)
- Director of Steel Partners N.V. (Belgium)
- Director of Gruppo Banca Leonardo SpA (Italy)
- Managing Director of Egerton S.à r.l (Luxemburg) and Ergon Capital II s.à r.l (Luxemburg)
- Managing Director of Groupe Bruxelles Lambert S.A (Belgium) (listed company)

OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:

In France:

- Director of Central Parc Villepinte S.A (until July 31, 2011)
- Director of EliTech Group S.A.S (until December 31, 2011)
- Director of the “Fonds de dotations du Palais”

Abroad:

- Director of Arno Glass S.A (Luxemburg) until June 1, 2009
- Director of La Gardenia Beauty SpA (Italy) until December 31, 2011
- Director of Seves Spa (Italy) until December 31, 2011
- Director of Groupe De Boeck S.A (Belgium) until December 31, 2011

JÉRÔME GUIRAUD (born on January 7, 1961) French citizen	**BUSINESS ADDRESS:** 4 Cork street, London W1S 3LB, United Kingdom	**NUMBER OF LAFARGE SHARES HELD:** 3,948

EXPERIENCE AND EXPERTISE

Director, member of the Audit Committee

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

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2011 financial statements. The renewal of his term of office will be proposed at the Shareholders General Meeting to be held on May 15, 2012.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director of Lafarge (listed company) **Abroad:** Director Chief Executive Officer of NNS Capital (United Kingdom) Director of Orascom Construction Industries S.A.E (Egypt) (listed company)	**Abroad:** Chairman of the Executive Board of Société Générale Marocaine de Banque (Morocco) and Director of Morocco subsidiaries of the Groupe Société Générale from 2004 to 2008 (Morocco) Director of Maphars (Morocco subsidiary of Sanofi-Aventis) from 2006 to 2008 Director of JET4YOU (Morocco subsidiary of TUI) from 2006 to 2008

COLETTE LEWINER (born on September 19, 1945) French citizen	BUSINESS ADDRESS: Tour Europlaza-La Défense 4, 20 avenue André Prothin, 92927 Paris-La Défense, France	NUMBER OF LAFARGE SHARES HELD: 1,653

EXPERIENCE AND EXPERTISE

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

Colette Lewiner was appointed to the Lafarge Board of Directors in 2010. She is currently Vice-President at Capgemini, and Global Leader of the "Energy, Utilities & Chemicals" sector that she created in 1998 when she joined the Group. She is also non executive Chairman of TDF. She is also Director of Bouygues, Colas (Groupe Bouygues), Eurotunnel, Nexans and TGS Nopec (Norway). From 1992 to 1998, she was Chairman and CEO of SGN-Réseau Eurisys, a subsidiary of Cogema (Areva group). From 1979 to 1992, Colette Lewiner held various positions within the EDF Group, at the Research & Development department, and then at the fuel procurement department that she managed in 1987. In 1989, she created the Development and Commercial Strategy Division and became the first woman Executive Vice-President at EDF. Colette Lewiner is also a member of the French Academy of Technologies and of the European Union Advisory Group on Energy. After entering the École normale supérieure and graduating as a Doctor in Physics (PhD), she started her career as an Associate Professor and Researcher at the Denis Diderot University in Paris.

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2010. Expiry of her term of office after the General Meeting called to approve the 2013 financial statements.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director of Lafarge (listed company) Director of Nexans (listed company) Director of Bouygues (listed company) Director of Colas (Groupe Bouygues) Director of Eurotunnel Chairman of TDF (SAS) **Abroad:** Director of TGS-Nopec (Norway) (listed company)	**In France:** Director of La Poste until May 2011 **Abroad:** Director of Ocean Rig (Norway) until 2010

HÉLÈNE PLOIX (born on September 25, 1944) French citizen	**BUSINESS ADDRESS:** 162, rue du Faubourg-Saint-Honoré, 75008 Paris, France	**NUMBER OF LAFARGE SHARES HELD:** 1,971

EXPERIENCE AND EXPERTISE

Director, member of the Audit Committee

Hélène Ploix was appointed to the Lafarge's Board of Directors in 1999. Hélène Ploix is Chairman of Pechel Industries SAS and Pechel Industries Partenaires SAS. She is also Chairman of FSH SAS. She was previously Deputy Chief Executive Officer of Caisse des Dépôts et Consignations (France) and Chairman and Chief Executive Officer of CDC Participations from 1989 to 1995, Chairman of the Caisse Autonome de Refinancement and Chairman of the Supervisory Board of CDC Gestion. She previously served as Special Counsel for the single currency at KPMG Peat Marwick from 1995 to 1996 and as Director of Alliance Boots plc (UK) from 2000 to July 2007. She is a member of the Supervisory Board of Publicis Groupe, a non-executive Director of BNP Paribas, Ferring S.A. (Switzerland), Sofina (Belgium) and, as Pechel Industries Partenaires' permanent representative, she is also a Director of SES (Store Electronic System) and member of the Supervisory Board of other non-listed companies.

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 1999. Expiry of her term of office after the General Meeting called to approve the 2012 financial statements.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:

In France:

- Director of Lafarge (listed company)
- Director of BNP Paribas (listed company)
- Member of the Supervisory Board of Publicis Groupe (listed company)
- Director of SES (Store Electronic Systems) (representing Pechel Industries Partenaires)
- Chairman of Pechel Industries SAS
- Chairman of Pechel Industries Partenaires SAS
- Chairman of FSH SAS
- Director of Ypso Holding S.A. (as legal representative of Pechel Industries Partenaires)
- Manager of Hélène Ploix SARL
- Manager of HMJ (Hélène Marie Joseph) SARL
- Manager of Sorepe Société Civile
- Member of the Supervisory Board of Goëmar Développement (as permanent representive of Pechel Industries Partenaires SAS)
- Member of the Supervisory Board of Laboratoires Goëmar (as permanent representive of Pechel Industries Partenaires SAS)

Abroad:

- Director of Ferring S.A. (Switzerland)
- Director of Sofina (Belgium)
- Managing Director of Goëmar Holding (Luxemburg) – representing Pechel Industries Partenaires

OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:

In France:

- Chairman of Pechel Services SAS
- Various positions as Director in relation with her position in Pechel Industries Partenaires (Xiring, Quinette Gallay, CVGB-Dourthe Kressman S.A., HFR6 S.A., SVP Management et Participations S.A.)

Abroad:

- Director of Alliance Boots plc (United Kingdom) from 2000 to 2007
- Director of Completel NV (Netherlands) (end of the term of office December 31, 2010)

BAUDOUIN PROT (born on May 24, 1951) French citizen	BUSINESS ADDRESS: 3 rue d'Antin, 75002 Paris, France	NUMBER OF LAFARGE SHARES HELD: 1,250

EXPERIENCE AND EXPERTISE

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

Baudouin Prot has been appointed as Director of Lafarge in 2011. He is Chairman of BNP Paribas since December 2011. After graduating from the French business school HEC in 1972 and from ENA in 1976, Baudouin Prot joined the French Ministry of Finance where he stayed for four years. He then became Deputy Director of Energy and Raw Materials at the French Ministry of Industry for three years. He joined BNP in 1983 as Deputy Director of the intercontinental branch of Banque Nationale de Paris and became Director for Europe in 1985. In 1987, he joined the Central Networks Department, was promoted to Central Director in 1990, and became Executive Vice President of BNP in charge of networks in 1992. Baudouin Prot was appointed Chief Executive Officer of BNP in 1996 and Chief Operating Officer (Directeur général délégué) of BNP Paribas in 1999. In May 2000, he was appointed Director and Chief Operating Officer (Directeur général délégué) of BNP Paribas, and became Director and Chief Executive Officer of the bank in May 2003.

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2011. Expiry of his term of office after the General Meeting called to approve the 2014 financial statements.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director of Lafarge (listed company) Chairman of BNP Paribas (listed company) Director of Pinault-Printemps-Redoute (listed company) Director of Veolia Environnement (listed company) **Abroad:** Director of Erbé SA (Belgium) Director of Pargesa Holding SA (Switzerland) (listed company)	**In France:** Director of Accor (from January 2006 to February 2009) (listed company) Chairman of the "Fédération Bancaire Française" (from September 2009 to August 2010) **Abroad:** Director of BNL S.p.A (Italy) (from February 2007 to September 2008)

MICHEL ROLLIER (born on September 19, 1944) French citizen	**BUSINESS ADDRESS:** 23, place des Carmes-Déchaux, 63000 Clermont-Ferrand, France	**NUMBER OF LAFARGE SHARES HELD:** 1,758

EXPERIENCE AND EXPERTISE

Director, member of the Audit Committee, member of the Corporate Governance and Nominations Committee
Michel Rollier was appointed to the Lafarge Board of Directors in 2008. He has been Managing Partner of the Compagnie Générale des Établissements Michelin since May 2005. He graduated from the Institut d'études politiques (1967) and the Université de Droit of Paris (1968). He previously held several positions with Aussedat-Rey (International Paper Group) starting in 1971, including controller until 1982, Unit Operational Manager from 1982 to 1987, Chief Financial Officer between 1987 and 1994 and Deputy Managing Director from 1994 to 1996. Michel Rollier joined Michelin as Chief Legal Officer and Head of Financial Operations. He was appointed member of the Michelin Group Executive Council and Chief Financial and Legal Officer in 1999.

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2011 financial statements. The renewal of his term of office will be proposed at the Shareholders General Meeting to be held on May 15, 2012.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director of Lafarge (listed company) Managing Partner of the Compagnie Générale des Établissements Michelin (listed company) **Abroad:** Managing Partner of la Compagnie Financière Michelin (Switzerland)	**In France:** Director of Moria (until September 2011)

THIERRY DE RUDDER (born on September 3, 1949) Belgian citizen	**BUSINESS ADDRESS:** Avenue Marnix 24, 1000 Bruxelles, Belgium	**NUMBER OF LAFARGE SHARES HELD:** 10,842

EXPERIENCE AND EXPERTISE

Director, member of the Audit Committee, member of the Remunerations Committee
Thierry de Rudder was appointed to the Lafarge Board of Directors in January 2008. He is a graduate in Mathematics from the University of Geneva and the Université Libre de Bruxelles and has an MBA from Wharton School (Philadelphia, USA). Thierry de Rudder starts his carreer in the United-States at Citibank in 1975 where he helds various positions in New York and Europe. He is currently Vice-Chairman of the Board of Director and Chairman of the Permanent Committee of Groupe Bruxelles Lambert which he joined in 1986 and was Director until December 2011. He is also Director of Electrabel (Belgium) and GDF-Suez (France).

Gérald Frère and Thierry de Rudder are brothers-in-law.

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2011 financial statements.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director of Lafarge (listed company) Director of GDF-Suez (listed company) **Abroad:** Vice-Chairman of the Board and Chairman of the Permanent Committee of Groupe Bruxelles Lambert (Belgium) Director of Electrabel (Belgium)	**In France:** Director of Total S.A. (listed company) Director of Imerys until 2010 (listed company) **Abroad:** Various positions as Director in relation with his position in the Groupe Bruxelles Lambert (GBL Finance SA until 2009 and Immobilière Rue de Namur until 2007, GBL Participations until 2010) Director of Suez-Tractebel S.A. (Belgium) until 2010

NASSEF SAWIRIS (born on January 19, 1961) Egyptian citizen	**BUSINESS ADDRESS:** 61, rue des Belles Feuilles, 75116 Paris, France	**NUMBER OF LAFARGE SHARES HELD:** 1,671 (this figure does not take into account the shares owned by NNS Holding Sàrl) (See Section 6 – Major shareholders)

EXPERIENCE AND EXPERTISE

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

Nassef Sawiris was appointed to the Lafarge Board of Directors in January 2008. Nassef Sawiris is the major shareholder, Chairman and the Chief Executive Officer of Orascom Construction Industries (OCI), currently the largest listed company on the Egyptian Stock Exchange. Mr Sawiris joined the Orascom Group in 1992 and became the Chief Executive Officer of Orascom Construction Industries in 1998 ahead of its initial public offering, which was successfully completed in 1999. He leads the company in devising its investment strategies. He led the establishment of its cement business, investments in natural gas industries and significant geographic expansion of the construction group. Through investment in complementary business, Mr Sawiris has grown the family business into an international corporation. He is also a Director of the BESIX Group (Belgium) and of NNS holding, a privately-owned investment group in Luxembourg and a Director of the Dubai international Financial Exchange (Nasdaq DIFC). He joined Citigroup's international Adisory Board in 2010. Nassef Sawiris holds a BA in Economics from the University of Chicago, USA.

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2011 financial statements. The renewal of his term of office will be proposed at the Shareholders General Meeting to be held on May 15, 2012.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director of Lafarge (listed company) **Abroad:** Chairman and Chief Executive Officer of Orascom Construction Industries S.A.E (OCI) (Egypt) (listed company) Director of Besix (Belgium) Director of NNS Holding (Luxembourg) Director of Nasdaq DIFX (Dubai International Stock Exchange) (United Arab Emirates) Director and General Manager of several subsidiaries of OCI Group (Egypt) Chairman of Lafarge Cement Egypt (Egypt) and positions in various subsidiaries of the Group	**Abroad:** Director of OBMH (Orascom Building Material Holding S.A.E) Director of the Caire and Alexandria Stock Exchange from 2004 to 2007

VÉRONIQUE WEILL (born on September 16, 1959) French citizen	BUSINESS ADDRESS: 25, avenue Matignon, 75008 Paris, France	NUMBER OF LAFARGE SHARES HELD: 1,200

EXPERIENCE AND EXPERTISE

Director, member of the Audit Committee

Véronique Weill was appointed to the Lafarge Board of Directors in 2010. Madam Weill is currently Chief Operating Officer of the AXA group, in charge of Marketing, Distribution, IT, Operational Excellence, Procurement and GIE AXA since December 10, 2009. Since January 1, 2009, she is a member of the Executive Committee of the AXA group. Véronique Weill joined AXA in June 2006 as a Chief Executive Officer of AXA Business Services and Group Executive Vice-President of Operational Excellence. In January 2008, she was appointed Executive Vice-President IT and Operational Excellence of the group, including the worldwide management of the companies AXA Technology Services, AXA Group Solutions, AXA Business Services and transversal departments AXA Way Group (Group strategy of operational excellence and service quality) and Group IS (Group IT Strategy). Véronique Weill is also a member of the Scientific Board of the AXA Research Fund. She had previously spent more than 20 years at JP Morgan and has notably served as Group head of Operations for Business Banking and global head of IT & Operations for Asset Management and Private Clients. Véronique Weill graduated from the Institut d'Etudes Politiques of Paris and from the Université la Sorbonne (Licence de Lettres).

POSITION (APPOINTMENT/RENEWAL/EXPIRY OF TERM OF OFFICE)

Appointment as Director of Lafarge in 2010. Expiry of her term of office after the General Meeting called to approve the 2013 financial statements.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS

CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:
In France: Director of Lafarge (listed company) Chairman of the Board of AXA Group Solutions (SA) Chairman and member of the Supervisory Board of GIE AXA Group Solutions Chairman and member of the Executive Committee, AXA Technology Services (SAS) **Abroad:** Director of AXA Business Services Privates Ltd. (India)	**In France:** Chief Executive Officer of AXA Business Services

Sanctions applicable to the Directors

To the Company's knowledge, no Director was, over the previous five years, convicted of fraud, involved in a bankruptcy, receivership or liquidation, subject to official public incrimination and/or sanctions, or disqualified by a court from acting as Director or in management or conducting the affairs of any issuer.

5.1.3 Independent Directors – Parity within the Board

Independence

DIRECTORS QUALIFIED AS INDEPENDENT	
Michel Bon	Colette Lewiner
Philippe Charrier	Hélène Ploix
Philippe Dauman	Baudouin Prot
Oscar Fanjul	Michel Rollier
Juan Gallardo	Véronique Weill
Percentage of independent Directors: 59%	

DIRECTORS NON-QUALIFIED AS INDEPENDENT/JUSTIFICATION	
Bruno Lafont	Corporate officer of Lafarge – Chairman and CEO.
Bertrand Collomb	Former Chairman and Chief Executive Officer of Lafarge, as well as former corporate officer of various companies within the Group during the last five years.
Paul Desmarais, Jr. – Thierry de Rudder – Ian Gallienne	Connected to Group Brussels Lambert, a shareholder holding more than 10% of the capital and voting rights of the Company.
Jérôme Guiraud - Nassef Sawiris	Connected to NNS Holding Sàrl, a shareholder holding more than 10% of the capital and voting rights of the Company.

In accordance with the recommendations of the Afep-Medef Code and the Board's internal regulations, the Board regularly reviews the situation of the Directors in light of the independence criteria.

The Board of Directors, after an individual assessment of each Director's situation in light of the independence criteria applicable to the Company, considers that ten Directors, out of the seventeen members of the Board, are independent, corresponding to 59% of the Board being independent Directors.

In accordance with the recommendations of the Afep-Medef Code, the Board's internal regulations provide that a majority of the members of the Board, the Corporate Governance and Nominations Committee and the Remuneration Committee must qualify as "independent" and that at least two-thirds of the members of the Audit Committee must qualify as "independent".

The Board of Directors considers that the composition of the Board and its Committees is compliant with its internal regulations.

The formal non-qualification as "independent Director" in no way challenges the professionalism or freedom of judgment that characterize all Directors.

See Section 5.2.2 (Board of Directors' Committees) for more information on the involvement of Independent Directors in the Committees.

Independence criteria

The Board of Directors has applied the following recommendations of the Afep-Medef Code in its assessment of independent Directors:

- not to be an employee or Corporate Officer of the Company, or an employee or Director of its parent or a company that it consolidates and not having been in such a position over the previous five years;
- not to be a Corporate Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a Corporate Officer of the Company (currently in office or having held such office going back five years) is a Director;
- not to be a customer, supplier, investment banker or commercial banker:
  - that is material for the Company or its group,
  - or for a significant part whose business the Company or its group accounts;
- not to be related by close family ties to a Corporate Officer;
- not to have been an auditor of the Company over the previous five years;
- not to have been a Director of the Company for more than twelve years;
- finally, as regards to Board members representing shareholders holding 10% or more of the capital or voting rights of the Company, the Afep-Medef Code provides that the Board should systematically examine their qualifications as independent Directors. The Lafarge's Directors linked to the Company's two major shareholders (Groupe Bruxelles Lambert and NNS Holding) are not qualified as independent Directors.

The Board of Directors did not apply the recommended 12-year limitation on length of service as Director. The Board considers that in a long-term business such as ours, where management is stable, serving as Director for a long period of time can bring more experience and authority, increasing the Directors' independence. Mr Michel Bon and Mrs Héléne Ploix have served as Directors of Lafarge for over 12 years.

Materiality tests on business relationships between the Company and its Directors

During the annual review of the classification of Directors as independent, the Corporate Governance and Nominations Committee as well as the Board of Directors, during its meeting on February 16, 2012, conducted materiality tests on business relationships between the Company and some of its Directors. These tests consists in verifying that the value of transactions between the Company and one of its Directors or a company with which such Director is associated (as customer, supplier, investment banker or commercial banker) does not exceed specific thresholds, which have been set in advance, of the Group's revenues, equity, assets or debt.

In particular, the Board reviewed the relationship between Lafarge and BNP Paribas, one of the Group's corporate and investment banks, of which Baudouin Prot is Chairman. Lafarge can rely on a pool of competitive banks preventing the likelihood of a relationship of dependency on BNP Paribas. Likewise, the fees that BNP Paribas receives from the Group account for an infinitesimal percentage of the bank's revenues and do not create a relationship of dependency for Lafarge. In addition, the results of the materiality test show that the value of the committed credit facilities of BNP Paribas towards the Group represents less than 5% of the Group's gross debt, while the value of the transactions between the Company and BNP Paribas is less than 1% of the revenues, less than 10% of the equity and less than 5% total assets of both the Group and BNP Paribas.

In the light of these factors, and given the independent thinking that Baudouin Prot has shown in his capacity as Director, the Board considers him to be an independent Director.

The Board of Directors also conducted materiality tests on the business relationships existing between the Company and Capgemini, of which Colette Lewiner is Vice-President, and the Company and AXA, of which Véronique Weill is Group Chief Operating Officer. The results of these tests showed in both instances that the value of the transactions between the Company and Capgemini or AXA is less than 1 % of the revenues, less than 10% of the equity and less than 5% of the total assets of the Group, Capgemini and AXA. The Board of Directors therefore resolved to classify Mrs Colette Lewiner and Véronique Weill as independent Directors. The same conclusion applies to Michel Rollier, managing partner of Michelin.

Management of conflicts of interests

As provided in the Lafarge Director's Charter, a Director is required to inform the Board of any situation involving a conflict of interests, even one of a potential nature, and must refrain from taking part in any vote on any resolution of the Board where he finds himself in any such situation.

The Charter also provides that Directors are required to inform the Chairman promptly of any relations that may exist between the companies in which they have a direct interest and the Company. The Directors must also, in particular, notify the Chairman of any agreement covered by article L. 225-38 *et seq.* of the French Commercial Code that either they themselves, or any company of which they are Directors or in which they either directly or indirectly hold a significant number of shares, have entered into with the Company or any of its subsidiaries. These provisions do not apply to agreements made in the ordinary course of business.

See the Special Report of the statutory auditors on related-party agreements and committments on page F94.

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

On the number of corporate offices held by Directors, the internal regulations of the Board of Director provide that the Corporate Governance and Nominations Committee and the Board of Directors must give their prior approval before the Chief Executive Officer accepts a corporate office of a listed company that does not belong to the Group.

In addition, all Directors certify on an annual basis the existence, or absence, of specific items and indicate that there are no potential conflicts of interests between their duties as a Director and their private interests or other duties.

To the best of Lafarge's knowledge, there are no conflicts between the duties of the Group Board members and their private interests and other duties.

Lafarge has not entered into service contracts providing for the granting of future benefits.

Parity

The proportion of women elected to the Board is 18%, with three women out of 17 members composing the Board of Directors.

As part of its work on the Board's composition, and with the support of the Corporate Governance and Nominations Committee, the Board of Directors is aiming at increasing the number of women on the Board by 2013.

5.1.4 Director's charter

The full text of the Lafarge Director's Charter is set out below.

Preamble

In accordance with the principles of corporate governance, a Director carries out his duties in good faith, in such a manner as, in his opinion, best advances the interests of the Company, applying the care and attention expected of a normally careful person in the exercise of such office.

1. COMPETENCE

Before accepting office, a Director must ascertain that he is acquainted with the general and specific obligations assigned to him. He must, in particular, acquaint himself with legal and statutory requirements, the Company articles of association (statuts), current internal rules and any supplementary information that may be provided to him by the Board.

2. DEFENDING CORPORATE INTEREST

A Director must be an individual shareholder and hold the number of Company shares required by the articles of association (statuts), *i.e.,* a number representing in total a nominal value of at least 4,572 euros which amounts to 1,143 shares, recorded in the share register in nominal form.

Every Director represents the body of shareholders and must in all circumstances act in their interest and in that of the Company.

3. CONFLICTS OF INTEREST

A Director is required to inform the Board of any situation involving a conflict of interests, even one of a potential nature, and must refrain from taking part in any vote on any resolution of the Board where he finds himself in any such situation.

4. DILIGENCE

A Director must dedicate the necessary time and attention to his office, while respecting the legal requirements governing the accumulation of several appointments. He must be diligent and take part, unless impeded from doing so for any serious reason, in all meetings of the Board and, where necessary, in any Committee to which he may belong.

5. INFORMATION – CONFIDENTIALITY

A Director is bound by obligation to keep himself informed to be able to contribute in a useful manner on the issues under discussion on the Board agenda.

With regard to information outside of the public domain and which he has acquired while in office, a Director must consider himself bound by a duty of confidentiality, which goes beyond the simple obligation to maintain discretion as provided for by law.

6. TRAINING

Every Director may, in particular at the time of his election to the Board and where he deems it necessary, take advantage of training on specific aspects of the Company and the Group, its business activities, field of activity, organization and particular financial circumstances.

7. LOYALTY

A Director is bound by an obligation of loyalty. He must not, under any circumstances, do anything liable to damage the interests of the Company or those of any of the other companies in the Group. He may not personally take on any responsibilities, within any undertakings or businesses having any activity competing with those of Lafarge without first notifying the Board of Directors thereof.

8. PRIVILEGED INFORMATION – TRADING IN SHARES

A Director must not carry out any transactions involving Company shares except within the framework of the rules determined by the Company. He must make a statement to Lafarge concerning any transactions involving Lafarge shares carried out by him within five days of any such transaction.

9. INDEPENDENCE

A Director undertakes, in all circumstances, to maintain his independence of thought, judgment, decision and action and will resist all pressure, whatever the nature or origin.

A Director undertakes to refrain from seeking or accepting from the Company, or any other company linked to it, either directly or indirectly, any personal benefits likely to be deemed to be of such a nature as might compromise his freedom of judgment.

10. AGREEMENTS IN WHICH DIRECTORS HAVE AN INTEREST

The Directors are required to inform the Chairman promptly of any relations that may exist between the companies in which they have a direct interest and the Company. The Directors must also, in particular, notify the Chairman of any agreement covered by article L. 225-38 *et seq.* of the French Commercial Code that either they themselves, or any company of which they are Directors or in which they either directly or indirectly hold a significant number of shares, have entered into with the Company or any of its subsidiaries. These provisions do not apply to agreements made in the ordinary course of business.

11. INFORMATION OF DIRECTORS

The Chairman ensures that the Directors receive in a timely manner, the information and documents needed to perform the full extent of their duties. Similarly, the Chairman of each of the said Committees ensures that every member of his Committee has the information needed to perform his duties.

Prior to every meeting of the Board (or of every Committee), the Directors must thus receive in a timely manner a file setting out all the items on the agenda. Any Director who was unable to vote because he was not fully apprised of the issue has to inform the Board and insist on receiving the critical information. Generally, every Director receives all the information necessary to perform his duties and may arrange to have all the relevant documents delivered to him by the Chairman. Similarly, the Committee Chairmen must supply the members of the Board, in a timely manner, with the reports they have prepared within the scope of their duties.

The Chairman ensures that members of the Board are apprised of all the principal relevant items of information, including any criticism concerning the Company, in particular, any articles of press or financial research reports.

Meetings, during which any Director may make presentations and discuss with the Directors his field of activity, are held on a regular basis by the Chairman during or outside Board meetings.

Every Director is entitled to request from the Chairman the possibility of special meetings with Group management in the fields of interest to them, without his presence.

5.2 Board and Committee rules and practices

5.2.1 Board of Directors

Indicators

Number of meetings in 2011	7
Average attendance rate in 2011	93%
Number of Directors*	17
Percentage of independent Directors*	59% (10 out of 17)

* *Information as of the date of this Registration Document*

Duties and responsibilities

In accordance with law and Lafarge's articles of association, the Board of Directors determines the strategic direction of the Company's operations and supervises the implementation of such strategy. Subject to the powers expressly granted by law to Shareholders' Meetings and within the scope of the Company's corporate purpose, the Board is vested with the power to deliberate and take decisions on any matter relating to the operations and business of the Company. The Board can conduct any audits and investigations as it deems appropriate.

The Board of Directors is also granted specific powers by law, such as the calling of Shareholders' Meetings, the approval of statutory and consolidated financial statements, the approval of management reports, the authorization of "regulated agreements", the appointment of Directors in case of vacancy, the appointment of the Chairman and Chief Executive Officer and the power to set the Chief Executive Officer's and the Directors' compensation.

It is a collegial body representing all the shareholders collectively, and is required to act at all times in the interests of the Company.

Board's internal regulations

The Board's internal regulations define the respective roles and duties of the Chairman and Chief Executive Officer and of the Vice-Chairman of the Board of Directors, the restrictions to the powers of the Chairman and Chief Executive Officer, the composition of the Board of Directors and its Committees, as well as the responsibilities of the various Board Committees. The internal regulations also specify the applicable rules for the evaluation of the Chairman and Chief Executive Officer, of the Board of Directors and of the Board Committees. They are amended on a regular basis to take into account changes to the Company's organization and to keep in line with the best governance practice in the market.

As regards the information presented to the Board, the Board's internal regulations state that "at each meeting of the Board, the Chairman and Chief Executive Officer will give a summary of the Company's business during the previous period and of its financial situation, cash flow position and commitments. In addition, the Chairman and Chief Executive Officer will make a presentation of the main development projects in progress, and, depending on their state of advancement, of the principal industrial and financial data relating to such projects." In addition, the Director's Charter presented in Section 5.1.4 describes in its article 11 the terms for the information for Directors. In particular, it provides that Directors are apprised of the financial research reports.

See Section 5.1 (Board of Directors-Corporate Officers).

Cases where prior approval of the Board is required for significant investments, divestments or financial transactions are described in the Board's internal regulations. They are presented in Section 5.2.5 relating to the limitations of the Chairman and Chief Executive Officer's powers.

See Section 5.2.5 (Powers of the Chairman and Chief Executive Officer).

Main activities

Approximately one week prior to every Board meeting, every Director receives a file containing the agenda for the meeting, the minutes of the previous meeting and documentation relating to each topic on the agenda.

In accordance with the Board's internal regulations, certain topics, depending on their nature, are first discussed within the relevant Committees before being submitted to the Board for approval. These mainly relate to: the review of financial statements, internal control procedures, auditor assignments and financial transactions for the Audit Committee; the election of new Directors, the appointment of senior managers and the composition of the Committees as regards the Corporate Governance and Nominations Committee; Directors and senior managers' compensation as regards the Remuneration Committee and general strategic priorities of the Company and the Group for the Strategy, Investment and Sustainable Development Committee. The Committees carry out their duties under the supervision of the Board of Directors.

In 2011, in addition to the approval of the quarterly, interim and annual financial statements, the composition of the Board and its Committees, the assessment of the independence of the Directors, the preparation of the General Meeting, determination of the compensation of the Chairman and Chief Executive and other decisions in the ordinary course of business, the Board notably worked on: the follow up of developments and divestments and of the Group's financial situation, grants of stock-options and performance shares, the decision to maintain the Chairman and Chief Executive's employment contract and the LEA 2011 employee share scheme.

For further information on developments and divestments, please refer to Section 3.2.2 (Recent acquisitions, partnerships and divestures).

Grants of stock-options and performance shares in 2011 are described in Section 5.5 (Long-term incentives) and a description of the LEA 2011 employee share scheme can be found in Section 6.4 (Employee Share Ownership).

The compensation of the Chairman and Chief Executive and the position of the Board of Directors on the employment contract of the Chairman and Chief Executive are described in Section 5.4.2 (Compensation and benefits).

5.2.2 Board of Directors' Committees

The Board of Directors has defined, in its internal regulations, the duties and responsibilities of its various Standing Committees, which are:

- the Audit Committee;
- the Corporate Governance and Nominations Committee;
- the Remuneration Committee;
- the Strategy, Investment and Sustainable Development Committee.

The Committees are composed of a minimum of three members and a maximum of ten members nominated by the Board of Directors from among its members.

The term of office of the Committee members is aligned with their Director office. These positions can be renewed simultaneously.

The Committees are convened by their Chairmen or at the request of the Chairman and Chief Executive Officer by any means possible, including orally. The Committees may meet anywhere and using whatever means, including videoconference or teleconference. A quorum consists of at least one-half of members present. At least 2 meetings are held per year.

The agenda for Committee meetings is drawn up by its Chairman. Minutes of the Committee meetings are drafted after each meeting.

For the purpose of their work, the Committees may interview members of Executive Officers of the Group or any other Group manager. The Committees may also engage any expert and interview him about his report.

The Committees report on their work to the next meeting of the Board, by way of verbal statement, opinion, proposals, recommendations or written reports.

The Committees may not handle on their own initiative any issue outside of their terms of reference, as defined below. They have no decision-making powers, merely the power to make recommendations to the Board of Directors.

5

a) Audit Committee

Indicators

Number of meetings in 2011	5
Average attendance rate in 2011	86%
Number of members*	7
Percentage of independent Directors*	71% (5 out of 7)

* *Information as of the date of this Registration Document.*

Composition

The Audit Committee is chaired by Mrs Hélène Ploix. It is composed of the following members:

- Hélène Ploix, Chairman (independent Director);
- Michel Bon (independent Director);
- Juan Gallardo (independent Director);
- Jérôme Guiraud;
- Michel Rollier (independent Director);
- Thierry de Rudder;
- Véronique Weill (independent Director).

There has been no change to the Committee's composition during the 2011 financial year.

Upon the Audit's Committee's proposal, the Board of Directors resolved on February 16, 2012, (in line with its previous resolution of July 29, 2010) that each member of the Audit Committee had the required level of expertise in finance or accounting with regards to their education and professional experience, as described in the biographies set out in paragraph 5.1.2 (Information on Directors).

Duties and Responsibilities

The Audit Committee has the following duties:

FINANCIAL STATEMENTS

- to ensure that the statutory auditors assess the relevance and consistency of accounting methods adopted for the preparation of the consolidated or statutory financial statements, as well as appropriate treatment of the major transactions at Group level;
- when the financial statements are prepared, to carry out a preliminary review and give an opinion on the draft statutory and consolidated financial statements, including quarterly, semi-annual and annual statements prepared by management, prior to their presentation to the Board; for those purposes, the draft financial statements and all other useful documents and information must be provided to the Audit Committee at least 3 days before the review of the financial statements by the Board. In addition, the review of the financial statements by the Audit Committee must be accompanied by (i) a memorandum from the statutory auditors highlighting the key points of the results and the accounting options adopted; and (ii) a memorandum from the Finance Director describing the Company's exposure to risk and the major off-balance sheet commitments. The Audit Committee interviews the statutory auditors, the Chairman and Chief Executive Officer and financial management, in particular concerning depreciation, reserves, the treatment of goodwill and consolidation principles;
- to review the draft interim financial statements, the draft half-year report and the draft report on results of operations prior to publication, together with all the accounts prepared for specific transactions (asset purchases, mergers, market operations, prepayments of dividends, etc.);
- to review, where necessary, the reasons given by the Chairman and Chief Executive Officer for not consolidating certain companies;
- to review the risks and the major off-balance sheet commitments.

INTERNAL CONTROL AND INTERNAL AUDIT

- to be informed by the Chairman and Chief Executive Officer of the definition of internal procedures for the gathering and monitoring of financial information, ensuring the reliability of such information;
- to be informed of procedures and action plans in place in terms of internal control over financial reporting, to interview the persons in charge of internal control every half-year and at the end of each financial year and to examine the terms of engagement of the statutory auditors;
- to examine the Group's internal audit plan and interview the persons in charge of internal audit for the purposes of taking note of their programs of work and to receive the internal audit reports of the Company and Group or an outline of those reports, and provided the Chairman and Chief Executive Officer has been informed in advance, these hearings may take place, if necessary, without the Chairman and Chief Executive Officer being in attendance.

STATUTORY AUDITORS

- to listen regularly to the statutory auditors' reports on the methods used to carry out their work;
- to propose to the Board, where necessary, a decision on the points of disagreement between the statutory auditors and the Chairman and Chief Executive Officer, likely to arise when the work in question is performed, or because of its contents;
- to assist the Board in ensuring that the rules, principles and recommendations safeguarding the independence of the statutory auditors are applied and, for such purposes, the members of the Committee have, by way of delegation by the Board of Directors, the following duties:
  - supervising the selection or renewal procedure (by invitation to tender) of statutory auditors, while taking care to select the "best bidder" as opposed to the "lowest bidder", formulating an opinion on the amount of the fees sought for carrying out the statutory audit assignments, formulating an opinion stating the reasons for the selection of statutory auditors and notifying the Board of its recommendation in this respect,
  - supervising the questions concerning the independence, fees and duties of the statutory auditors.

FINANCIAL POLICY

- to be informed by the Chairman and Chief Executive Officer of the financial standing of the Group, the methods and techniques used to lay down financial policy, and to be regularly informed of the Group's financial strategy guidelines in particular with regard to debt and the hedging of currency risks;
- to be informed of the contents of official financial statements prior to their release;
- to be informed in advance of the conditions of the financial transactions performed by the Group; if a meeting of the Committee cannot be held owing to an emergency, the Audit Committee is informed of such reasons;
- to review any financial or accounting issue submitted to it by the Board, the Chairman and Chief Executive Officer or the statutory auditors;
- to be informed by the Chairman and Chief Executive Officer of all third party complaints and of any internal information criticizing accounting documents or the Company's internal control procedures, as well as of procedures put in place for this purpose, and of the remedies for such complaints and criticism.

FRAUD

- to ensure that procedures are put in place for the receipt, retention and treatment of accounting and financial related complaints received by the Company;
- to be informed of possible cases of fraud involving management or employees who have a significant role in internal controls concerning financial reporting.

RISK MANAGEMENT

- to ensure that appropriate means and measures are put in place by, or at the initiative of, the general management to enable identification, analysis and continuing improvement in the management of risks to which the Group may be exposed as a result of its operations;
- every year, to dedicate one of its meetings to Internal Control, Internal Audit and risk management.

To enable the Audit Committee to carry out the full extent of its duties, the Board's internal rules state that all pertinent documents and information must be provided to it by the Chairman and Chief Executive Officer on a timely basis.

The Audit Committee is given the opportunity to listen to the Chairman and Chief Executive, the Chief Financial Officer, members of the financial management (control, consolidation and treasury), the Internal Audit Director, the Group General Counsel and the statutory auditors on a regular basis during its meetings. In addition, during each of its meetings, the Committee always has the possibility to listen to the statutory auditors without the Chairman and Chief Executive Officer or members of the management being in attendance, and vice-versa.

Main Activities

In 2011, the Audit Committee conducted a preliminary review of the 2010 statutory and consolidated annual financial statements, our statutory interim financial statements and of the quarterly financial consolidated statements for the first three quarters of 2011. The Audit Committee also reviewed the press releases and analyst slides concerning the publication of these financials statements as well as the auditors' budget for 2011.

The Audit Committee discussed the statutory auditors' appointments, which were renewed after a competitive bidding process in 2006, and are due to expire in 2012. After noting the high quality of the services provided by the auditors, the Committee decided to make a recommendation to the Board of Directors that the current principal and deputy statutory auditors should have their appointment renewed.

The Committee worked on the Group's financing, liquidity and debt situation, with a specific focus on the Company's credit ratings. It also reviewed particular accounting and financial aspects of some of the Group's strategic projects.

The Committee also supervised the Group's internal control, risk management and internal audit. In particular, the Audit Committee reviewed the management's update of the Group's risk mapping and followed up the different action plans relating to the Group's priority risks. It also made regular updates on fraud, the Group's fraud prevention program and the annual certification process.

During the year, the Audit Committee also conducted an assessment of its practices, as further described in paragraph 5.2.3 (Self-assessment by the Board, Committees, Chairman and Chief Executive Officer).

As part of its preliminary review of the 2011 statutory and consolidated financial statements in February 2012, and on the basis of presentations made by the finance management and external auditors, the Audit Committee reviewed the principal items of the closing, with a special focus on other operating income and expense, finance costs, tax, goodwill impairment tests, as well as major off-balance sheet commitments and exposure to risks. It also reviewed the management's assessment on internal controls over financial reporting which are described in detail in the Chairman's report on internal control procedures and considered the description of the Group's risk factors in the Registration Document. It also examined the auditors' assessment on accounting options selected at closing, fairness of our financial statements and on our internal control over financial reporting. Finally, the Audit Committee reviewed the draft dividend payout plan for 2011 and issued recommendations to the Board.

See Chapter 9 (International controls procedures).

b) Corporate Governance and Nominations Committee

Indicators

Number of meetings in 2011	5
Average attendance rate in 2011	89%
Number of members*	7
Percentage of independent Directors*	71% (5 out of 7)

* *Information as of the date of this Registration Document.*

Composition

The Corporate Governance and Nominations Committee is chaired by Mr Oscar Fanjul. It is composed of the following members:

- Oscar Fanjul, Chairman (Vice-Chairman – independent Director);
- Philippe Dauman (independent Director);
- Juan Gallardo (independent Director);
- Ian Gallienne;
- Baudouin Prot (independent Director);
- Michel Rollier (independent Director);
- Nassef Sawiris.

Mr Michel Pébereau was a member of the Corporate Governance and Nominations Committee until the term of his office, which ended at the General Meeting of May 12, 2011.

Mr Baudouin Prot became a member of the Corporate Governance and Nominations Committee further to his appointment as Director by the General Meeting held on May 12, 2011.

Mr Ian Gallienne was appointed as member of the Corporate Governance and Nominations Committee by the Board on November 3, 2011 further to his cooptation by the Board in replacement of Mr Gerald Frère, resigning. This appointment was made after the Committee's final session for fiscal year 2011.

Mr Gérald Frère was a member of the Corporate Governance and Nominations Committee until the term of his office, which ended at the Board of Directors of November 3, 2011.

Duties and Responsibilities

The Corporate Governance and Nominations Committee is responsible, in cooperation with the Chairman and Chief Executive Officer, for ensuring compliance with the Company's corporate governance rules. In particular, it is responsible for:

- monitoring governance practices in the market, submitting to the Board the corporate governance rules applicable by the Company and ensuring that the Company's governance rules remain among the best in the market;
- reviewing proposals to amend the internal regulations or the Director's Charter to be submitted to the Board;
- submitting to the Board the criteria to be applied to assess the independence of its Directors;

- submitting to the Board, every year before publication of the Registration Document, a list of Directors qualifying as independent;
- preparing assessment of the work of the Board provided for by the Board's Internal Regulations;
- preparing changes in the composition of the Company's management bodies;
- giving its prior approval before the Corporate Executive Officer accepts a corporate office of a listed company that does not belong to the Group.

The Committee has special responsibility for examining the succession plans for senior management members and the selection of new Directors. It also makes recommendations to the Board for the appointment of the Vice-Chairman and the Chairmen of other Standing Committees.

The choices made by the Corporate Governance and Nominations Committee on the appointments of the candidates to the office of Director are guided by the interests of the Company and all its shareholders. They take into account the balance of the Board's composition, in accordance with the relevant rules laid down in its internal regulations. They ensure that each Director possesses the necessary qualities and availability, and that the Directors represent a range of experience and competence, thereby enabling the Board to perform its duties effectively, while maintaining the requisite objectivity and independence with regard to the Chairman and Chief Executive Officer and any shareholder or any particular group of shareholders.

Main Activities

In 2011, the Corporate Governance and Nominations Committee focused mainly on:

- the composition of the Board and its Committees;
- the assessment of the independence of the Directors (and materiality tests, beginning of 2012);
- the evaluation of the Chairman and Chief Executive Officer's performance;
- the reappointment of the Vice-Chairman of the Board;
- the decision to maintain the Chairman and Chief Executive's employment contract;
- the review of the Corporate Governance section in the 2011 Registration Document (beginning of 2012); and
- the amendment of the internal regulations of the Board of Directors at the beginning of 2012.

c) Remunerations Committee

Indicators

Number of meetings in 2011	5
Average attendance rate in 2011	93%
Number of members*	6
Percentage of independent Directors*	67% (4 out of 6)

* *Information as of the date of this Registration Document.*

Composition

The Remunerations Committee is chaired by Mr Oscar Fanjul. It is composed of the following members:

- Oscar Fanjul, Chairman (Vice-Chairman – independent Director);
- Philippe Charrier (independent Director);
- Juan Gallardo (independent Director);
- Thierry de Rudder;
- Nassef Sawiris;
- Véronique Weill (independent Director).

Mr Michel Pébereau was a member of the Corporate Governance and Nominations Committee until the term of his office, which ended at the General Meeting of May 12, 2011.

Mrs Véronique Weill was appointed to the Corporate Governance and Nominations Committee by the Board of Directors on May 12, 2011.

Duties and Responsibilities

The Remunerations Committee is responsible for examining the compensation and benefits paid to Directors and members of senior management, and providing the Board with comparisons and benchmarking with market practices, in particular:

- to review and make proposals in relation to the remuneration of senior management members, both with regard to the fixed portion and the variable portion of said remuneration, and all benefits in kind, stock subscription and purchase options granted by any Group company, provisions relating to their retirements, and all other benefits of any kind;
- to define and implement the rules for the determination of the variable portion of their remuneration, while taking care to ensure these rules are compatible with the annual evaluation of the performances of senior management and with the medium-term strategy of the Company and Group;
- to deliver the Board with an opinion on the general allocation policy for stock subscription and/or purchase options and on the stock-option plans set up by the Chairman and Chief Executive Officer, and submit the allocation of stock subscription or purchase options to the Board;
- to be informed of the remuneration policy concerning the principal management personnel (aside from senior management) of the Company and other Group companies, and to examine the consistency of this policy;
- to suggest to the Board the total amount of Directors' fees for proposal at the Company's Shareholders' Meeting;
- to suggest to the Board the allocation rules for Directors' fees and the individual payments to be made to the Directors, taking into account the attendance rate of the Directors at Board and Committee meetings;
- to examine every matter submitted to it by the Chairman and Chief Executive Officer, relating to the questions above, as well as plans for increases in the number of shares outstanding owing to the implementation of employee stock ownership;

- to approve the information disclosed to the shareholders in the Registration Document on the remuneration of senior management members and the principles and methods determining the compensation of said persons, as well as on the allocation and exercize of stock subscription or purchase options by senior management.

Main Activities

During the course of 2011, the work of the Remunerations Committee was primarily focused on:

- a review of the Group's long term incentives policy;
- a review of the variable pay structure of the Group's employees;
- stock-options and performance shares (2011 grants and validation of the performance conditions applicable to the 2010 grants);
- a review of the Directors' fees budget and distribution for 2011;
- the Chairman and Chief Executive Officer's compensation (fixed compensation, the criteria for the variable part of his compensation as well as his long term incentived based compensation);
- a review of the Group's pension plans;
- the share capital increase reserved for employees as part of the LEA 2011 employee share scheme;
- payment of an additional amount within the scope of the profit-sharing scheme; and
- the review of the Compensation and benefits section in the 2011 Registration Document (beginning of 2012).

d) Strategy, Investment and Sustainable Development Committee

Indicators

Number of meetings in 2011	2
Average attendance rate in 2011	87%
Number of members*	7
Percentage of independent Directors*	71% (5 out of 7)

* *Information as of the date of this Registration Document.*

Composition

The Strategy, Investment and Sustainable Development Committee is chaired since May 12, 2011 by Mr Michel Bon. It is composed of the following members:

- Michel Bon, Chairman (independent Director);
- Philippe Charrier (independent Director);
- Philippe Dauman (independent Director);
- Paul Desmarais, Jr;
- Colette Lewiner (independent Director);
- Baudouin Prot (independent Director);
- Nassef Sawiris.

Mr Michel Pébereau chaired the Strategy, Investment and Sustainable Development Committee until the term of his office, which ended at the General Meeting of May 12, 2011.

Mr Baudouin Prot became a member of the Strategy, Investment and Sustainable Development Committee further to his appointment as Director by the General Meeting held on May 12, 2011.

Duties and Responsibilities

The Strategy, Investment and Sustainable Development Committee is responsible for:

- advising the Board on the main strategic priorities of the Company and Group and on the investment policy and important strategic issues put before the Board;
- reviewing in detail and giving the Board its opinion on the issues submitted to it relating to major investments, the creation and upgrading of equipment, external growth, or divestments and asset or share sales;
- ensuring that sustainable development and societal responsibility are a component of Lafarge's long-term strategy and constitute one of the aspects of its economic development.

Main Activities

Since 2004, the Strategy, Investment and Sustainable Development Committee has been open to all Directors wishing to attend its meetings.

In 2011, the Strategy, Investment and Sustainable Development Committee focused on the following:

- optimization and mid-term evolution of the Group's portfolio of assets;
- the strategies to differentiate the Group's products and services;
- the Group's strategic orientations for 2015.

5.2.3 Self-assessment by the Board, Committees, Chairman and Chief Executive Officer

The Board's internal regulations provide that the Board is to hold a discussion at least once a year about its practices with a view to assessing and improving their efficiency and to proceed with the evaluation of the Chairman and Chief Executive Officer. A formal assessment of its operations, the verification that important issues are properly prepared and debated within the Board, and the effective participation and involvement in the deliberation of each Director, is to take place at least every 2 years using a questionnaire approved by the Board.

In 2010, the Board initiated a formal debate on its organization and practices in accordance with its internal regulations. This debate was led by the Vice-Chairman of the Board, first within the Corporate Governance and Nominations Committee and then within the Board of Directors, following interviews with each of the Directors. This review also included an assessment of each of the Committees.

The outcome of the comments and discussions resulting from this assessment was that the Directors consider that the organization and practices of the Board and its Committees are globally very satisfactory. The principal findings and recommendations for potential optimization were as follows:

- concerning the composition of the Board, the Directors noted the sufficient diversity of background of its various members and how the necessary balance between Directors qualifying as independent and shareholder representatives had been successfully achieved. A reduction in the overall number of Directors as well as an increase in the number of women appointed to the Board was identified as a potential improvement for the future;
- the organization of the Board and its Committees was considered very satisfactory. The breadth of topics covered during meetings was considered adequate, topics being handled effectively although the length of debates could be optimised further depending on the nature of topics under discussion. The involvement of the Board in the definition of the Group's strategy and the level of information received on the financial condition of the Company were perceived as very positive. The Committees' organization and in particular the allocation of work between Committees and the Board as well as the nature and extent of reported information were considered appropriate. A reinforcement of the role of the Strategy Committee and of the frequency of discussions on remunerations could be envisaged;
- members of the Board noted their appreciation of how discussions of the Board were chaired by the Chairman and Chief Executive Officer regarding direction of debates as well as the quality of his contributions, in particular on the Company's strategy, position and global organization.

Based on a formal presentation of the Board's and Committes's activities, the Board of Directors discussed its practices during the year 2011 at the Board of Directors meeting held on February 16, 2012. The principal findings and recommendations made in 2010 were upheld.

The Audit Committee also conducted a self-assessment on its practices in 2011 through a separate questionnaire. The results showed that the organization of the Committee was considered very satisfactory and that Committee's specific requests to the management were taken into account.

5.2.4 Summary table on the attendance at Board and Committee meetings

The following table shows the number of Board and Committee meetings during fiscal year 2011, as well as Director membership and attendance at these various meetings.

	BOARD OF DIRECTORS	ATTENDANCE RATE (%)	AUDIT COMMITTEE	ATTENDANCE RATE (%)	CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE	ATTENDANCE RATE (%)	REMUNE-RATIONS COMMITTEE	ATTENDANCE RATE (%)	STRATEGY, INVESTMENT AND SUSTAINABLE DEVELOPMENT COMMITTEE	ATTENDANCE RATE (%)
Number of meetings in 2011	**7**	**93**	**5**	**86**	**5**	**89**	**5**	**93**	**2**	**87**
Bruno Lafont	7	100								
Oscar Fanjul	7	100			5	100	5	100		
Michel Bon	7	100	5	100					2	100
Philippe Charrier	7	100					5	100	2	100
Bertrand Collomb	7	100								
Philippe Dauman	6	86			5	100			2	100
Paul Desmarais Jr.	6	86							1	50
Gérald Frère	5	71			4	80				
Juan Gallardo	7	100	4	80	4	80	4	80		
Jérôme Guiraud	7	100	5	100						
Pierre de Lafarge (1)	3/3	100							1/1	100
Colette Lewiner	7	100							2	100
Michel Pébereau (1)	3/3	100			3/3	100	3/3	100	1/1	100
Hélène Ploix	6	86	5	100						
Baudouin Prot (2)	4/4	100			1/2	50			0/1	0
Michel Rollier	6	86	3	60	4	80				
Thierry de Rudder	7	100	5	100			5	100		
Nassef Sawiris	5	71			5	100	4	80	2	100
Véronique Weill (3)	6	86	3	60			2/2	100		

(1) Directors whose term of office ended on May 12, 2011.
(2) Directors appointed on May 12, 2011.
(3) Director appointed to the Remunerations Committee on May 12, 2011.

5.2.5 Powers of the Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer represents the Company in its relations with third parties. He has broad powers to act on behalf of our Company in all circumstances.

In addition, as Chairman of the Board, the Chairman and Chief Executive Officer represents the Board of Directors. He organizes and directs the work of the Board in accordance with the provisions of its internal regulations.

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

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

Investments and divestments

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

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

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

Financial transactions

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

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

5.3 Executive Officers

The Executive Officers include Bruno Lafont, our Chairman and Chief Executive Officer, and the members of the Executive Committee.

The Executive Committee includes the following members:

Jean-Carlos Angulo: Operations Executive Vice-President, 61, rue des Belles Feuilles, 75116 Paris, France.

Jean-Carlos Angulo (born in 1949) is a graduate from the École des mines de Nancy (France) and from the European Business Institute, and has been with the Group since 1975. From 1971 to 1974, he was a project engineer in the aeronautics industry with the Société Européenne de Propulsion in Bordeaux. He joined Lafarge in 1975 as Project Manager then as Project Director of the Group's subsidiaries specialized in engineering and later as Director of Lafarge Consulteria e Estudos in Brazil. In 1984, he joined Lafarge Aluminates as Head of Development. From 1990 to 1996, he served as Chief Executive Officer of Lafarge in Brazil and as President for South and Latin America. In 1996, he was appointed Chief Executive Officer of Lafarge Ciments France. From 2000 to August 2007, he was President of Cement Division operations in Western Europe and Morocco. On September 1, 2007, he became a member of the Executive Committee and Executive Vice-President, Co-President of the Cement business. Since January 1, 2012 he is Operations Executive Vice-President.

Jean Desazars de Montgailhard: Executive Vice-President for Strategy, Development and Public Affairs, 61, rue des Belles Feuilles, 75116 Paris, France.

Jean Desazars de Montgailhard (born in 1952) graduated from the Institut d'études politiques de Paris and the École Nationale d'Administration (ENA) with a Master's degree in economics. He joined the Group in 1989. He began his career at the French Ministry of Foreign Affairs in Madrid, Stockholm, Washington DC and Paris, before joining Lafarge Cements as Strategy Director in Paris and then Lafarge Asland in Spain as Communication and Marketing Director. From 1996 to 1999, he acted as Regional President for Asia in Singapore, then in Paris until 2006 for Africa. He was appointed as Executive Vice-President, Strategy and Development for the Group in 2006. He has been Executive Vice-President Strategy, Development & Public Affairs and a member of the Executive Committee since January 1, 2008. He is a Director of COE Rexecode (France).

Thomas Farrell: Operations Executive Vice-President, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate from Brown University with a PhD from Georgetown University (J.D), Thomas Farrell (born in 1956) began his career as a lawyer with Shearman & Sterling. He joined Lafarge in 1990 as Director of Strategic Studies for the Group. From 1992 to 1994, he managed an operating unit of Lafarge Aggregates & Concrete in France. In 1996, he became Vice-President/General Manager of Aggregates, Concrete & Asphalt Division's operations in South Alberta (Canada). In 1998, he was appointed Chief Executive Officer of Lafarge in India. From 2002 to 2006, he was Executive Vice-President of Lafarge North America Inc. and President of the Aggregates, Concrete & Asphalt Division's operations for Western North America. From 2006 to August 2007, he was President of the Aggregates, Concrete & Asphalt Division in North America. On September 1, 2007, he was appointed Executive Vice-President, Co-President of the Aggregates & Concrete business, and a member of the Executive Committee. On January 1, 2012, he became Operations Executive Vice-President He is a Director of the National Stone Sand and Gravel Association and of the American Road and Transportation Builders Association, both US industry associations.

Jean-Jacques Gauthier: Chief Financial Officer and Executive Vice-President, 61, rue des Belles Feuilles, 75116 Paris, France.

Jean-Jacques Gauthier (born in 1959) joined the Group in February 2001. After graduating in law and economics, he began his career with Arthur Young. Between 1986 and 2001, he held several positions at the Matra group in France and the United States. In 1996, he was appointed Chief Financial Officer of the Franco-British venture Matra Marconi Space and between 2000 and 2001 he served as CFO for Astrium. After joining Lafarge in 2001, Jean-Jacques Gauthier became Chief Financial Officer and a member of the Executive Committee.

Christian Herrault: Operations Executive Vice-President, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate of the École Polytechnique (1972) and the École nationale supérieure des mines de Paris, Christian Herrault (born in 1951) joined the Group in 1985, taking over responsibility for strategy and development at the Bioactivities Unit. Between 1987 and 1992, he acted as Chief Operating Officer for the Seeds Unit, initially in the United States, then in France, and managed the Glutamates business from 1992 to 1994. In 1995, he was appointed Chief Executive Officer of the Aluminates & Admixtures Unit (no longer part of the Group). In 1998, he was appointed Executive Vice-President Organization and Human Resources and joined the Executive Committee. On September 1, 2007, he became President of the Gypsum business. Still a member of the Executive Committee, he is Operations Executive Vice-President since January 1, 2012. He is the Chairman of the Board of Directors of the École des mines de Nantes.

Gérard Kuperfarb: Executive Vice-President in charge of the Innovation function, 61 rue des Belles Feuilles, 75116 Paris, France.

Gérard Kuperfarb (born in 1961) graduated from the École des mines de Nancy (France). He also holds a Master's degree in Materials Science from the École des mines de Paris and a MBA from the école des Hautes Études Commerciales (HEC). He has been with the Group since 1992. He began his career in 1983 as an engineer at the Centre de mise en forme des matériaux of the École des mines de Paris, before joining the Composite materials Division at Ciba group in 1986, where he held sales and marketing functions. In 1989, he joined a strategy consulting firm in Brussels and Paris. He joined Lafarge in 1992 as Marketing Director for the Refractories business then became Vice-President for strategy at Lafarge Specialty Materials. In 1996, he became Vice-President Ready-mix Concrete strategy in Paris. In 1998, he was appointed Vice-President/General Manager for the Aggregates & Concrete business in Southwest Ontario (Canada) before heading the Performance group at Lafarge Construction Materials in North America in 2001. He joined the Aggregates & Concrete Division in Paris as Senior Vice-President Performance in 2002. From 2005 to August 2007, he was President of the Aggregates & Concrete business for Eastern Canada. On September 1, 2007, he became Executive Vice-President, Co-President of the Aggregates & Concrete business and a member of the Executive Committee. Since January 1, 2012, he is Executive Vice-President in charge of the Innovation function.

Eric Olsen: Executive Vice-President Organization and Human Resources, 61, rue des Belles Feuilles, 75116 Paris, France.

Eric Olsen (born in 1964) is a graduate in finance and accounting from Colorado University and holds a Master's degree awarded by the école des Hautes Études Commerciales (HEC). He has been with the Group since 1999. He began his career as a senior auditor with Deloitte & Touche in New York. From 1992 to 1993, he worked as senior associate at Paribas bank in Paris and partner at the consulting firm Trinity Associates in Greenwich, Connecticut, from 1993 to 1999. He joined Lafarge North America Inc. in 1999 as Senior Vice-President Strategy and Development. In 2001, he was appointed President of the Cement Division for Northeast America and Senior Vice-President Purchasing for Lafarge North America Inc. He was appointed Chief Finance Officer of Lafarge North America Inc. in 2004. He was appointed Executive Vice-President for Organization and Human Resources and became a member of the Executive Committee on September 1, 2007.

Alexandra Rocca: Senior Vice-President, Communications of Lafarge, 61, rue des Belles Feuilles, 75116 Paris, France.

Alexandra Rocca (born in 1962) is a graduate of the école des Hautes Études Commerciales (HEC), the Institut d'études politiques in Paris and has a degree in French language and literature. She began her career with the Printemps group from 1986 to 1990, and then joined Air Liquide where, from 1990 to 2001, she was notably in charge of client communications and international brand management, before being appointed Deputy Communications Director of the group. Alexandra Rocca was then Communications Director for Galeries Lafayette from 2001 to 2005. She then joined the Crédit Agricole S.A. group in 2005 to work as Communications Director for LCL (formerly Crédit Lyonnais) before being appointed Head of Communications for the Crédit Agricole S.A. group. Alexandra Rocca has been appointed as Senior Vice-President, Communications of Lafarge, in September 2010. She joined the Executive Committee on January 1, 2012.

Guillaume Roux: Executive Vice-President in charge of the Performance function, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate of the Institut d'études politiques in Paris, Guillaume Roux (born in 1959) joined the Group in 1980 as an internal auditor with Lafarge Ciment, France. He was Chief Financial Officer of the Biochemicals Unit in the United States from 1989 to 1992, before returning to Lafarge headquarters as Project Manager for the Finance department. In 1996, he returned to the United States as Vice-President of Marketing for Lafarge North America Inc. In 1999, he was appointed Chief Executive Officer of Lafarge's operations in Turkey and then in 2001, Executive Vice-President of the Cement Division's operations in South-East Asia. Guillaume Roux joined the Executive Committee when he was appointed Executive Vice-President, Co-President of the Cement business in January 2006. On January 1, 2012, he became Executive Vice-President, in charge of the Performance function.

There are no conflicts of interest affecting members of the Executive Committee between any duties owed to us and their private interests.

To our knowledge, during the previous five years, no member of the Executive Committee has been convicted of fraudulent offences, involved in a bankruptcy, receivership or liquidation, subject to official public incrimination and/or sanctions or disqualified by a court from acting as a Director or from acting in the management or conduct of the affairs of any issuer.

5.4 Compensations and benefits

5.4.1 Compensations paid to Directors – Director's fees

Maximum amount

The General Meeting held on May 6, 2010 set the maximum aggregate amount of Directors' fees at 700,000 euros. The envelope had not been increased since the General Meeting held on May 28, 2001. This increase of 15% of the maximum aggregate amount reflects the Board's willingness to continue to offer Lafarge a high standard of governance with high profile and committed Directors.

Allocation rules

In addition, the Board of Directors adopted on March 24, 2010 the following rules on the allocation of Directors' fees:

- each Director is currently entitled to receive a fixed fee of 17,000 euros per year (increased by 5,000 euros for the Committee Chairmen and by 15,000 for the Vice-Chairman). A Director who is appointed or whose office ends during the course of the year is entitled to 50% of the fixed fee;
- a variable fee of 1,200 euros is payable to each Director for every Board of Directors or Committees meeting attended. Some Directors who must travel from distant locations are eligible for a double variable fee.

2011 Fees

The total amount of Directors' fees paid in 2012 (with respect to the 2011 fiscal year) was 656,500 euros. In 2011 (with respect to the 2010 fiscal year) it amounted to 683,000 euros, while the total amount paid in 2010 (with respect to the 2009 fiscal year) was 609,787 euros.

Directors	DIRECTORS' FEES FOR 2011 PAID IN 2012 *(EUROS)*	DIRECTORS' FEES FOR 2010 PAID IN 2011 *(EUROS)*	DIRECTORS' FEES FOR 2009 PAID IN 2010 *(EUROS)*
Bruno Lafont	25,400	26,600	23,326
Oscar Fanjul	62,400	60,000	45,152
Michel Bon	36,300	37,400	31,407
Philippe Charrier	33,800	33,800	32,562
Bertrand Collomb	25,400	26,600	23,326
Philippe Dauman	48,200	50,600	40,643
Paul Desmarais, Jr.	33,800	38,600	29,098
Gérald Frère	27,800	31,400	26,789
Juan Gallardo	62,600	62,600	63,732
Jérôme Guiraud	31,400	33,800	29,098
Pierre de Lafarge (1)	13,300	30,200	25,635
Colette Lewiner	27,800	14,500	N/A
Michel Pébereau (1)	23,000	41,200	37,528
Hélène Ploix	35,200	38,800	32,910
Baudouin Prot (2)	14,500	N/A	N/A
Michel Rollier	32,600	35,000	30,253
Thierry de Rudder	37,400	36,200	36,025
Nassef Sawiris	55,400	38,600	49,879
Véronique Weill	30,200	15,700	N/A
TOTAL	**656,500**	**683,000** (3)	**609,787** (3)

(1) Directors whose term of office expired on May 12, 2011.
(2) Directors appointed on May 12, 2011.
(3) Including fees paid to Directors whose term of office expired before 2011.

According to the Group's policy, no Directors' fees have been paid with respect to the 2011 fiscal year either to Lafarge S.A. Senior Officers or to Group Executive members for offices they may hold in any Group subsidiary.

The compensation paid to Lafarge Directors with respect to the 2011 fiscal year comprised only fees (excluding Chairman's compensation).

5.4.2 Compensation and benefits paid to the Chairman and Chief Executive Officer

Fixed and variable compensation paid to the Chairman and Chief Executive Officer

Our Remuneration Committee is responsible for submitting to our Board of Directors a remuneration policy for our Chairman and Chief Executive Officer. The Remuneration Committee, in establishing the policy, seeks guidance from outside consultants on the market practices of comparable companies. These Board of Directors decisions are taken with Bruno Lafont not attending the discussion.

The compensation paid to the Chairman and Chief Executive Officer comprises a fixed portion and a performance-related portion.

2011 FIXED COMPENSATION

In 2011, his fixed annual compensation has remained at 950,000 euros.

2011 PERFORMANCE-RELATED PORTION

The performance-related portion could be a maximum of 160% of his fixed compensation. 62.5% of the performance-related pay is based on the financial results of the Group in comparison to objectives set at the beginning of the year, and 37.5% is based on his individual performance also determined by reference to qualitative objectives set at the beginning of the year.

The Board of Directors decided to set the percentage of the 2011 performance-related pay due to our Chairman and Chief Executive Officer at 42.6% of his maximum performance-related portion, which amounts to 648,375 euros, paid in 2012. This percentage refletcs the demanding nature of the Group's financial objectives in 2011's economic environment, but also the achievement by Bruno Lafont of all his individual objectives.

The 2011 financial objectives were:

- evolution of the earnings per share;
- generation of Free cash flow;
- Ebitda;
- Roce (Return on capital employed);
- change in Lafarge's performance compared to competitors.

The 2011 qualitative objectives were related to:

- health and safety;
- beginning of the recovery;
- portfolio improvement;
- development of the management team;
- financial communication;
- definition of sustainability ambitions for 2020.

Long-term incentive based on the Company's performance

On November 5, 2009, the Board of Directors decided to grant a long-term incentive to the Chairman and Chief Executive Officer Bruno Lafont, based on the Company's performance over a period of three to seven years.

Such compensation will be due and payable between 2012 and 2016 insofar as the Company's performance as benchmarked against a group of peer companies in the sector remains in the top half (external performance condition).

Provided this external performance condition is met, the amount of the long-term incentive will depend on the achievement of free cash flow and return on capital employed (Roce) pre-defined objectives over a given period, such objectives corresponding to the Company's strategic objectives as set by the Board and already used in relation to the Group's senior management (internal performance conditions). The amount of the long-term incentive will be reduced by a quarter for each internal performance condition which remains unsatisfied. Each performance condition (external and internal) will be tested every two years over the period until it is declared as being fulfilled.

If all performance conditions are satisfied, the long-term incentive will amount to 1,500,000 euros as positively or negatively adjusted based on the evolution of the total shareholder return since the beginning of 2010 (percentage calculated by taking into account dividend and share price evolution).

A first performance test has been calculated on basis of 2011 results. No payment is due at this stage.

THE COMPENSATION PAID TO OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR 2011 AND 2010 WAS AS FOLLOWS:

	2011 AMOUNT		2010 AMOUNT	
(thousand euros)	DUE	PAID	DUE	PAID
Bruno Lafont, Chairman and Chief Executive Officer				
Fixed compensation	950	950	950	950
Variable compensation	648	796	796	1,016
Exceptional compensation	N/A	N/A	N/A	N/A
Lafarge S.A. Directors' fees	25	27	27	23
Benefits in kind (Company car)	5	5	5	5
TOTAL	**1,628**	**1,778**	**1,778**	**1,994**

STOCK-OPTIONS AND PERFORMANCE SHARES GRANTED IN 2011

The information on stock-options and performance shares granted in 2011 to the Chairman and Chief Executive Officer (as well as their valuation) are detailed in Sections 5.5.2. and 5.5.3. (Stock-Options and Performance Shares plans). The Company considers that these items must not be aggregated with the above compensation because the amount of stock-options and performance shares' valuation at fair value at the grant date is not a compensation paid to the beneficiary.

	2011 GRANT *(number)*	VALUATION *(euros)* *
Bruno Lafont		
Stock-options **	70,000	536,200
Performance shares **	20,000	597,200

* *Stock-options and performance shares fair value are calculated at grant date using the Black & Scholes model. See Notes to the consolidated statements No. 2.24 and 21 (Share-based payments).*

** *These stock-options and performance shares are all subject to performance conditions.*

Employment contract and Severance arrangements for the Chairman and Chief Executive Officer

EMPLOYMENT CONTRACT OF BRUNO LAFONT

At their meeting on July 27, 2011, further to a recommendation by the Corporate Governance Committee, the Board of Directors decided to maintain Bruno Lafont's employment contract and amend said employment contract in order to remove Mr Bruno Lafont's commitment not to leave the Company before June 30, 2011 in consideration for which the dismissal notice period may run up until this date. The Board considers that its decision to maintain Bruno Lafont's employment contract initially entered into on January 1, 1983 is warranted:

- in view of his 29 years' service with the Group (and 24 years' performance of his employment contract until it was suspended in 2006 when he was appointed Chief Executive Officer);
- as it encourages an internal promotion policy allowing for the appointment of Corporate Officers (*mandataires sociaux*) from among experienced senior executives (*cadres dirigeants*) with in-depth knowledge of the industry and markets on which Lafarge operates and for whom the loss of rights deriving from their employment contracts and length of service (e.g., contractual severance compensation under the collective bargaining agreement) would act as a drawback.

In addition, the amendment of the accordingly maintained employment contract will be put to a shareholder vote at the Company's next General Meeting in the scope of the related-party agreements' procedure.

These decisions do not change Bruno Lafont's position in particular with regard to his pension plan or severance compensation entitlement.

SEVERANCE COMPENSATION AND AMENDMENTS TO THE EMPLOYMENT CONTRACT

If Bruno Lafont's contract were to become valid again after his term of office as Chairman and Chief Executive Officer, in the event of dismissal (for any reason other than serious misconduct or gross negligence), he would receive contractual severance compensation, the conditions of which have been reviewed by the Board in order to take into account the Afep-Medef recommendations on the subject.

Such severance compensation would therefore be due only insofar as all terms have been fulfilled:

- the first condition is the event giving rise to the right to severance compensation. The dismissal must take place after a change of control (meaning (i) a change in the Company's capital distribution characterized by the holding by Groupe Bruxelles Lambert and NNS Holding Sàrl of in total, not acting in concert, more than 50% of the Company's voting rights or (ii) the fact that another shareholder or several shareholders acting in concert hold more than 50% of the Company's voting rights) or after a change in the Company's strategy;
- the second condition is performance based. This term will be satisfied and severance compensation would be paid if two of the following three criteria are satisfied. If only one criterion out of the three is satisfied, the condition will only be partially satisfied and only one half of the severance compensation would be paid. If none of the criteria are satisfied, the condition would not be satisfied and no severance compensation would be paid. The three criteria to be satisfied, over the last three fiscal years preceding the employment contract's termination, are as follows:
  - on average, over the last three fiscal years: the after-tax return on invested capital is greater than the Average Weighted Cost of the Capital. Here, the term Average Weighted Cost of the Capital means the sum of the cost of debt multiplied by the total debt divided by the total of the capital and cost of equity multiplied by the equity and divided by the total of capital (Group figures),
  - on average, over the last three fiscal years: the ratio Ebitda/Turnover is strictly greater than 18% (Group figures),
  - on average, over the last three fiscal years: the average percentage of given bonuses under the Employment Contract or the Term of Office is greater than 60% of the maximum bonus.

The amount of such severance compensation is a maximum equal to two years of total gross remuneration received by Bruno Lafont for the most favorable of the three years preceding the date of his dismissal notice. In order to ensure that the total amount of the compensation due to Bruno Lafont in case of a departure is within such limit, such severance compensation would be reduced by the amount of the contractual dismissal compensation due pursuant and in compliance with the terms of the applicable collective bargaining agreement.

A job elimination or a decrease in the level of responsibilities would also constitute a case of dismissal creating a right to dismissal compensation.

Pensions and other retirement benefits for the Chairman and Chief Executive Officer

Bruno Lafont is eligible for a supplementary defined benefits plan (through two collective plans applicable to Senior Management). In principle, a person is eligible for this plan only if he is still working in the Company upon his retirement date or if he ends his career in the Company after 55 years old on the initiative of the latter. As far as Bruno Lafont is concerned, and due to his 29 years of service within the Group, this plan would provide him with a pension equal to 26% of his reference salary (average of the variable and fixed compensation over the last 3 years) in excess of 8 times the annual French social security cap to which an additional 13% would be added in excess of 16 times the annual French social security cap.

In February 2009, the Board of Directors reviewed the recommendations of the Afep-Medef Code, and checked that the estimated pension amount paid to the Chairman and Chief Executive Officer related to these two plans would remain below 40% of his last total cash compensation (variable and fixed). This cap will be applied as the rule adopted by the Board of Directors for any future Corporate Officer.

There is no specific pension plan for Corporate Officers.

SUMMARY

CORPORATE OFFICER	EMPLOYMENT CONTRACT		SUPPLEMENTARY PENSION PLAN		SEVERANCE ARRANGEMENTS PAID OR TO BE PAID IN CASE OF TERMINATION OR CHANGE OF POSITION		NON COMPETITION CLAUSE PAYMENTS	
	Yes	No	Yes	No	Yes	No	Yes	No
Bruno Lafont* Chairman and Chief Executive Officer	✓ (see above)		✓ (see above)		✓ (see above)			✓

* Bruno Lafont was appointed as Director on May 25, 2005, Chief Executive Officer on January 1, 2006 and Chairman and Chief Executive Officer on May 3, 2007. His Director office was renewed by the General Meeting on May 6, 2009.

5.4.3 Total compensation of the Chairman and Chief Executive Officer and Executive Officers in 2011 and 2010, pension and other retirement benefits

THE EXECUTIVE OFFICERS INCLUDE BRUNO LAFONT, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, AND THE MEMBERS OF THE EXECUTIVE COMMITTEE.

	2011	2010
Average number of persons(1)	10.0	10.7
Amount paid (million euros)(2)	8.9	10.1
Pension commitment (million euros)(3)	35.9	30.2

(1) All those who were Executive Officers for the period of the year during which they were Executive Officers.
(2) This amount includes:
- the fixed compensation of Executive Officers for the related year;
- a qualitative performance component, a financial performance component and a collective performance component as the variable portion paid for the preceding year;
- directors' fees paid by Lafarge S.A. to Bruno Lafont.
(3) The evolution of the global commitment between 2011 and 2010 is mainly explained by a normal increase linked to a closer retirement date and by a discount rate fluctuation.

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

5

5.5.1 Grant policy – Performance conditions and holding rule

Grant policy

The objective of the Group's remuneration policy is to reward and retain key talent while providing managers and employees with an opportunity to share in the success of the Group's business through the grant of stock-options and performance shares (free allotment of shares), which are connected to the Group's long-term strategy. Stock-options are granted to senior management and the Chairman and Chief Executive Officer. Performance shares are granted to middle management, expatriates and other employees in recognition of their commitment and achievements for the Group. Since the Board of Directors' meeting held on March 15, 2011, performance shares may also be granted to the Chairman and Chief Executive Officer and senior management.

Stock-options and performance shares are granted by the Board of Directors upon a recommendation of the Remuneration Committee. Grants are made annually, usually during a Board of Directors meeting held in March.

Regarding stock-options, the Group's practice since 2002 is to allocate share subscription options. No discount is applied to the exercise price.

Following the Afep-Medef Code recommendations, the Board of Directors decided to limit the number of stock-options or performance shares attributable to Corporate Officers. Under this rule, the proportion of options and performance shares attributable to Corporate Officers may not exceed respectively 10% of the total amount of options and 10% of the total amount of performance shares granted during any given fiscal year.

Performance conditions

PROPORTION OF OPTIONS OR PERFORMANCE SHARES SUBJECT TO PERFORMANCE CONDITIONS

In line with the Afep-Medef Code, the Group's policy approved by the Board of Directors in 2009 is that all stock options granted to the Chairman and Chief Executive Officer must be conditional upon performance requirements.

This is also the case for performance shares, which may now be granted also to the Chairman and Chief Executive Officer.

All stock options granted to the Chairman and Chief Executive Officer since 2010 are subject to performance requirements (as the Board of Directors did not grant any stock options to the Chairman and Chief Executive Officer in 2009).

In addition stock options and performance shares, granted to members of the Executive Committee are also conditional upon performance requirements, in an increasing proportion since 2003, which reached 100% in 2012.

Stock options and performance shares granted to other employees is also conditional upon performance requirements, in a proportion depending on the employee's level of responsibility. In 2011 and 2012, the proportion of grants subject to performance requirements was at least 25%.

PROPORTION OF THE GRANTS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND EXECUTIVE COMMITTEE MEMBERS WHICH ARE CONDITIONAL UPON PERFORMANCE REQUIREMENTS

	2003 AND 2004	2005 TO 2007	2008	2009	2010	2011	2012
Chairman and Chief Executive Officer and other Corporate Officers	43%	50%	50%	No grant	100%	100%	100%
Executive Committee members	30%	50%	63%	70%	70%	80%	100%

APPLICABLE PERFORMANCE CONDITIONS

Performance shares and stock-options granted in 2012 and 2011 are conditional upon several performance criteria which have been set in advance, and this applies to all beneficiaries.

2011 grants

The performance conditions for 2011 grants are both external and internal. These conditions must be met over a three year period. The level of achievement of each condition is to be measured at the end of 2011, 2012 and 2013 and achievement is calculated as an average of these three years.

The external condition is based on the Group's relative performance compared to its competitors in relation to the following: return on capital employed (Roce), total shareholder return (TSR) and free cash flow (FCF). The Group's relative performance on these three criteria must be within the top tier of the benchmark for the performance condition to be met. If not, entitlement to half of the grant submitted to performance conditions is cancelled.

The internal performance conditions, which apply to the other half of the grant subject to performance conditions, are based on free cash flow (FCF) and return on capital employed (Roce) targets. Three levels have been set for each of these two targets, in line with the Group's strategic plan. The percentage of entitlement to the grant which is subject to performance conditions depends on the level of achievement of each target. The percentages are as follows, for each target: 12.5% if the first level is achieved, 18.75% if the second level is achieved and 25% if the third level is achieved.

The levels set to achieve 100% of the internal performance conditions are ambitious and can represent up to 150% of annual objectives set in the Group's strategic plan.

The proportion of performance shares and stock-options subject to these performance criteria depends on the level of responsibility of the eligible population.

Prior grants

In 2009 and 2010, stock-options granted to members of the Executive Committee and some senior executives were also conditional upon several performance criteria, which were external based on the Group's performance compared to competitors and internal based on free cash flow, return on capital employed, Ebitda or cost reduction targets. These criteria were alternate or combined in part, depending on the grant year and on the level of responsibility of the eligible population. These criteria also applied to stock-options granted to the Chairman and Chief Executive Officer in 2010 (as the Chairman and Chief Executive Officer did not receive any stock-options in 2009). Part of the performance conditions applicable to the grants made in 2010 to the Chairman and Chief Executive Officer as well as to the members of the Executive Committee were not met and the corresponding stock-options have been cancelled.

In 2007 and 2008, stock-options granted to the Chairman and Chief Executive Officer, members of the Executive Committee and some senior executives had for sole performance condition cost reduction targets as part of the Excellence 2008 program.

From 2007 until 2010, the performance condition applicable to stock-options and performance shares granted to employees (other than members of the Executive Committee and some senior executives) was the achievement of cost reduction targets as part of the Excellence 2008 program (for 2007 and 2008 grants) and the Excellence 2010 program (for 2009 and 2010 grants).

All performance conditions based on the cost reduction targets set out in the Excellence programs have been met.

SUMMARY OF THE PERFORMANCE CONDITIONS APPLICABLE TO THE GRANTS OF THE CORPORATE OFFICERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

		Corporate Officers	Executive Committee Members
2007 and 2008	Internal Conditions	"Excellence 2008" cost reduction targets	
2009	External Condition	No grant	Lafarge's relative performance compared to peers (2009, 2010 and 2011 average). If the external condition is not met in 2012, a new test will be implemented in 2013 and 2015.
	Internal Conditions		FCF and Roce targets (2009, 2010 and 2011 average).
2010	External Condition	Lafarge's relative performance compared to peers (2010, 2011 and 2012 average).	
	Internal Conditions	FCF and Roce targets (2010, 2011 and 2012 average).	
2011	External Condition	Lafarge's relative performance compared to peers (2011, 2012 and 2013 average).	
	Internal Conditions	FCF and Roce targets (2011, 2012 and 2013 average). The percentage of entitlement to the grant subject to performance conditions depends on the level of achievement (there are 3 levels for each of the FCF and Roce targets).	
2012	External Condition	Lafarge's relative performance compared to peers (2012, 2013 and 2014 average).	
	Internal Conditions	FCF and Roce targets (2012, 2013 and 2014 average). The percentage of entitlement to the grant subject to performance conditions depends on the level of achievement (there are 3 levels for each of the FCF and Roce targets). Part of the grant of members of the Executive Committee is subject to an internal performance condition relating to 2012 cost reduction targets.	

Holding rule – hedging instruments

The Chairman and Chief Executive Officer is required to hold 50% of shares resulting from the exercise of stock-options for each allocation and 50% of performance shares acquired at the end of the holding period for each allocation, until the shares held by the Chairman and Chief Executive Officer (whatever their origin) represent an aggregate amount equivalent to 3 years of their last fixed pay (based on a calculation taking in account the share price (i) at the time of each exercise of stock-options or (ii) at the end of the holding period for performance shares). This rule is applicable to all exercises of options carried out for options awarded that have not yet been exercised and to all performance shares granted yet to be acquired, until the end of the Chairman and Chief Executive Officer's mandate.

In addition, each member of the Executive Committee is required to (i) invest one third of the net theoretical gain after tax realized upon exercise of his stock purchase or subscription options in Lafarge shares each year and (ii) hold one third of the performance shares acquired at the end of the holding period for each allocation, until each holds in aggregate the equivalent in value of his fixed annual remuneration in Lafarge shares and until the term of his position as member of the Group Executive Committee.

The Chairman and Chief Executive Officer and members of the Executive Committee are not allowed to use hedging instruments in relation to options and performance shares granted.

Insider dealing rules relating to the sale of shares resulting from stock option and performance share plans

Specific insider dealing rules apply to the sale of performance shares and to the sale of shares obtained through the exercise of stock options, when the sale and the exercise are simultaneous. In these cases, Group Executives (including Directors and members of the Executive Committee) are prohibited from trading in the Company's securities during non authorized periods. These periods start twenty days prior to the date of publication of quarterly, half-yearly or annual results and end ten trading days after such publication.

5.5.2 Stock-option plans

Total stock-options outstanding at the end of December 2011 were 8,511,063 representing approximately 2.96% of our outstanding shares on that date.

As of the date of this Registration Document all the stock-option exercise prices of the options attributed and capable of being exercised are above the Lafarge share price.

Main terms

STOCK-OPTION TERMS

All stock-options are valid for a period of 10 years.

The exercise price of options is set as the average of the share price during the twenty trading days preceding the date of grant by the Board of Directors. No discount is applied to the exercise price.

TERMS OF EXERCISE

Stock-options granted are subject to a vesting period. Since December 2001, the vesting period corresponds to 4 years.

This vesting period also applies to the stock-options granted by the Board as part of the LEA 2002 plan (share offering reserved for employees enabling them to subscribe between 1 and 110 shares, with the right to receive one option for every share purchased beginning with the eleventh share).

For stock options granted since 2007, this restriction on availability of the stock options will automatically cease to apply if, within this 4 year period, there is a public offering for Lafarge S.A.'s shares or Lafarge S.A. merges with or is absorbed by another company.

CANCELLATION OF OPTIONS

Stock-options not exercised within 10 years of their date of grant are cancelled.

Since 2007, stock-options are also cancelled in specific circumstances, such as resignation or termination of employment. The right to stock-options may be maintained if the beneficiary's employing company is sold outside the Group.

Fiscal year 2011: stock-options granted to the Chairman and Chief Executive Officer and to largest beneficiaries

The tables below set forth the following information related to Mr Bruno Lafont, Chairman and Chief Executive Officer:

- options granted by Lafarge and Group subsidiaries in 2011;
- options exercised in 2011;
- total number of options outstanding at December 31, 2011.

5

OPTIONS GRANTED IN 2011 TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	PLAN NO. AND DATE OF GRANT	TYPE OF OPTIONS	VALUATION OF OPTIONS PER ACCOUNTING TREATMENT USED IN THE CONSOLIDATED ACCOUNTS * *(EUROS)*	TOTAL NUMBER OF OPTIONS	EXERCISE PRICE *(EUROS)*	EXERCISE PERIOD
Bruno Lafont	OSA 2011 03/15/2011	Subscription	536,200	70,000	44.50	03/15/2015 to 03/14/2021

OPTIONS EXERCISED BY THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	PLAN NO. AND DATE OF GRANT	TOTAL NUMBER OF OPTIONS EXERCISED	EXERCISE PRICE *(EUROS)*
Bruno Lafont	The Chairman and Chief Executive Officer did not exercise any option in 2011		

OPTIONS GRANTED BY US AND OUR CONSOLIDATED SUBSIDIARIES TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER OUTSTANDING AT DECEMBER 31, 2011

	OPTIONS EXERCISABLE AT DECEMBER 31, 2011	OPTIONS NOT EXERCISABLE AT DECEMBER 31, 2011	TOTAL
Bruno Lafont	284,309 *	308,834 *	593,143 *

* *Including options, exercisability of which is conditional upon performance conditions.*

Mr Bruno Lafont, Chairman and Chief Executive Officer, does not use hedging instruments in relation to options granted.

As of the date of this Registration Document all the stock-option exercise prices of the options attributed and capable of being exercised are above the Lafarge share price.

THE FOLLOWING TABLE SHOWS THE TOTAL OF THE TEN LARGEST OPTION GRANTS MADE TO THE GROUP'S EMPLOYEES OTHER THAN THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, AND THE TOTAL OF THE TEN LARGEST OPTION EXERCISES

	TOTAL NUMBER OF OPTIONS GRANTED/SHARES SUBSCRIBED OR PURCHASED	EXERCISE PRICE	PLAN NO.
Options granted during the financial year by the issuer and its consolidated subsidiaries for stock-option grant purposes to the ten employees of the issuer and its subsidiaries having received the largest grants (global information)			
Lafarge	169,500	44.50 euros	OSA 2011 03/15/2011
Shares* subscribed or purchased during the financial year as a result of the exercise of stock-options of the issuer and its consolidated subsidiaries for stock-option grant purposes, by the ten employees of the issuer and its subsidiaries having subscribed or purchased the largest number of shares (global information)			
Lafarge	The Group's employees did not exercise any option in 2011		

* *One share per option.*

Directors, Chairman and Chief Executive Officer and Executive Officers' stock-options

At December 31, 2011, the Directors, Chairman and Chief Executive Officer and Executive Officers (listed in Section 5.3 (Executive Officers)) held 20.68% of unexercised options, of which 6.97% were held by the Chairman and Chief Executive Officer.

Stock-options outstanding in 2011

The total number of shares that could be subscribed or purchased upon exercise of the options, and the exercise price set forth in the following tables have been readjusted since the date of grant to reflect transactions that have affected option value, such as certain increases in the share capital or the issue of performance shares to existing shareholders, to maintain a constant total option value for each beneficiary as provided by law.

OPTIONS TO SUBSCRIBE FOR SHARES GRANTED FROM DECEMBER 13, 2001 TO DECEMBER 16, 2005

	OSA 2001 12/13/2001	OSA 2002-LEA 05/28/2002**	OSA 2002-2 12/11/2002	OSA 2003 12/10/2003	OSA 2004 12/14/2004	OSA 2005 12/16/2005
Allotment authorized by the Shareholders' Meeting of	05/28/2001	05/28/2001	05/28/2001	05/20/2003	05/20/2003	05/25/2005
Date of allotment by the Board of Directors	12/13/2001	05/28/2002	12/11/2002	12/10/2003	12/14/2004	12/16/2005
Type of options	subscription	subscription	subscription	subscription	subscription	subscription
The total number of shares that could be subscribed upon exercise of the options	1,403,607	539,000	545,730	1,427,604	791,575	1,466,294
Of which by Directors and Chairman and Chief Executive Officer						
Bruno Lafont	*12,296*	*124*	*12,296*	*28,925*	*34,709*	*69,418*
Bertrand Collomb	*147,549*	-	-	*92,556*	*46,279*	*46,278*
Initial beneficiaries (total)	1,703	14,364	421	1,732	479	1,916
Available for exercise from	12/13/2005	05/28/2006	12/11/2006	12/10/2007	12/14/2008	12/16/2009
Option exercise period lapses	12/13/2011	05/28/2012	12/11/2012	12/10/2013	12/14/2014	12/16/2015
Exercise price *(euros)*	83.12	87.98	64.38	57.00	61.19	62.78
Total number of options subscribed as at December 31, 2011	**328,717**	**104,831**	**218,427**	**263,473**	**9,134**	**45,975**
Total number of options cancelled or that have lapsed*	**1 074 890**	**5 763**	**8,726**	**55 790**	**35 485**	**74 526**
OPTIONS OUTSTANDING AT DECEMBER 31, 2011	**0**	**428,406**	**318,577**	**1 108 341**	**746 956**	**1 345 793**

* *In accordance with the terms of the plan.*
** *Plan "Lafarge en action 2002".*

OPTIONS TO SUBSCRIBE FOR SHARES GRANTED FROM MAY 24, 2006 TO MARCH 15, 2011

	OSA 2006-1 05/24/2006	OSA 2006-2 05/24/2006	OSA 2007 06/15/2007	OSA 2008 03/26/2008	OSA 2009 03/25/2009	OSA 2010 03/24/2010	OSA 2011 03/15/2011
Allotment authorized by the Shareholders' Meeting of	05/25/2005	05/25/2005	05/03/2007	05/03/2007	05/03/2007	05/06/2009	05/06/2011
Date of allotment by the Board of Directors	05/24/2006	05/24/2006	06/15/2007	03/26/2008	03/25/2009	03/24/2010	03/15/2011
Type of options	subscription	subscription	subscription	subscription	subscription	subscription	subscription
The total number of shares that could be subscribed upon exercise of the options	768,626	171,980	621,865	819,487	744,045	1,203,500	781,980
Of which by Directors and the Chairman and Chief Executive Officer							
Bruno Lafont	*69,418*	-	*69,418*	*138,834*	-	*100,000*	*70 000*
Bertrand Collomb	-	-	-	-	-	-	-
Initial beneficiaries (total)	536	33	169	184	197	596	206
Available for exercise from	05/24/2010	05/24/2010	06/15/2011	03/26/2012	03/25/2013	03/24/2014	03/15/2015
Option exercise period lapses	05/24/2016	05/24/2016	06/15/2017	03/26/2018	03/25/2019	03/24/2020	03/15/2021
Exercise price (euros)	84.42	84.42	110.77	96.18	30.74	51.30	44.5
Total number of options subscribed as at December 31, 2011	**3,050**	**0**	**0**	**0**	**0**	**0**	**0**
Total number of options cancelled or that have lapsed*	**35 853**	**15 785**	**53 205**	**45 217**	**39 115**	**342 193**	**14,075**
OPTIONS OUTSTANDING AT DECEMBER 31, 2011	**729 723**	**156 195**	**568 660**	**774 270**	**704 930**	**861 307**	**767,905**

* *In accordance with the terms of the plan.*

OPTIONS TO PURCHASE SHARES GRANTED

	OAA 2001 12/13/2001
Allotment authorized by the Shareholders' Meeting of	05/27/1999
Date of allotment by the Board of Directors	05/28/2001
Type of options	purchase
The total number of shares that could be purchased upon exercise of the options	14,756
Of which by Directors and Chairman and Chief Executive Officer	
Bruno Lafont	-
Bertrand Collomb	-
Initial beneficiaries (total)	1
Available for exercise from	05/28/2006
Option exercise period lapses	05/28/2011
Exercise price (euros)	88.27
Total number of options purchased as at December 31, 2011	**0**
Total number of options cancelled or that have lapsed*	**14,756**
OPTIONS OUTSTANDING AT DECEMBER 31, 2011	**0**

* *In accordance with the terms of the plan.*

Fiscal year 2012 : Stock-options grant

On March 15, 2012, the Board of Directors granted 789,920 options to subscribe for shares to 214 beneficiaries at an exercise price of 36 euros, out of which 70,000 options were granted to the Chairman and Chief Executive Officer.

5.5.3 Performance share plans

The total number of outstanding performance shares at the end of December 2011 was 679,510, representing approximately 0.24% of our outstanding shares at December 31, 2011.

Main terms

PERFORMANCE SHARE TERMS

Performance shares are definitively allotted to beneficiaries upon expiry of a two-year or three-year vesting period for French tax residents or upon expiry of a four-year vesting period for non-French tax residents. In addition, French tax residents must also hold the performance shares for a further period of 2 years following definitive allotment.

LOSS OF RIGHTS TO THE PERFORMANCE SHARES

Under certain circumstances, such as resignation or termination of employment, the right to performance shares will be lost during the vesting period. The right to performance shares may be maintained if the beneficiary's employer company is sold outside the Group.

Fiscal year 2011: performance shares granted to the Chairman and Chief Executive Officer

Performance shares were granted to the Chairman and Chief Executive Officer for the first time in 2011.

The table below sets out the information relating to the performance shares granted to the Chairman and Chief Executive Officer by Lafarge S.A during fiscal year 2011.

PERFORMANCE SHARES GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN 2011

	PLAN N° AND DATE OF GRANT	NUMBER OF SHARES GRANTED	VALUATION OF SHARES PER ACCOUNTING TREATMENT USED IN THE CONSOLIDATED ACCOUNTS *(EUROS)*	DATE OF VESTING	DATE OF DEFINITIVE ALLOTMENT	PERFORMANCE CONDITIONS
Bruno Lafont	AGA 2011 05/12/2011	20,000	29.86	05/12/2014	05/12/2016	100 % of the shares granted are subject the performance conditions, as described above

Fiscal year 2011: performance shares granted to largest beneficiaries

TOTAL OF THE TEN LARGEST PERFORMANCE SHARES GRANTS MADE TO THE GROUP'S EMPLOYEES OTHER THAN THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	TOTAL NUMBER OF OPTIONS GRANTED/ SHARES SUBSCRIBED OR PURCHASED	PLAN
Performance shares granted during the financial year by the issuer and its consolidated subsidiaries for performance shares grant purposes to the ten employees of the issuer and its subsidiaries having received the largest grants (global information)		
Lafarge	17,775	AGA 2011 03/15/2011

Performance shares plans outstanding in 2011

PERFORMANCE SHARES GRANTED FROM JUNE 15, 2007 TO MAY 12, 2011

	AGA 2007 06/15/2007	AGA 2008 03/26/2008	AGA 2009 03/25/2009	AGA 2010 03/24/2010	AGA 2011 03/15/2011	AGA 2011 05/12/2011
Allotment authorized by the Shareholders' Meeting of	05/03/2007	05/03/2007	05/03/2007	05/06/2009	05/06/2009	05/12/2011
Date of allotment by the Board of Directors	06/15/2007	03/26/2008	03/25/2009	03/24/2010	03/15/2011	05/12/2011
Performance shares initially granted (total)	143,090	52,250	230,758	169,605	328,755	20,000
Of which to Directors and Chairman and Chief Executive Officer						
Bruno Lafont	-	-	-	-	-	*20,000*
Bertrand Collomb	-	-	-	-	-	-
Initial beneficiaries (total)	2,040	628	2,461	2,032	2,257	1
French tax residents	*741*	*201*	*693*	*547*	*516*	*1*
Non-French tax residents	*1,299*	*427*	*1,768*	*1,485*	*1,741*	*0*
Date of definitive allotment						
French tax residents	*06/15/2009*	*03/26/2010*	*03/25/2011*	*03/24/2012*	*03/15/2014*	*05/12/2014*
Non-French tax residents	*06/15/2011*	*03/26/2012*	*03/25/2013*	*03/24/2014*	*03/15/2015*	*N/A*
Date performance shares can be transferred						
French tax residents	*06/15/2011*	*03/26/2012*	*03/25/2013*	*03/24/2014*	*03/15/2016*	*05/12/2016*
Non-French tax residents	*06/15/2011*	*03/26/2012*	*03/25/2013*	*03/24/2014*	*03/15/2015*	*N/A*
Performance shares cancelled*	**15,835**	**4,875**	**19,698**	**12,695**	**8,500**	**0**
Performance shares definitively alloted at December 31, 2011*	**127,255**	**16,470**	**59,620**	**0**	**0**	**0**
PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2011	**0**	**30,905**	**151,440**	**156,910**	**320,255**	**20,000**

* *According to the plan rules.*

Directors, Chairman and Chief Executive Officer and Executive Officers' performance shares

At December 31, 2011, the Directors, Chairman and Chief Executive Officer and Executive Officers (listed in Section 5.3 (Executive Officers)) held 5.26% of the performance shares granted by the Group (whether defintively alloted or not), of which 2.94% were held by the Chairman and Chief Executive Officer.

Fiscal year 2012: Performance shares grant

On March 15, 2012, the Board of Directors granted 483,967 performance shares to 1,950 beneficiaries, of which 20,000 were granted to the Chairman and Chief Executive Officer.

5.6 Share ownership

5.6.1 Directors, Chairman and Chief Executive Officer and Executive Officers share ownership

The Directors, Chairman and Chief Executive Officer and Executive Officers (listed in Section 5.3) held together 0.07% of our share capital and 0.10% of voting rights at December 31, 2011.

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

The following transactions in Lafarge shares were carried out by our Directors, Chairman and Chief Executive Officer and Executive Officers in 2011:

NAME	NATURE OF TRANSACTION	UNIT PRICE *(EUROS)*	TOTAL AMOUNT OF TRANSACTION *(EUROS)*	TYPE OF FINANCIAL INSTRUMENT	PLACE OF TRANSACTION	DATE OF TRANSACTION
Philippe Charrier	Acquisition	44.7139	90,064.76	Lafarge shares	Euronext Paris	March 4, 2011
Jean-Carlos Angulo	Subscription	36.98	11,094.00	Lafarge shares	Euronext Paris	July 29, 2011
Jean Desazars de Montgailhard	Subscription	36.98	5,177.20	Lafarge shares	Euronext Paris	July 29, 2011
Thomas Farrell	Subscription	36.98	9,245.00	Lafarge shares	Euronext Paris	July 29, 2011
Jean-Jacques Gauthier	Subscription	36.98	3,698.00	Lafarge shares	Euronext Paris	July 29, 2011
Christian Herrault	Subscription	36.98	11,648.70	Lafarge shares	Euronext Paris	July 29, 2011
Gérard Kuperfarb	Subscription	36.98	3,698.00	Lafarge shares	Euronext Paris	July 29, 2011
Isidoro Miranda	Subscription	36.98	9,245.00	Lafarge shares	Euronext Paris	July 29, 2011
Eric Carl Olsen	Subscription	36.98	25,886.00	Lafarge shares	Euronext Paris	July 29, 2011
Guillaume Roux	Subscription	36.98	554.70	Lafarge shares	Euronext Paris	July 29, 2011
Isidoro Miranda	Acquisition	28.435	4,265.25	Lafarge shares	Euronext Paris	August 31, 2011
Michel Bon	Acquisition	26.0831	32,671.00	Lafarge shares	Euronext Paris	September 20, 2011

5.7 Implementation of the principle "Comply or Explain" of the Afep-Medef Code

The summary table below is a list of main exceptions to recommendations of the Afep-Medef Code.

RECOMMENDATIONS AFEP – MEDEF	LAFARGE'S POSITION – EXPLANATIONS	REFERENCE
Summary table of the compensations added to the options and shares granted to the CEO	The total compensation paid to the CEO is not added to the valuation of options and performance shares granted to him	5.4.2 – Summary table and subsequent paragraph
Independence criteria of the Directors	The recommended 12-year limitation on length of service as Director is ruled out	5.1.3 – paragraph "Independence Criteria"
Employment contract of the legal representative	The employment contract of the CEO is maintained	5.4.2 – paragraph "Employment contract and Severance arrangements for the Chairman and Chief Executive Officer"

6 SHAREHOLDERS AND LISTING

6.1 Major shareholders and share capital distribution

The following tables set out, to the best of our knowledge, the principal holders of Lafarge S.A.'s share capital at December 31, 2011 and 2010, their percentage ownership and geographic distribution:

6.1.1 Major shareholders

	2011				2010			
At December 31,	Number of shares held	Number of votes held	% of total shares issued	% of total voting rights	Number of shares held	Number of votes held	% of total shares issued	% of total voting rights
Groupe Bruxelles Lambert	60,307,265	109,614,530	20.9	27.4	60,307,265	90,568,625	21.1	24.6
NNS Holding Sàrl	40,063,011	79,853,128	13.9	19.9	39,827,277	69,862,917	13.9	19.0
Dodge & Cox	17,214,899	24,077,032	5.9	6.0	13,405,899	20,165,524	4.7	5.5
Southeastern Asset Management, Inc.	14,846,018	14,846,018	5.2	3.7	-	-	-	-
Other institutional shareholders*	121,255,950	129,545,022	42.4	32.4	140,687,036	148,758,866	49.1	40.5
Individual shareholders	33,326,927	41,847,772	11.6	10.5	31,862,744	37,928,003	11.1	10.3
Treasury shares	233,448	233,448**	0.1	0.1	363,558	363,558**	0.1	0.1
TOTAL	**287,247,518**	**400,016,950**	**100.0**	**100.0**	**286,453,779**	**367,647,493**	**100.0**	**100.0**

Source: King Worldwide.
* *Including 51,581 Lafarge S.A. shares currently held by Cementia Holding AG for the benefit of shareholders who have not yet requested the delivery of their Lafarge S.A. shares, following the squeeze-out procedure carried out by Lafarge S.A. in 2002 with respect to the Cementia Holding AG shares.*
** *Theoretical voting rights; at a General Meeting these shares bear no voting right.*

6.1.2 Share capital distribution

DISTRIBUTION BY TYPE OF SHAREHOLDER

	%
Individual shareholders*	11.6
Treasury shares	0.1
French institutions	15.7
Non-French institutions	72.6
TOTAL	**100.0**

* Including 1.77% of the share capital held by Group employees.

Based on our knowledge, eight institutional shareholders held between 1% and 4% of our outstanding shares at December 31, 2011. Of these institutional shareholders, seven held between 1% and 2% of our shares and 1 held between 2% and 3% of our shares.

GEOGRAPHICAL DISTRIBUTION

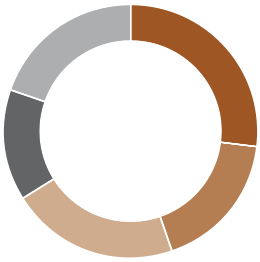
At December 31,	2011		2010	
	Number of shares held	% of total shares issued	Number of shares held	% of total shares issued
France	78,141,197	27.2	79,421,530	27.7
Belgium*	61,844,821	21.5	63,824,239	22.3
United States of America	50,583,969	17.6	43,269,341	15.1
Luxembourg**	40,880,143	14.2	41,310,813	14.4
Rest of the World	55,797,388	19.5	58,627,856	20.5
TOTAL	**287,247,518**	**100.0**	**286,453,779**	**100.0**

Source: King Worldwide.

* *Including shares held by Groupe Bruxelles Lambert.*

** *Including shares held by NNS Holding Sàrl.*

GEOGRAPHICAL DISTRIBUTION



	%
France	27.2
United States of America	17.6
Belgium	21.5
Luxembourg	14.2
Rest of the world	19.5
TOTAL	**100.0**

6.1.3 Pledge of our shares

25,838,437 of our shares held in registered form were pledged at December 31, 2011, representing 9% of our share capital and 13% of our voting rights. 99.75% of these pledged shares were held by NNS Holding Sàrl.

6

6.2 Shareholders' agreement

Shareholders' agreement with the Sawiris family and NNS Holding Sàrl

A 10-year shareholders' agreement was entered into with certain members of the Sawiris family and NNS Holding Sàrl on December 9, 2007, following the acquisition of Orascom Cement (the cement activity of Orascom Construction Industries S.A.E., acquired by the Group on January 23, 2008). This agreement contains certain commitments regarding the shares issued for their benefit as a result of the reserved capital increase of 2008.

In particular, the shareholders' agreement contained (i) a lock-up commitment of four years (with limited exceptions) followed by a three-year period for phased disposals; (ii) a standstill commitment for a four-year period not to acquire more than 8.5% of the share capital in addition to their current shareholding, such holding in any case not to exceed a total of 20% of the share capital or any other higher level of shareholding that would come to be held by another shareholder acting alone or in concert; and (iii) a commitment not to act in concert with a third party in relation to Lafarge S.A. shares for a 10-year period.

In consideration of these commitments, the Company has undertaken to make its best efforts to ensure that NNS Holding Sàrl is entitled to nominate two of its representatives as members of the Board of Directors as long as NNS Holding Sàrl and the Sawiris family together hold more than 10% of the share capital of the Company and comply with all their obligations under this agreement.

From March 27, 2012 onwards, the shares held by NNS Holding Sàrl and certain members of the Sawiris family will no longer be subject to the lock-up commitment and acquisitions of Lafarge S.A. shares will be unrestricted. The only remaining covenants will be information covenants as well as the commitment not to act in concert with a third party.

6.3 Threshold notifications imposed by law and declarations of intent

Groupe Bruxelles Lambert

In 2011, Groupe Bruxelles Lambert declared having exceeded the threshold of 25% of Lafarge S.A. voting rights on April 28, 2011 and holding 60,307,265 Lafarge S.A. shares representing 109,614,530 voting rights (corresponding to 21.05% of the share capital and 28.46% of the voting rights), as a result of the allotment of double voting rights.

It was specified that there was no financing or securities borrowing associated to this threshold crossing as it resulted from the allotment of double voting rights and Groupe Bruxelles Lambert confirmed that it was not party to any agreement for the temporary transfer of its Lafarge S.A. shares or voting rights.

As part of this notification, Groupe Bruxelles Lambert declared that it was acting in concert with those controlling Groupe Bruxelles Lambert (legal presumption) but not with any other third party, that it was not contemplating further acquisitions (without excluding the possibility of arbitrage) and that it had no intention of taking control of Lafarge S.A.

Groupe Bruxelles Lambert also confirmed supporting the strategy of the Board of Directors of Lafarge S.A., that it had no intention of either soliciting the appointment of additional Directors other than its existing three representatives to the Lafarge Board of Directors or implementing the transactions listed in paragraph 6 of article 223-17 of the general regulations of the AMF, ie any of the following:

- merger, restructuring, liquidation or transfer of a substantial part of the Company's assets, or of any controlled person as defined by article L. 233-3 of the French Code of Commerce;
- change to the Company's articles of association;
- change to the Company's business;
- delisting of a category of securities issued by the Company;
- issue of Lafarge S.A. securities.

In 2010, Groupe Bruxelles Lambert declared having fallen below the 25% threshold of the voting rights of Lafarge S.A. on June 17, 2010 and holding 60,307,265 Lafarge S.A. shares representing 85,762,580 voting rights (corresponding to 21.05% of the share capital and 23.85% of the voting rights).

NNS Holding Sàrl and Nassef Sawiris

In 2011, Mr Nassef Sawiris declared having exceeded the threshold of 20% of Lafarge S.A. voting rights on April 28, 2011, acting in concert with NNS Holding Sàrl (the Sawiris family holding company) and holding in concert 40,297,995 Lafarge S.A. shares representing 80,126,943 voting rights (corresponding to 14.07% of the share capital and 21.14% of the voting rights), as a result of the allotment of double voting rights.

It was specified that since the threshold was crossed as a result of the allotment of double voting rights, as opposed to the acquisition of shares, there was no financing or securities borrowing associated to this threshold crossing.

NNS Holding Sàrl and Nassef Sawiris declared acting in concert, it being specified that as a result of the shareholders agreement of December 9, 2007 entered into between Lafarge S.A. and NNS Holding Sàrl, they had undertaken not to act in concert with any third party (with the exception of members of Nassef Sawiris' family and related companies) for the duration of the shareholders agreement (10 years).

NNS Holding Sàrl and Nassef Sawiris also declared reserving their right to proceed to further acquisitions (within the limits set by the shareholders agreement of December 9, 2007, described further in 6.2 Shareholder agreement with the Sawiris family and NNS Holding Sàrl), having no intention of taking control of Lafarge S.A. and renewing their support to the management of the Company.

NNS Holding Sàrl and Nassef Sawiris further declared that they were not party to any agreement for the temporary transfer of Lafarge S.A. shares or voting rights and had no project for any:

- merger, restructuring, liquidation or transfer of a substantial part of the Company's assets;
- change to the Company's articles of association or business;
- delisting of a category of securities issued by the Company;
- issue of Lafarge S.A. securities;
- request for the appointment of further Board members.

In addition, it was noted for information that a cash-settled share forward transaction had been entered into by NNS Holding (Cayman), the indirect majority shareholder of NNS Holding Sàrl. This forward transaction, which allows for early termination, does not give NNS Holding (Cayman) any right to Lafarge S.A. shares nor voting rights in the Company.

In 2010, Mr Nassef Sawiris declared having exceeded the threshold of 15% of the voting rights in Lafarge S.A. on March 27, 2010, acting in concert with NNS Holding Sàrl (the Sawiris family holding company) and holding in concert as at March 31, 2010 39,828,948 Lafarge S.A. shares representing 65,362,911 voting rights (corresponding to 13.90% of the share capital and 17.75% of the voting rights), as a result of the allotment of double voting rights.

As part of this notification, NNS Holding Sàrl and Nassef Sawiris made declarations of intent similar to the ones made in 2011 as set out above.

Dodge & Cox

In 2011, Dodge & Cox, acting for client accounts, declared having exceeded the 5% threshold of the share capital of Lafarge S.A. on August 30, 2011 and holding for the accounts of the above mentioned clients 14,375,379 shares representing 21,135,004 voting rights, corresponding to 5.04% of the share capital and 5.33% of the voting rights of Lafarge S.A. This threshold crossing results from the acquisition of Lafarge S.A. shares on the market.

In 2010, Dodge & Cox, acting for client accounts, declared having exceeded the 5% threshold of the voting rights of Lafarge S.A. on January 11, 2010, and holding for the accounts of the above mentioned clients 12,942,274 Lafarge S.A. shares representing 19,626,899 voting rights corresponding to 4.52% of the share capital and 5.83% of the voting rights as a result of the allotment of double voting rights.

Southeastern Asset Management, Inc.

In 2011, Southeastern Asset Management, Inc., acting for client accounts, declared having exceeded the 5% threshold of the share capital of Lafarge S.A. on

November 24, 2011 and holding for the accounts of the above mentioned clients 14,846,018 shares representing 14,846,018 voting rights, corresponding to 5.17% of the share capital and 3.75% of the voting rights of Lafarge S.A. This threshold crossing results from the acquisition of Lafarge S.A. shares on the market and off market.

Southeastern Asset Management, Inc., did not notify any threshold crossing during 2010.

Others

To our knowledge, there is no shareholder holding more than 5% of our share capital or voting rights other than those mentioned above.

6.4 Employee Share Ownership

As at December 31, 2011, Lafarge employees held 1.77% of the share capital and 2.14% of voting rights. The employee savings fund *Lafarge 2000* represented 0.52% of the share capital and the balance was held by employees in direct ownership (registered account).

Employee Stock Ownership Policy

Since 1961, date of the first share offering reserved for employees, Lafarge has developed an active employee share ownership program. The Group is convinced that being both an employee and a shareholder strengthens the tie with the Company and wishes to provide this opportunity on a regular basis to the largest possible number of employees on a worldwide basis.

Lafarge launched six employee stock ownership programs called *"Lafarge en action"* (LEA) since 1995, enabling employees participating in these plans to subscribe to Lafarge S.A. shares, with a discount and an employer matching contribution. The amount of the employer contribution, applied to the first shares purchased, depends on the gross domestic product of the relevant country. The shares are subject to a five year holding period save for early unblocking events.

The plans launched in 1995 and 2002 gave employees the additional right to receive one option for every share purchased beginning with the eleventh share.

Lafarge also set up an employee savings fund in 1990 for its French employees, part of the Group Savings Plan, called *Lafarge 2000,* and under which participating employees can contribute to a savings plan linked to the value of the Lafarge S.A. shares and benefit from an employer contribution.

LEA 2011 – Share capital increase for employees

On May 12, 2011, the Board of Directors, acting by virtue of a delegation of the Annual Shareholders Meeting of May 12, 2011, decided on the terms of the LEA 2011 scheme. The goal of this employee stock ownership plan was to reach all employees of Lafarge, meaning that it was offered in all countries where it was legally feasible. The subscription price for the shares was set at 36.98 euros, corresponding to 80% of the reference price calculated on the basis of the average opening share price on Euronext Paris S.A. over the twenty trading days preceding May 12, 2011. With LEA 2011, each employee was offered the possibility to subscribe for Lafarge S.A. shares while benefiting from a matching contribution from their employer on the first 15 shares purchased. The share capital increase reserved to eligible employees was realized on July 29, 2011; the total amount of the share capital increase was 3,174,956 euros, corresponding to the issuance of 793,739 shares. The subscription rate was 44%.

In the case where it was not possible to offer the LEA program in a country, employees could subscribe to an alternative plan providing the same economical benefits.

Summary table

The following table sets out the main terms of employee stock ownership plans:

	LEA 2011	LEA 2009	LEA 2005	LEA 2002	LEA 1999	LEA 1995
Number of countries covered	58	55	46	47	33	21
Number of eligible employees	57,588	70,085	51,150	53,818	40,570	20,113
Subscription rate	44%	53.0%	48.8%	53.3%	51.6%	74.6%
Total number of shares subscribed	793,739	1,101,834	576,125	708,718	493,954	482,582
Maximum number of shares offered to each employee	Unlimited*	Unlimited*	110	110	110	110
Subscription price *(euros)*	36.98	48.80	57.31	81.84	73.17	39.94
Associated stock-option grant	No	No	No	Yes	No	Yes
TOTAL NUMBER OF STOCK-OPTIONS GRANTED	**N/A**	**N/A**	**N/A**	**437,373**	**N/A**	**331,060****

** Except for local regulations.*
*** These stock-options may no longer be exercised.*

6

6.5 Listing

Listing on NYSE Euronext (Paris)

The Company's shares are listed on NYSE Euronext (Paris), under code ISIN FR0000120537 and symbol "LG".

Lafarge's shares are traded on the Paris stock exchange since 1923 and have been part of the French CAC 40 index since its creation on December 31, 1987.

All of our shares are subject to the same voting right conditions, except for our treasury shares, which at General Meetings bear no voting rights, and our shares held in registered form for over two years, which carry double voting rights.

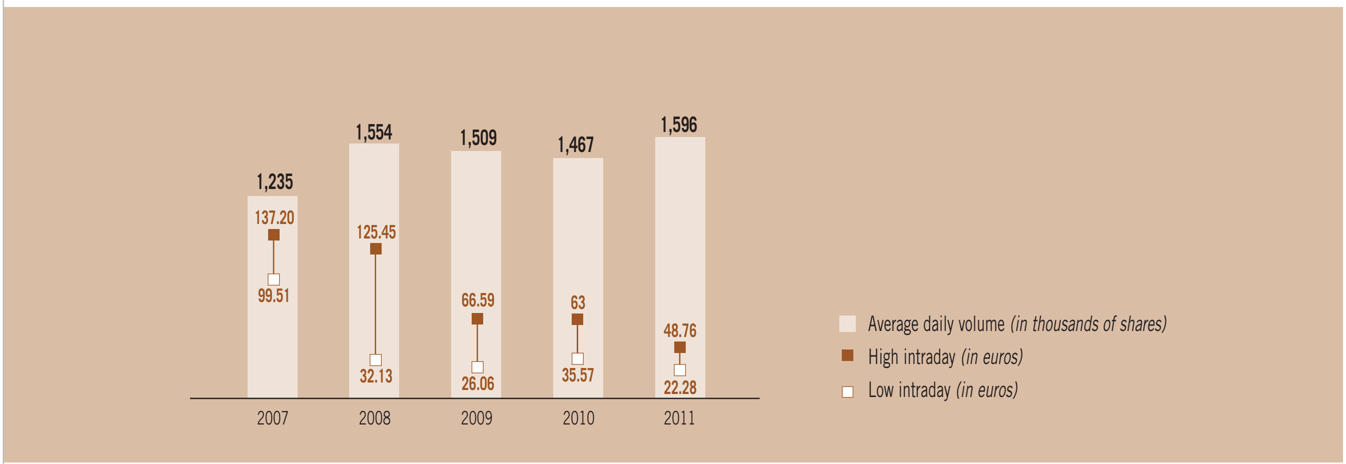
See Section 8.5 (Articles of association (statuts))

Transactions and market capitalization

Our market capitalization totalled 7.8 billion euros at December 31, 2011.

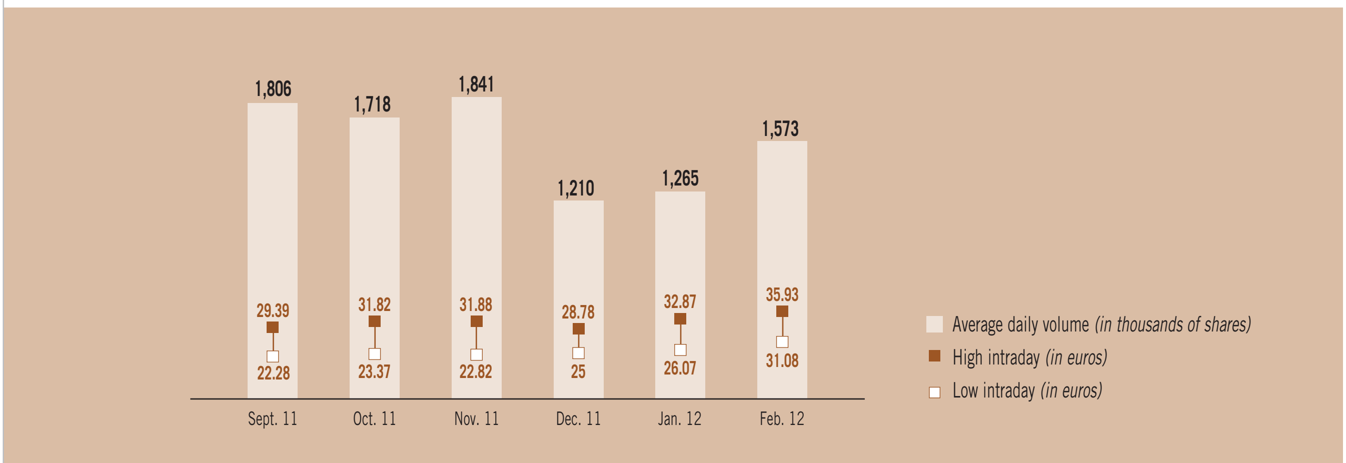
The following tables show the volume and high and low closing price of our shares of common stock, as reported by NYSE Euronext (Paris).

FIVE MOST RECENT FINANCIAL YEARS



Source: NYSE Euronext (Paris).

THE LAST SIX MONTHS



Source: NYSE Euronext (Paris).

American Depository Receipts (ADRs) Program

Lafarge voluntarily delisted its American Depository Receipts (ADRs) from the New York Stock Exchange on September 13, 2007. The delisting became effective on September 24, 2007. Since its delisting, the Lafarge ADR program has been maintained and ADRs continue to be traded over the counter (level one program).

Each ADR represents a quarter of a share. As of December 31, 2011, 5,864,427 ADRs existed.

Since October 8, 2007, Lafarge is deregistered from the Securities and Exchange Commission.

7 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

7

7.1 Introduction

7.1.1 Introduction

This year we present for the first time our most important sustainable development indicators together with our financial results. This type of reporting mirrors the trend of integrating sustainable development into the business and therefore they are reported together. Regulatory reporting is moving in the same direction and this report precedes by one year the «Environmental Grenelle» timeline (new French regulations relating to sustainable development). For many years Lafarge has published a separate Sustainability Report, but with the integration of the data into this Registration Document, plus an expansion of other sustainable development information on our web site, we are not publishing a separate Sustainable Development report for 2011. The comments from our independent Stakeholder Panel that have traditionally appeared in our Sustainability Report will now be available on our web site.

Lafarge has continued to improve in 2011 by being focused on our global priorities while accelerating our actions within each country where we operate.

The difficult economic context of 2011 did not slow our progress in achieving our 2012 set of ambitions. In 2011, we have been ranked 10th by the Carbon Disclosure Project, one of the highest rankings of any industrialized company and as we did the year before, once again, obtained an A+ Reporting from Global Reporting Initiative (GRI).

Lafarge announced its new CO_2 objectives for 2020: in 2010, after fulfilling our previous goal for 2011, we have committed to reduce our net emissions by 33% in 2020 (compared to 1990 baseline), and in addition have included specific targets on innovation and sustainable construction.

In order for Lafarge to accelerate its contribution towards a more sustainable world, more than half of our Research and Development effort has been devoted to sustainable development this year. We have extended our offer of low carbon materials/products and solutions and have developed products that provide more comfort, energy efficency, or aesthetic with sustainable products such as Hydromedia, a new generation concrete that allows for better rain water management. We have also opened laboratories devoted to sustainable construction in India and China.

Our social and societal actions were recognized in 2011 by Boursorama. In 2011 we have continued work on a tool to measure our socio-economic impact around our sites and have launched some pilot projects on affordable housing. In order to address young people unemployment, we have been increasing the number of student apprentices we employ in order to give them work experience. Lafarge continues to fulfill its obligations as a signatory to United Nations Global Compact through the implementation of its 10 principles*.

We have continued our trend towards reaching our Diversity and Health and Safety targets. Although we cannot be satisfied until we reach zero fatalities, progress has been made in making our activities safer. Our program to improve diversity through an atmosphere of inclusion is starting to gain some momentum as the number of senior executive women has risen to almost 16%.

Having reached the term of its 2007-2012 ambitions, Lafarge has projected itself into the year 2020 and a new set of ambitions will be released in June 2012. Through an interactive process that can only be achieved through trust developed over many years, we have worked extensively with our stakeholder panel, our social partners and our long time partners, WWF and Care.

Our commitment to sustainability is more than ever enshrined in our DNA and we intend to play a leading role for the industry and in particular the Construction Material sector in the coming years. The life cycle analysis of our products, the solutions to provide affordable housing, and the major role that we can take in local economic development and job creation around our sites will be at the heart of our priorities.

To improve the accessibility of key data presented in the body of this chapter as well as other indicators that comprise GRI and WBCSD CSI (World Business Council for Sustainable Development - Cement Sustainability Initiative) reporting, a data table has been included as Section 7.7 of this chapter. As described more fully in the Reporting Methodology Section 7.8, Ernst & Young performed a review on the statements and data presented in this Chapter 7, including a selection of important quantitative indicators as indicated in the Reporting Methodology section of this chapter, in order to issue a limited assurance report. Ernst & Young's report can be found in Section 7.9.

* *Business should (1) support and respect the protection of internationally proclaimed human rights; (2) make sure that they are not complicit in human rights abuses; (3) uphold the freedom of association and the effective recognition of the right to collective bargaining; (4) support the elimination of all forms of forced and compulsory labor; (5) support the effective abolition of child labour; (6) support the elimination of discrimination with respect to employment and occupation; (7) support a precautionary approach to environmental challenges; (8) undertake initiatives to promote greater environmental responsibility; (9) encourage the development and diffusion of environmentally friendly technologies; (10) work against corruption in all its forms, including extortion and bribery.*

7.1.2 Ambitions

Target	Deadline	2011 Performance	2010 Performance	Why is Lafarge pursuing this ambition? What will change? How are we progressing against this ambition?
Management				
On **safety,** reduce the employee Lost Time Injury Frequency Rate (LTIFR) for Lafarge employees to 0.94 or below in 2010.	2010	0.63	0.76	We continue to make progress with both our own employees and with contractors. Our contractor's LTIFR has also improved to the point where it also is better than the original target we set for our own employees.
Continue to check the implementation of our **Competition compliance program** in our business units. 100% of all significant business units tested for compliance by end of 2010.	2010	96%	96%	In past years we have reported on the implementation of our competition compliance program in all countries where we operate, with a special emphasis on competition trainings and verification of proper implementation by our business units. We now continue to follow-up this worldwide program with a self-assessment competition compliance questionnaire, which also includes Code of Business Conduct matters (such as anti-corruption rules). 100% of our operations submitted this survey in 2011, allowing the Group to consolidate all results and monitor compliance with our high business ethics standards. Further tools will be established in 2012, including a worldwide e-learning dedicated to Code of Business Conduct at large.
Manage and improve our **local stakeholder relationship management** by:				Training workshops focus on the key drivers for stakeholder engagement: Cement Plant Managers and Aggregates & Concrete (A&C) Area/Regional Managers. In 2011, over 260 people participated in trainings dedicated to this topic. For A&C, there is an improvement from the 22% reported in 2009 (no figure was reported for 2010 due to realignment undertaken during that year). The slight decrease for trained Cement Plant Managers reflects a change in personnel. The other objectives have been previously completed.
■ training 100% of units in the local stakeholder relationship methodology;	2012	Cement: 76% A&C: 80%	Cement: 81%	
■ full reporting of the three new indicators;	2009		done	
■ three additional targets (undertaking self-assessment on stakeholder relationships, launching a dedicated intranet site and providing an internal audit screening tool) were completed in 2009.				
On **customers**, by 2012, the Group will achieve €3bn annual sales in new products.	2012	€2.3bn	€1.9bn	Although all sales were affected by the recession, sales of new products showed more resilience in the developed countries where they are primarly sold.
Reach 20% of **women in senior and executive management** (Lafarge grades 18+) by 2012.	2012	15.8%	13.5%	At end of 2011, 15.8% of positions in senior management were held by women, a 16% improvement over 2010. Although it may be difficult for us to reach our target of 20% by end-2012, our program of inclusion which is used to attract and maintain women in both senior management and throughout the organization is making great progress.
Social				
By end 2010, establish a comprehensive Group-wide occupational health program including, at a minimum, regular medical examinations.	2010	Completed	Plan rolled-out	A protocol for Health Assessment (HASOP) has been developed and broadened in all business units to provide a standardized approach to risk-based medicals. This protocol will ensure that the relevant occupational and personal health risks are identified and managed. Assessments are now under implementation at business units level, and should be finished by 2014.

	Target	Deadline	2011 Performance	2010 Performance	Why is Lafarge pursuing this ambition? What will change? How are we progressing against this ambition?
●	For HIV/AIDS and malaria, by end 2010, Lafarge will have extended to major emerging countries where it operates, its best practice implemented in Africa.	2010	Completed	Completed	Based on its experience in Africa, the Group has developed a manual and user guide to assess and manage relevant public health issues. Our public health methodology has been extended to Russia and Ukraine, where we have broadened our approach to reflect better the public health issues that are prevalent in these countries.
	Environment				
○	Have 100% of our sites **audited environmentally** within the last four years.	Permanent	88%	89%	We need to progress further to reach this objective.
●	By end 2010 reach a rate of 85% of **quarries with a rehabilitation plan** complying with Lafarge standards.	2010	86%	84.5%	We have reached this objective in 2011.
◐	By end of 2010, all our quarries will have been screened according to a criteria validated by WWF International.	2010	97%	91% [3]	Building on the screening program, in 2011 Lafarge mapped the location of all its quarries and screened them to confirm locations that are inside internationally protected areas or within 500m of them using IBAT (Integrated Biodiversity Assessment Tool).
○	Sites in sensitive areas [1] will have developed a site **biodiversity** program by 2012.	2012	49%		Use of the IBAT tool resulted in a reassessment of the list sites in sensitive areas.
●	■ By end 2010, cut our worldwide net [2] CO_2 emissions per ton of cementitious by 20% compared to 1990. During 2011, a new objective of reduction of 33% vs 1990 by 2020 was set.	2010	(23.3%)	(21.7%)	Our new CO_2 emission reductions objective was made public in June 2011 after having widely consulted our stakeholders and our partner WWF. By end of 2011, we have made significant progress, in line with our new objective.
●	Cut our **dust emissions** in cement plants by 30% over the period 2005-2012.	2012	(38.9%)	(33.5%)	Although cement plants generate dust, we have continued to make significant progress in lowering emissions through revamping or replacing less efficient air pollution control devices.
●	Cut our **NO_x emissions** in our cement plant by 20% over the period 2005-2012.	2012	(33.4%)	(26.2%)	NO_x is emitted from virtually every combustion, including cement manufacture. Since achieving our targeted reduction in 2009 we have continued to implement NOx abatement technologies such as SNCR (Selective non catalytic reduction) and many of our newer kilns are designed with low-NO_x precalciners.
●	Cut our **SO_2 emissions** in our cement plant by 20% over the period 2005-2012	2012	(51.3%)	(52.0%)	SO_2 can be another unwanted product of some cement kilns. After reducing emissions by around 50% since 2007; in 2011 we started to install abatement systems whose reductions will be seen in future years.
●	By end 2010 have a baseline for **persistent pollutants** in our cement plants for 100% of kilns and reinforce our Best Manufacturing Practices to limit emissions	2010	100%	100%	Persistent pollutants are emitted by cement kilns. Lafarge is working with WWF to achieve significant reductions in emissions. The program has completed measurement of persistent pollutants in all operating kilns. Plant specific action plans have been developed to reduce emissions from a group of top-emitting plants. Progress with reducing emissions will be monitored and reported.

Progress on our Sustainability Ambitions:
- ● Fully achieved;
- ◐ Partially achieved;
- ○ In progress.

(1) Sensitive areas are defined as IUCN Category I to VI sites.
(2) Net CO_2 emissions are the gross emissions less the emissions that come from burning waste.
(3) The change from the figure reported in 2010 is due to a change in definition of active quarries.

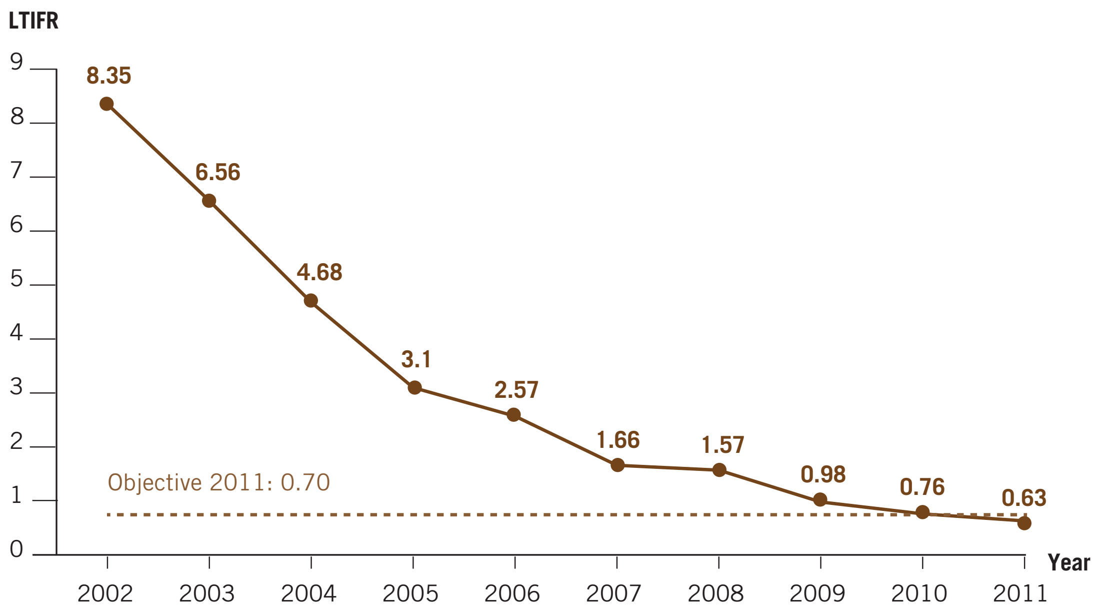
7.2 Health and safety

Lafarge's objective is to reach zero incidents over the long-term and across all the units, with contractors working to the same standards as employees. Moreover, Lafarge wants to be recognized by NGOs and the business community as a world leader in safety.

7.2.1 Safety results

Lafarge has continued to make progress in the Lost-time Incidents Frequency Rate (LTIFR) since the inception of its Health and Safety journey Since 2010 we have started to track the LTIFR for contractors on site however there is no baseline before 2010. A LTIFR is the number of lost time injuries per one million work hours.

EVOLUTION OF THE EMPLOYEE - LTIFR OVER THE YEARS



For 2011, contractor on site LTIFR is 0.58 vs. 0.94 in 2010.

This improvement was achieved by having management teams at all levels focus on Health and Safety and implement clear worldwide standards and advisories throughout the Group.

Unfortunately, Lafarge still has too many fatalities and cannot be satisfied until they all have been eliminated. However, the overall number of fatalities has decreased in 2011 vs 2010, mostly as a result of a decrease in transport fatalities.

In 2011, Lafarge had thirteen fatalities on our operating sites. To avoid future fatalities, the Group is producing "Key Learnings" for each fatal incident that are shared within every operation. The main take-away from the learnings of these on site incidents is that insufficient management time in the field to understand the risks involved in performing a task, a lack of understanding of the risks by the employees doing the task, changes in process not sufficiently taking into account Health and Safety and a lack of learning from each other are all key components that can lead to serious incidents.

The Group also had fourteen road accident fatalities in 2011. The Group is working on implementing two Advisories launched at the end of 2010 on transportation: one for people and one for loads. There is progress in transport safety as many operations worked hard to start implementing these Advisories. This will imply a change in strategic direction in the way Lafarge contracts transport in the future. As a comparison, in 2010 the Group had thirty road fatalities.

Three third party fatalities on Customer job sites where Lafarge was delivering concrete and three fatalities on construction projects in China are as well to be deplored.

Lafarge is convinced that all these tragic events could have been avoided by training all employees in risk assessment, by pushing everyone to think Health and Safety first and embedding Health and Safety in all our processes. Lafarge is currently working on this.

For the fourth year in a row, June Health and Safety Month was an opportunity to engage all personnel at every site and in every function, to make a step change improvement in awareness, behavior and Health and Safety performance.

Recognizing and celebrating successes is always a part of Health and Safety Month, as well as engagement with families, customers, contractors and local stakeholders. The Group theme for 2011 was transport, covering anything linked to the movement of vehicles, equipment, people including pedestrians on-site and off-site.

Risk assessment will be the theme of the Health and Safety month in 2012 as it is one of the major cause of Lafarge's incidents.

Lost time injuries and fatalities	2011	2010
Number of lost time injuries among Lafarge employees	93	120
Number of lost time injuries among contractors employees	63	111
Lafarge employee fatalities - on site	8	1
Lafarge employee fatalities - transport	0	7
Lafarge employee fatalities - customer job sites	0	1
Contractors employee fatalities - on site	5	8
Contractors employee fatalities - transport	10	14
Contractors employee fatalities - customer job sites	0	2
Contractors employee fatalities - project sites	2	0
Third-Parties fatalities (customer job sites, transport)	9	11
Lafarge employee fatality rate (number of fatal accidents per 10,000)	1.11	1.18

Since 2010, we include fatalities of persons travelling to or from a non-home location or operational site or when transport is provided.

7.2.2 Preparing the future

Lafarge's Health and Safety Management System (HSMS) was issued in 2010. It is Lafarge's belief that the full and successful implementation of the HSMS elements will enable the Group to achieve world class H&S performance.

In line with the HSMS, the Group is moving to a Risk Based Approach.

The business units will assess their risks, prioritize them and then address them to comply with the Group Standards and Advisories. This move is an evolution from the current state, giving more responsibility to line managers and having them manage Health and Safety from an operational standpoint. To strengthen this approach, Lafarge has recently launched several tools to support the business units: a Governance Standard on Risk Management providing the Group expectation on how to analyse and control risks, a HSMS Self-Assessment Maturity Tool to help the business units understand their current state vs the Group expectation and a H&S Group Entity Audit. This H&S Entity Audit is expected to harmonize the Health and Safety Audits within the Group and involves line management across all product lines.

The operations continue to implement Standards and Advisories already launched according to a set schedule.

7.2.3 Providing a healthy environment for our employees

Lafarge has developed a Health strategy supporting its goal of providing a healthy work environment and preventing occupational illness.

Lafarge's approach is to not only consider the effects of work on health but also the effects of health on work. This holistic approach is illustrated by a Health strategy predicated on the three pillars of Prevention, Reintegration and Promotion.

A protocol for Health Assessment (HASOP) has been developed and its implementation has started across the Group ensuring that all employees have a standardized approach to risk-based medicals. This protocol will ensure that the relevant occupational and personal health risks which can have impact on Health and Safety at work are identified and managed. All countries are expected to finish their implementation by the end of 2014.

As part of the Risk Management Standard, the health aspect was piloted in several business units.

The key findings of the pilots are: a large amount of remediation actions can be taken by managing with little or no capital expenditure, the Group faces the same three top risks at most plants (noise, dust and ergonomics), there is a lack of internal health expertise and availability of external health resources, and lastly, the process is more resource intensive than planned due to a lack of data from previous assessments as most business units are addressing these risks for the first time and there are other competing operational priorities.

Lafarge is currently working on defining new Group Health Standards to address the following risks: noise, dust including respirable silica, ergonomics, hand and arm vibration, whole body vibration, alternative fuels and raw materials, working in extreme temperatures, chemical agents and biological agents. The intent through these Standards is to ensure that the main occupational health risks linked to Lafarge's operations are effectively controlled. The requirements of the Risk Management Standard and the risk based approach to implementation of these specific Health Standards will be phased in as determined by a prioritization process. The implementation phase is expected to be a few years.

Lafarge is working on the development of leading indicators for measuring our Health performance since lagging indicators do not reflect current risk management. The establishment of baseline exposure characteristics as required by the Risk Management and Health Standards will enable management to track and improve control measures; and at the same time ensure that we meet our ambition to prevent occupational disease.

7.3 Social information

7.3.1 Headcount

Employees by Geographical Area – Employees by Business

The Group had 67,924 employees at the end of 2011, which represents a decrease of 7,753 employees compared to December 2010.

This reduction mainly reflects the change of scope of the Group as a result of divestments:

- mainly Gypsum operations in Europe, Latin America and Asia;
- part of Cement and Aggregates and Concrete operations in the United States;
- to a lesser extent, our Aggregates and Concrete operations in Portugal and Switzerland.

This reduction was partially offset by acquisitions: mainly Cement, Aggregates and Concrete operations in Hungary, Iraq, Poland and Russia.

Like for like, the headcount was reduced by 2.6% from end of 2010 to end of 2011, which represents a decrease of 1,984 employees. The change is primarily due to reorganisations in Asia, in North America and Europe, which were not offset by increases in headcount in emerging countries: Algeria, Brazil, Hungary, Nigeria and Russia for example.

Both tables account for 100% of the employees of our fully consolidated and proportionately consolidated subsidiaries.

EMPLOYEES BY GEOGRAPHICAL AREA

	2011			2010	
	Headcount	%	11 VS 10%	Headcount	%
Western Europe	12,202	18.0%	(21.9%)	15,626	20.6%
North America	9,604	14.1%	(10.6%)	10,748	14.2%
Middle East and Africa	20,376	30.0%	8.1%	18,843	24.9%
Central and Eastern Europe	7,464	11.0%	(2.4%)	7,652	10.1%
Latin America	2,535	3.7%	(24.5%)	3,355	4.4%
Asia	15,742	23.2%	(19.1%)	19,454	25.7%
TOTAL	**67,924**	**100%**	**(10.2%)**	**75,677**	**100%**

EMPLOYEES BY BUSINESS

	2011			2010	
	Headcount	%	11 VS 10%	Headcount	%
Cement	43,392	63.9%	(1.9%)	44,253	58.5%
Aggregates and Concrete	23,242	34.2%	(0.8%)	23,438	31.0%
Others	1,289*	1.9%	(83.9%)	7,986**	10.6%
TOTAL	**67,924**	**100%**	**(10.2%)**	**75,677**	**100%**

** Including headcount of our residual Gypsum activities and Gypsum activities held for sale.*
*** Including headcount of our Gypsum activities the majority of which was sold in 2011.*

Employment

	2011	2010
Percentage of full-time employees	99%	99%
Percentage of part-time employees	1%	1%
Percentage of permanent employees	97%	96%
Percentage of fixed-term contract employees	3%	4%

	2011	2010
Percent of employees aged under 30	16.1%	16.7%
Percentage of employees from 30 to 50 years	63.0%	63.3%
Percentage of employees over 50 years	20.9%	20.0%

Job evolution

	2011	2010
Number of hirings	7,400	5,991
Number of resignations	3,770	3,752
Number of retirements	776	1,057
Number of redundancies	4,308	3,986
Number of deaths	125	142

We endeavoured to limit or postpone headcount reductions, and to assist every affected employee as prescribed in our Employment Policy.

Measures to mitigate job changes

	2011	2010
Percentage of business units having implemented significant headcount reduction impacting more than 5% of workforce	20%	28%
Of which % of business units with headcount reduction having set up an employment channel for employees	38%	58%
Of which % of business units with headcount reduction having set up a local economic development channel for local communities	14%	30%
Number of Lafarge employees re-employed outside the Group (in another company or in their own business)	305	1,393

7.3.2 Labor organization and working conditions

Well-being at work

Further to an initiative of the European Works Council, three additional surveys were carried out in 2011, two in Austria and one in France, to help maintain dialogue with our employees. In order to give these results a wide communication, the survey results were debriefed both locally and with the European Works Council.

Although the overall outcome is very positive, in particular on stress-related issues, in order to keep improving well-being at work, action plans are always implemented.

Staff performance assessment

	2011	2010
Percentage of manager staff having an annual performance review	91%	94%
Percentage of non-manager staff having an annual performance review	62%	64%

Outsourcing

OUTSOURCING BY FIELD OF ACTIVITY

(%)	2011	2010
Production	36%	38%
Maintenance and Clearing	27%	26%
Transport	20%	19%
Security and Guarding	11%	10%
Others (IT, accounting, etc.)	6%	7%

In 2011, Lafarge worked with 33,432 out-sourced contractors accounting for some 33% of the workforce (in 2010: 30%). Many examples gathered from Business Units show that our awareness of health and safety for these people has increased in 2011, whether working on our sites or outside (eg in transports).

7.3.3 Social dialogue

Employees representation

EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS

(%)	2011	2010
Health and Safety	59%	51%
Restructuring	57%	47%
Compensation and benefits	58%	52%
Others	35%	25%
Staff employees represented by staff representatives or trade union organizations	70%	67%
Business units with collective agreements	74%	71%

The number of employees covered by collective agreements has steadily increased year on year. The section «Others» includes namely employment protection and working hours.

In 2011 several new business units, most of them in emerging countries, negotiated collective agreements for the first time.

In 2011 an additional 6% of business units engaged in staff representation, some through formal trade unions.

Agreements signed in 2011 with social partners

In 2011 we signed a revision of the European Works Council Agreement with our European social partners. We also signed a Joint declaration concerning Health, Safety and Hygiene.

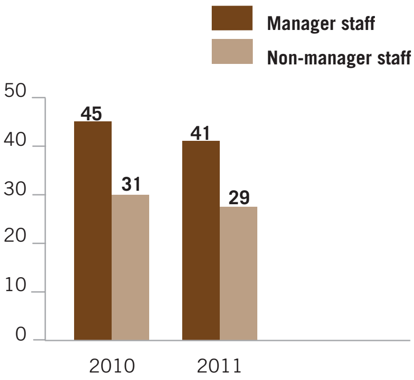
Furthermore, many other agreements were signed locally with social partners (collective agreements, wage agreements, etc.).

Number of business units with strike action

There were substantially less strikes this year (in 9 business units compared with 14 in 2010). Of those which occurred, most were in the general context of the country (Egypt, Greece). Some social unrest was specifically linked to our operations (Algeria, France).

7.3.4 Developing people

AVERAGE NUMBER OF HOURS OF TRAINING



Average training hours for our Employees decreased slightly in 2011, but overall still remain high. Increased emphasis is being placed towards informal on-the-job training. In addition to the formal training program, a cultural change occurred this year with the promotion of the iLearn mindset (I Learn Everyday Acting and Reflecting with my Network). This approach gives a broader spectrum to learning, empowering the individuals to be active in their own on-the-job development, interacting with Team, or through an increased offer of training programs catering to their specific needs.

Training naturally becomes part of everyone's job, more embedded in the business, and contributes to driving change to be closer to its markets and customer needs.

On e-learning, a 30% increase in single-users was recorded in 2011, while new Lafarge-tailored modules were released (Health and Safety, Sustainable Construction, etc.), both enriching the offer and delivering to a wider employee base.

7.3.5 Diversity and inclusion

In Lafarge we strongly believe that having diverse teams and an inclusive mindset represents today a real competitive advantage.

Diversity and Inclusion is therefore considered one of the levers that will enable us to become an employer of choice specifically in emerging countries, to increase business performance and consolidate our leadership position.

This year we promoted behavior and mindset change as a key success factor, supported by on-going communication and awareness raising, as well as changes to business and human resources processes.

INCREASING WOMEN IN SENIOR MANAGEMENT

(in %)	2011	2010
Boards of Directors	17.6	17.0
Senior executives and managers (Lafarge grades 18+)	15.8	13.5
Senior executives (Lafarge grades 23+)	10.8	9.9
Senior managers (Lafarge grades 18-22)	16.2	13.9
Managers (all categories)	18.8	18.7
Non-managers employees	15.0	16.0

In 2011, the percentage of women in senior management increased significantly, which is encouraging.

Inclusion

Inclusion means a way of working together where all profiles and forms of diversity are able to bring their unique value. Numerous local initiatives were implemented that reflect the start of change, and at the Group Level a Roadmap was designed in order to set clear targets and measure progress.

7.3.6 Sixth employee share ownership plan: LEA 2011

Employee ownership is a key element of our social strategy. Our 2011 LEA share ownership plan reached a subscription rate of 44%, versus 53% in 2009. 30% of participating countries saw their subscription rate increase above their 2009 performance. We are particularly proud of the high participation rates achieved in some countries: 80% of employees subscribed in Ecuador, 90% in Romania and Cameroon, over 90% in Zimbabwe.

7.4 Communities

Lafarge has a methodology for sites to engage with its communities, to drive maximum benefit from this engagement for both the company and the communities. This methodology ensures that any engagement is planned and emphasizes the importance of dialogue and feedback with stakeholders, including representatives of surrounding communities. This approach is vital in helping our sites co-exist with their neighbours in a constructive manner during day-to-day operations and periods of change.

For Lafarge's 2012 Ambitions, agreed with the Group's Stakeholder Panel, the priority was placed on ensuring that the key drivers on stakeholder engagement were trained on this methodology to help drive positive and meaningful community interaction. The key drivers for Lafarge are defined as Plant Managers in Cement Division and Area/Regional/Business Unit Managers in Aggregates and Concrete (A&C) Division (the job title for this role varies across countries, although in most cases, refers to the post to which site managers' report).

Training on the tools and techniques to engage with stakeholders and communities effectively are delivered through internal professional development programs and workshops commissioned by countries, which are run and facilitated by Lafarge's dedicated team on the topic, along with members of the Group and country environment and communications teams.

It can be seen that, currently, 80% of all A&C Area/Regional Managers and 76% of Cement Plant Managers have participated in training on stakeholders. For A&C, this is an improvement on the figure reported in 2009, 22% (no figure was reported for 2010 due to organisational realignment undertaken during that year). For Cement, there is a slight decrease from last year's reporting (81%), reflecting changes of managers of cement plants.

Indicators	Aggregates	Concrete	Asphalt	Cement
Number of target population (regional & area managers) who have been trained on the Group stakeholder methodology (1)		80%		76%
Number of sites that organize regular meetings with their stakeholders/local communities (2)	79%	3%	18%	88%
Number of sites with an annual local action plan detailing planned stakeholder engagement (3)	32%	2%	8%	69%

(1) *Trained on stakeholder engagement would mean that engagement with stakeholders is part of the site's annual plan (and documented) and that there is some awareness of the Group's four-step methodology on stakeholder management. Although training on stakeholder engagement takes place for Asphalt units, this particular data cannot currently be verified.*
(2) *Meetings refers to sites that are proactively arranging to meet stakeholders. Meetings can vary from individual meetings to liaison committees and open door events at the site. Regular would be defined as at least 2 meetings with stakeholders proactively organised per year.*
(3) *A documented plan detailed planned actions for engaging with stakeholders in the following period (at least 6 months).*

The effectiveness of this training is measured through two outputs: the number of sites developing local action plans for engaging with their stakeholders and sites meeting regularly with their communities. These were identified to demonstrate that both planning and dialogue were involved when activities are launched in this area.

This year's results reflect the trend that would be expected: Aggregates and Cement operations typically have larger footprints and remain in the same location for the long-term so would be expected to have these mechanisms in place. This can be contrasted with Concrete and Asphalt operations, whose operational footprints are usually smaller and who can be mobile as well as fixed in their locations.

Nevertheless, it is clear that work will be required in 2012 in developing tools that will help sites in the A&C activity plan their actions more effectively, alongside helping operations in concrete and asphalt develop mechanisms to engage with their communities more regularly (in the context of doing so on a short-term basis).

It is also important to note that the Group's methodology and training also encourages other ways to engage with stakeholders, in addition to the KPIs noted. These include open door events (undertaken by 60% of sites in 2011) and media relations (53% of sites sent proactive news releases in the last 12 months). An update on progress in the key areas of community programs and partnerships is detailed below.

During 2011, 44% of sites reported difficult relations or even conflict with one or more local stakeholders, which is consistent with the level recorded for 2010. Examples of these types of situations drawn from Slovenia, India and the United States, are available on the Lafarge website.

7.4.1 Community programs and partnerships

A key area of Lafarge's methodology is to ensure that our sites engage in effective programs with their communities. Toolkits and guidance are provided to the sites to help them develop dialogue and involve their local communities in developing long-term programs that address the needs of both the area and the company. (When addressing the needs of the company, examples could include schemes that help develop skills and experience of the local Lafarge team as well as programs that address key issues at the site, such as visual impact).

It has been calculated that, for 2011, over 20 million euros was spent on community actions and programs (this figure does not include the financial element of programs developed at Group level). To put into context: data reported by sites showed that financial resources dedicated to this work ranged across a wide spectrum (from 0 to 782,000 euros) although Lafarge's approach in this area aims for sites to balance financial support with non-financial support (which could include employee volunteering, donation of product and loans of key equipment).

More than 1,330 community programs were reported by Lafarge sites in 2011. Notable examples highlighted include: providing drinkable water to the community (Algeria and Indonesia), supporting community-owned transport company (Ecuador), biodiversity and safety educational project (Greece), alongside long running initiatives, such as public health programs in South Africa, Uganda and Zambia.

To ensure that these programs are effective, KPIs can be developed to evaluate progress. Aggregates and Concrete units in West USA have developed a measurement tool that identifies specific financial and non-financial contributions provided towards programs, which allows the region to benchmark performance in this area and review and evaluate future partnerships and contributions.

In 2012, the Group's policies and tools will be reviewed to ensure the Group's effectiveness in this field.

7.4.2 Working in partnership

Lafarge maintains partnerships with WWF International and CARE France. Lafarge's work with CARE France has particularly focused on understanding societal's long-term interests through the joint development of a tool to measure sites' socio-economic footprints. This footprint tool allows a site to understand its interdependencies with surrounding areas and track the progress of its activities in this field. During 2011, the tool was tested by four sites; in 2012, it is intended that the tool will be widely used by sites across the Group.

Lafarge is also engaging in other types of partnerships to help it evolve its approach and rethink the way it can interact with other organisations. An example of new ways to participate in local partnerships can be seen in China: the company's CEO participates in the advisory council for the Mayor of Chongqing and the local unit is a member of the 'Green Chongqing' initiative.

These initiatives have been developed by the local government to help the city, which is the world's most populous, to meet the demand for housing, building and infrastructure in a sustainable manner. To facilitate its work in helping the city achieve these ambitions, Lafarge opened its first regional R&D lab in Chongqing in 2011, dedicated to promoting sustainable construction methods, to work alongside the Group's worldwide R&D centre in France.

Numerous other examples of partnerships at a local level include: working in partnership with other material manufacturers to develop construction solutions adapted for more extreme climates (for example, in Russia); developing facilities with local energy companies to allow excess onsite power generated to be supplied elsewhere (Nigeria) and; partnering with public and specialized waste companies to process waste into a fuel that can be used in the power generation or cement manufacturing process (worldwide).

7

7.5 Environment

7.5.1 Climate change

One of the main priorities of Lafarge's sustainable development strategy is to actively contribute to climate change mitigation and adaptation. For the past decade, our efforts have been focused on improving our industrial performance to reduce the carbon emissions from our operations and from all the cement industry. In 2011 we released our second generation CO_2 objectives. They demonstrate our commitment to adopt a value chain approach, and to address climate adaptation issues, especially in emerging economies.

Reduce the carbon emissions induced by our operations across our value chain (scope 3)

An accurate monitoring and transparent reporting of carbon emissions from our operations are at the heart of our approach to managing climate change. In 2011, we ranked 10th in the Carbon Disclosure Project, which positions Lafarge as the leader of French companies and global industrial companies. In 2012, our ambition is to account for "scope 3" emissions from our operations (transportation, suppliers' carbon emissions, etc.).

After having reached our initial carbon emissions reduction objectives one year in advance, Lafarge publicly committed in 2011 to reduce carbon emissions per ton of cement by 33% in 2020 compared to 1990 (reference year).

Develop product solutions for climate adaptation, especially in emerging countries

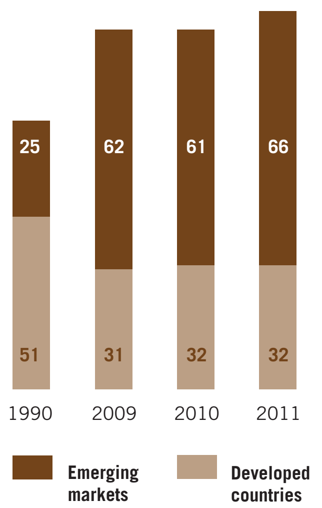
Taking into consideration our Stakeholder Panel's comments, we focused our efforts in 2011 on emissions linked to the use of our products, especially in emerging economies.

In 2011 Lafarge inaugurated two research centres dedicated to sustainable construction, in China and in India; two of the world's most dynamic markets. In addition, the Group has appointed local "climate correspondents" in nine operating units: China, India, Indonesia, Republic of Korea, Saudi Arabia, Russia, South Africa, Brazil and Mexico.

Our second generation CO_2 objectives take into account our ambition and aim at developing ten innovative product ranges by 2015, and at contributing to 500 sustainable construction projects by 2020.

LAFARGE TOTAL GROSS CO_2 EMISSIONS

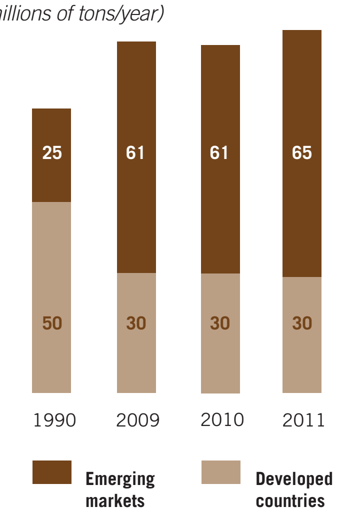
(millions of tons/year)



Our gross emissions have increased by 5% in 2011, mainly as a result of the cement volumes increase in emerging countries (10%), consistent with the geographical development of Lafarge. Overall our gross emissions have grown by 29% over 1990. However, our gross emissions in industrialized countries have seen a reduction of 37%, partly due to the impact of the economic downturn.

LAFARGE TOTAL NET CO_2 EMISSIONS

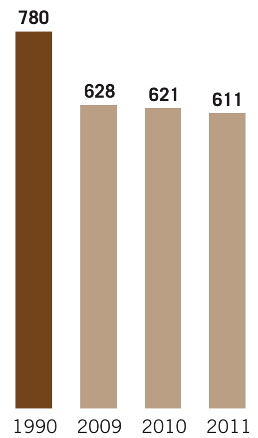
(millions of tons/year)



Our net emissions have increased by 5% in 2011, mainly as a result of the cement volumes increase in emerging countries (10%). Since 1990, net emissions have increased by 26%. Industrialized countries saw a 41% decline while emerging economies net emissions are more than two and a half times higher than in 1990.

GROSS CO_2 EMISSIONS

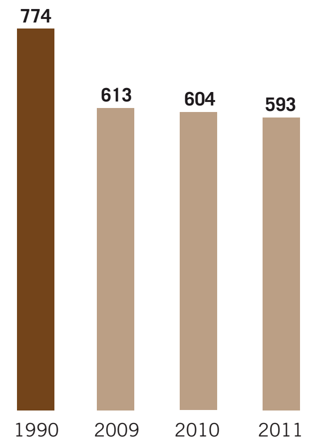
(kg per ton of cementitious product)



In 2011, our gross emissions per ton were 21.7% lower than 1990 levels.

NET CO_2 EMISSIONS

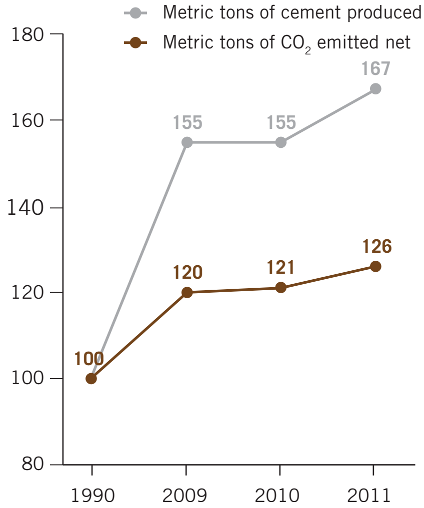
(kg per ton of cementitious product)



In 2011, our net emissions per ton of cement were 23.3% lower than 1990 levels, so well on track towards our 2020 target of a reduction of 33% versus 1990.

CARBON EFFICIENCY IN OPERATIONS

(trend on net emissions and cement produced)



In 2011 we produced 67% more cement than in 1990 but our CO_2 emissions increased by only 26% over the same period.

Lead cement sector efforts in measuring the carbon footprint of its products

In 2011 our engagement in the CSI (Cement Sustainability Initiative) has been dedicated to the facilitation of the integration of Chinese and Indian cement producers (notably by helping them improve their emissions reporting capacities).

In addition, our efforts have been geared toward the development of a common methodology to measure the environmental footprint of concrete products. By taking into account our impact beyond carbon emissions, we are able to account for the sustainable construction performance of our products.

FUEL MIX IN THE CEMENT BUSINESS

(% of total)	1990	2009	2010	2011
Coal	55.1%	43.3%	45.1%	46.5%
Coke	8.4%	20.0%	19.4%	17.0%
Oil	13.6%	8.4%	7.1%	6.8%
High Viscosity Fuels	2.1%	0.1%	0.1%	0.2%
Gas	18.1%	17.4%	16.7%	16.5%
Waste	2.0%	6.9%	7.6%	8.3%
Biomass	0.7%	3.9%	4.0%	4.7%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Since 1990 the part of the alternative fuels in our fuel mix has grown while coal and oil have declined. We have virtually eliminated the use of high viscosity fuels. Gas, which use remains stable, has a CO_2 emission factor 40% lower than coal.

Integrate climate change initiatives to an ambitious sustainable development strategy

Our actions on climate change mitigation and adaptation are part of a wider sustainable development strategy to create shared value locally, and ensure that our operations make a positive contribution to local communities.

Therefore, Lafarge has invested so that its cement plant kilns are able to burn waste and biomass. In so doing, Lafarge reduces its carbon emissions, creates direct local jobs, and helps emerging countries to address the issue of waste.

EXAMPLE:

Jatropha cultivation in Nigeria: a project that benefits to everyone.

The Lafarge Ashaka business unit, situated in the North East of Nigeria, has set up a project for the cultivation of biofuel in partnership with local farmers. In accordance with local customs, Lafarge supports the cultivation of Jatropha, a biomass fuel, by providing farmers with agronomic skills and purchasing the crops. This project ensures additional revenues to local farmers, since all the production of Jatropha is bought by our local plant. The plant uses this crop as biomass fuel in the kilns, a carbon neutral fuel which is less expensive than fossil fuel.

Our goal is to involve 5,000 farmers - up to a third of local farmers - in the short and medium term.

The project simultaneously promotes the development of local economic activity, environmental protection and cost reduction.

7.5.2 Managing our emissions

Reducing emissions

Regulators in many areas of the world continue to be concerned over unhealthy levels of smog in urban areas and have tended to look to the industrial sector, where it is easier to implement change compared to transportation, as a source of reduction. Whether through legislation, regulation, permit renewals, or bi-lateral agreements with companies, we see targeted levels for NO_x (and in some cases particulate) being lowered. The regions where we see the most activity in this regards are in the USA, Europe, and China, with emerging concern also being expressed in many other areas such as India and Russia. For NO_x, as we expand our utilization of alternative fuel, especially wet biomass, we have seen large reductions in our emissions.

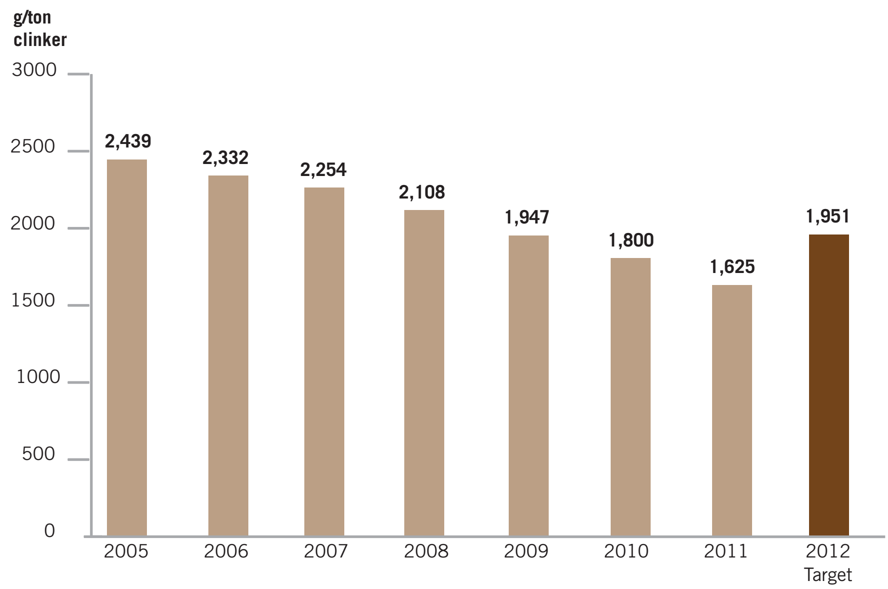
For dust, we had numerous new dust filters or upgrades start which replaced older non-performant equipment (Russia, Pakistan, Ukraine, Nigeria). This continues our program to address emissions that meet local regulations, but not our internal standards.

At the end of 2010 we completed our program to measure our emissions for mercury and dioxins. In 2011 our focus was on ensuring the quality of all measurements as the nature of these materials and the very small specific concentrations require rigorous testing which has been a challenge in some emerging countries. Our program with WWF has also been addressing some kilns with higher than average emissions and although the results of these actions are not yet evident in our stack emission reporting, we are confident we will see improvement in our 2012 results.

And looking ahead

Our operations in the USA continue to implement necessary upgrades to comply with regulatory requirements and other commitments to reduce air emissions and storm-water. Results of these new equipments should start to be seen in 2012 with further reductions in our emissions in later years. In emerging countries we are also continuing our program of upgrading dust collectors that do not meet our standards and a number of new systems are scheduled for start-up in later part of 2012 and in 2013.

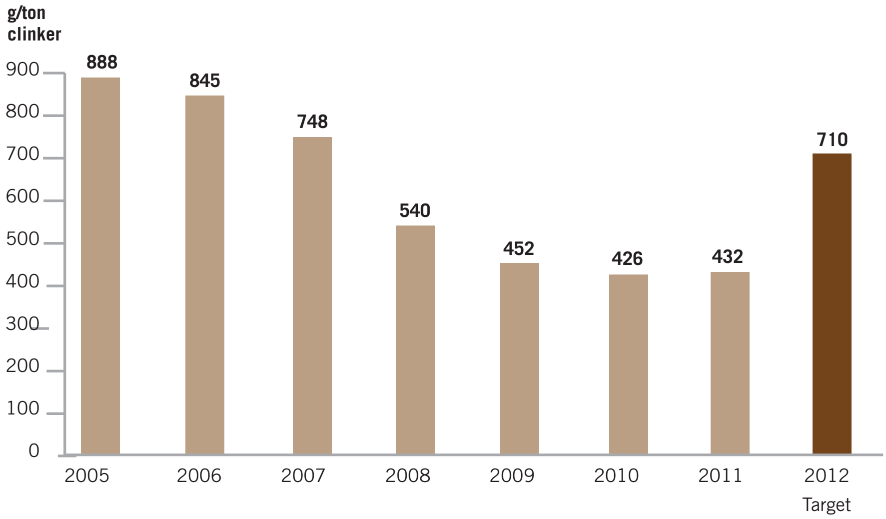
NO_x EMISSIONS*



**For all emissions, the Group has modified the calculation method for current and past data to reflect the latest CSI protocols (see Reporting methodology).*

There has been a reduction of 33% in NO_x emissions since 2005, more than the targeted reduction of 20%. The total amount of NO_x emitted in 2011 was 190 thousand tons.

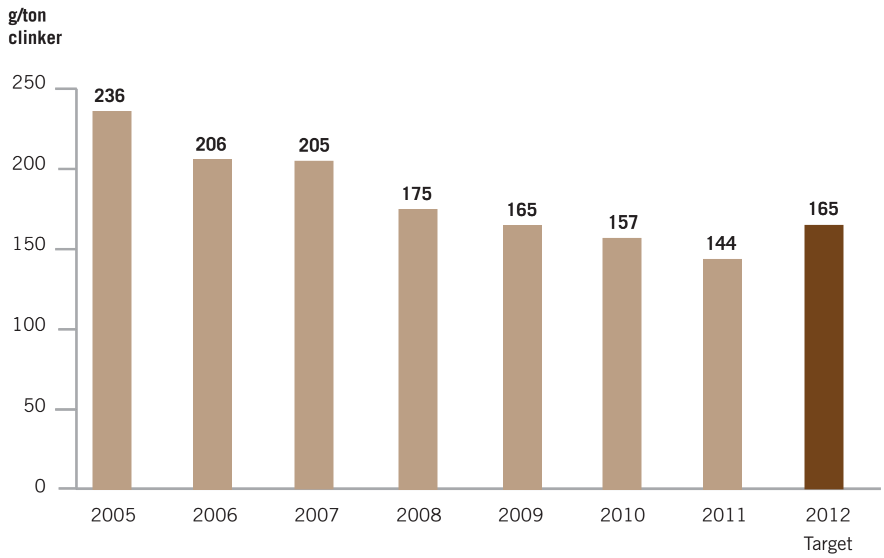
SO_2 EMISSIONS*



**For all emissions, the Group has modified the calculation method for current and past data to reflect the latest CSI protocols (see Reporting methodology).*

There has been a reduction of 51% in SO_2 emissions since 2005, more than the targeted reduction of 20%. The total amount of SO_2 emitted in 2011 was 50 thousand tons.

STACK DUST EMISSIONS*



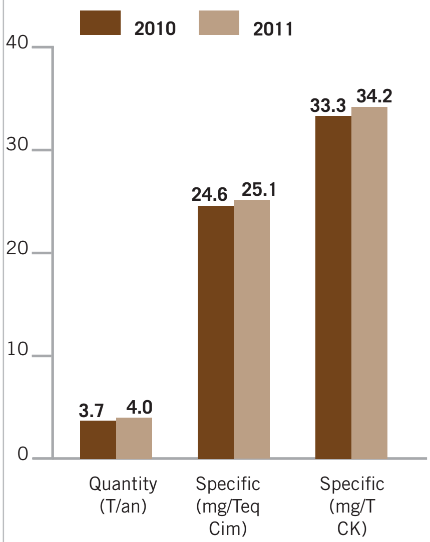
**For all emissions, the Group has modified the calculation method for current and past data to reflect the latest CSI protocols (see Reporting methodology).*

There has been a reduction of 39% in dust emissions since 2005, more than the targeted reduction of 30%. The total amount of stack dust emitted in 2011 was 16 thousand tons.

Persistent pollutants and VOC [1] Reporting

Mercury continues to be an important subject in the cement industry. 2011 saw the United Nations Environment Program approve a Cement Mercury Partnership in the framework of developing a «Globally Binding Instrument on Mercury». In the United States new regulations were adopted towards the end of 2010 that require emission reductions by 2013. While these civil society processes have recently increased, Lafarge has continued its 10-year work with WWF to understand and reduce mercury and dioxin/furan emissions from our kilns.

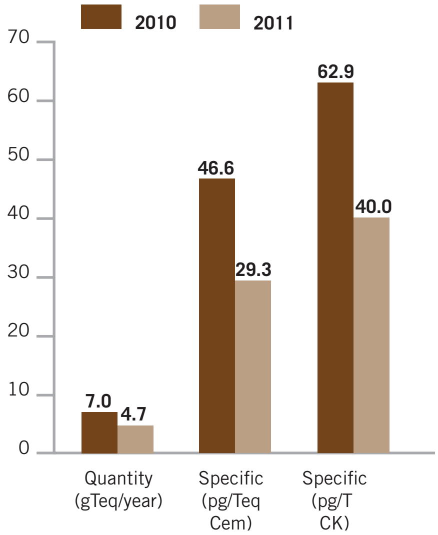
MERCURY



For mercury, our results in 2011 are very similar to those of 2010. Action plans have been implemented to reduce emissions at a number of kilns, but as these actions took place throughout the year, the results are not yet evident in our reporting.

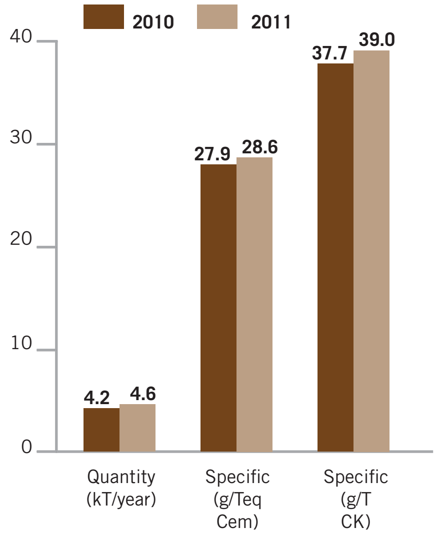
For mercury, in 2011 we found one plant for which we mis-reported very high emissions in 2010 and we have restated here the corrected 2010 emissions.

DIOXIN/FURANS EMISSIONS

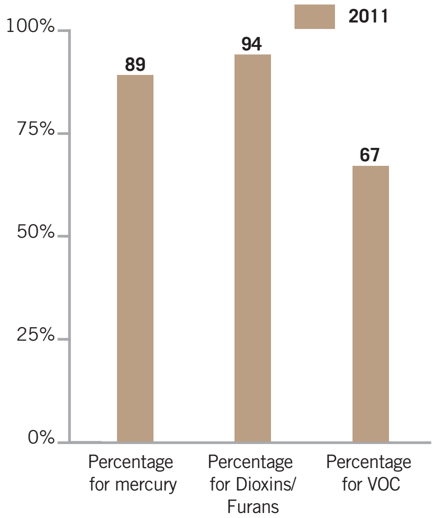


One of the biggest improvements in 2011 is the quality of the data we are collecting, particularly from emerging countries. Persistent pollutants are emitted in trace quantities and they can be very difficult to measure. Lafarge released a new measurement protocol at the beginning of 2011 to address what we saw as the difficulty encountered in some countries to measure these constituents accurately. As we now have a higher level of confidence in the tests being performed, we have adopted the CSI's new protocol for reporting the last measurement for mercury and dioxin/furan.

VOC



PROPORTION OF KILNS ANALYZED FOR MICRO-POLLUTANTS (%)



In 2010 Lafarge completed a program to have at least one measurement for mercury and dioxin/furan for all kilns which have been in Lafarge for a minimum of 3 years. As 100% of kilns meeting this criterion have been analyzed, this year we present data concerning the percentage of all kilns analyzed, even those new to the Group.

(1) Volatile Organic Compound

7.5.3 Biodiversity at our sites

2011 was the International Year of Forests, a UN global campaign which both celebrated and raised awareness of the importance of forests in our societies. 2011 was also the year when we mapped all of our quarries and used IBAT to confirm the identity of the high biodiversity locations. To continue to raise awareness of the importance of biodiversity we worked in partnership with WWF International to develop a guidance document for our operations and a leaflet for our visitors.

2011 United Nations Year of Forests

The United Nations designated 2011 as the year of the forests where they celebrated people's actions for sustainable forest management. To acknowledge this and to further Lafarge's commitment to biodiversity we were involved in several projects related to forestry.

A few examples of these included "Green Chhattisgarh" around the Sonadih and Arasmeta cement plants in India. A total of 70,000 tree saplings were planted as part of this local program. The species were chosen following advice from local authorities and NGOs and included teak and tamarind and fruit trees such as mango and jackfruit. The planting was done in partnership with local communities, particularly school children, in order to raise their awareness of environmental issues.

Other projects included a partnership between Lafarge Aggregates Poland and Warsaw University of Life Sciences working closely with the National Forestry department to improve techniques for forest restoration at the Sepolno quarry. This included a joint seminar to present the results in October 2011. In Spain the cement operation produced a pictorial book on Spanish forests to raise awareness of the importance and beauty of these forests.

Raising awareness on biodiversity

To continue to raise awareness of biodiversity within Lafarge we jointly developed with WWF International and our International Biodiversity Panel members a guidance manual. The guidance not only explains what biodiversity is and why it is of importance to all of us, but also how we can better manage it. It included examples of how biodiversity is managed at different types of sites including offices, cement plants, concrete plants and quarries. Externally we continued to promote the importance of biodiversity through the production of a leaflet for visitors of our sites. This leaflet includes examples of how individuals can participate in trying to halt the loss in biodiversity.

Lafarge also contributed to the development of two guidelines by WBCSD for corporate ecosystem evaluation and by WBCSD CSI on quarry rehabilitation, both of which contain new case studies describing Lafarge best pratices.

Progress on Group ambitions and additional screening for biodiversity

We continued to make progress towards our Group Ambitions for rehabilitation and biodiversity.

Building on the screening program we implemented using our checklists developed with WWF, in 2011 Lafarge mapped the location of all of its quarries and screened them to confirm all of those that are located in or within 500 meters of an internationally protected area using IBAT [1] (Integrated Biodiversity Assessment Tool).

7

Progress with ambitions for rehabilitation and biodiversity

	2011 Achievement
Quarries with rehabilitation plans **(target 85% by 2010)**	**86.4%**
Quarries that have completed biodiversity screening (using WWF validated checklist) **(target 100% by 2010)**	**97.2%**
Quarries screened for international biodiversity sensitivity using IBAT	97.6%
Quarries which operate within or adjacent to a protected area*	18.3%
Quarries which operate within or adjacent to a protected area* with site biodiversity programs **(target 100% by 2012)**	**49.2%**
Quarries which have red-listed species**	19.0%
Quarries engaged in formalized partnerships with NGOs for nature conservation	28.6%

* *Quarries within 0.5 km of IUCN I – VI, Ramsar, IBA, Natura 2000.*
** *A species categorized by the IUCN as threatened.*

(1) IBAT a world database of protected areas developed by IUCN, Birdlife, UNEP, Conservation International and WCMC.

7.5.4 Water footprint

Over the past two years the United Nations, governments around the world and companies have greatly increased their attention to the world's supply of fresh water and have recognized access to safe drinking water and sanitation as a human right.

The situation in regards to water varies drastically by geography with water stress increasing in many areas of the world and other areas with abundant supplies.

In 2011 Lafarge progressed further in its understanding of the water footprint on our sites and has changed its approach to prioritize its actions according to each site's "water risk."

Summary of Lafarge water footprint

TOTAL WATER WITHDRAWAL BY SOURCE

	2011				2010			
(in million cubic meters)	CEMENT	AGGREGATES	CONCRETE	TOTAL	CEMENT	AGGREGATES	CONCRETE	TOTAL
Surface water including from rivers, lakes, wetlands and oceans	187.5	23.1	1.0	**211.6**	169.8	11.2	1.2	182.2
Ground water	24.3	14.7	3.3	**42.3**	23.3	69.3	3.5	96.1
Rainwater harvested	2.4	12.8	0.5	**15.7**	-	23.2	0.2	23.4
Municipal water supplies or other water utilities	6.9	1.2	4.9	**13.0**	9.1	0.8	4.6	14.5
Total withdrawal*	221.2	51.7	9.6	**282.5**	202.3	104.5	9.5	316.2
Water returned to same catchement area	161.7	0.0	0.0	**161.7**	142.3	0.0	0.0	142.3
Net Withdrawal	59.5	51.7	9.6	**120.8**	60.0	104.5	9.5	174.0

* *According to GRI G3 EN 8*

	2011			2010		
(in million cubic meters)	Cement	Agregates	Concrete	Cement	Agregates	Concrete
Net withdrawal	59.5	51.7	9.6	60.0	104.5	9.5
Consumption	50.1	21.6	9.5	47.6	39.3	9.4
Discharge	9.3	30.1	0.1	12.4	65.2	0.1

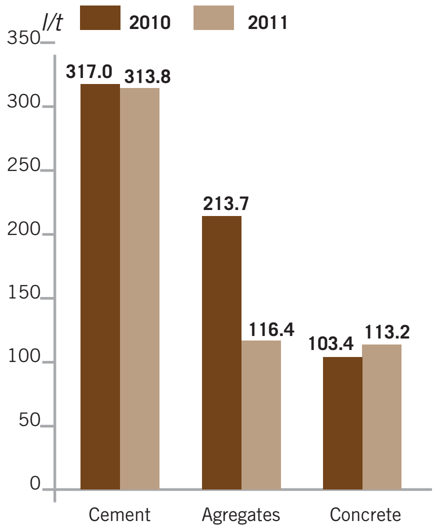
Our work in 2011 has identified several situations where water withdrawal had previously been overestimated, especially by including quarrying dewatering as withdrawal water for future use, which is not the case since this water is returned to the same aquifer from which it is taken.

Of the 174 million cubic meters net water withdrawal reported for 2010, only 118 million cubic meters corresponded to a net levy for use by our sites.

The net water withdrawal in 2011 was of 121 million cubic meters.

16 million cubic meters was withdrawn from recycle water networks fed with rainwater, corresponding to 13% of the net withdrawal.

SPECIFIC WATER CONSUMPTION



The performance of specific consumption of water per ton of cement in 2011 (314 l/t) is influenced by two new in house captive power plants that consumed 2.5 million cubic meters of water that were added to the consumption of the cement sites.

Fresh water consumption

FRESH WATER CONSUMPTION BY SCARCITY AREAS

ANNUAL RENEWABLE WATER SUPPLY PER PERSON (PROJECTIONS FOR 2025) (CUBIC METERS/PERSON/YEAR)	TOTAL FRESHWATER CONSUMPTION (MILLION CUBIC METERS/ YEAR)	TEQ CEMENT (MILLION TONS)	FRESHWATER CONSUMPTION PER TON OF CEMENT (L/YEAR/T CEMENT)	% OF PRODUCTION	% OF FRESHWATER CONSUMPTION
<500	**9.3**	**34.9**	**266**	21.8%	19.4%
500 – 1,000	**0.3**	**5.3**	**61**	3.3%	0.7%
1,000 – 1,700	**3.9**	**23.6**	**165**	14.8%	8.1%
1,700 – 4,000	**19.4**	**56.8**	**342**	35.6%	40.7%
>4,000	**14.9**	**39.2**	**379**	24.5%	31.1%
TOTAL	**47.8**	**159.8**	**299**	**100%**	**100%**

A quarter of our cement production takes place in areas where there is high water stress (categorized as stress and high stress).

This is an ongoing challenge that must be addressed, especially since the Group has a strong presence in these regions with the expectation of further development.

Fresh water consumption (surface water and groundwater) in these regions, represents almost 10 million cubic meters or 20% of the total water consumption for cement (corresponding to 25% of production).

Although the specific consumption of fresh water in theses water stressed regions of 239 l/t cement, is well below the Group average of 299 l/t cement (freshwater), progress is still possible and remains a priority of our Water Program.

Water program

The actions undertaken in 2010 in areas with high water stress (<500 cubic meters Renewable Water Supply (RWS)/year/person) continue.

For cement, three sites in the Philippines located in areas of water stress ([500-1,000] cubic meters RWS/year/person) have joined the pilot program to establish detailed water balances, to describe water networks and to identify action plans to reduce their water footprint.

In 2011 the program was expanded for deployment to aggregate quarries. 94 quarries have been identified as areas of stress or high stress, or 15% of aggregate quarries. Of these 94 quarries, in 2011 36 quarries worked within our program for the development of a water action plan. The program for all sites will be completed in 2012-2013.

Rainwater

To support the deployment of this program, a compendium of good water management practices has been developed and shared within the Group. The practices include actions to reduce consumption by recycling water, cutting waste, and the substitution of recovered/recycled water for fresh water, including rainwater.

In countries with high water stress, where the availability of fresh water is critical, the total or even partial recovery of rainwater is a permanent solution to limit aquifer water withdrawal.

Within the Group, several installations of rainwater harvesting have been promoted as a model to limit the use of fresh water. In Britain, five cement plants use rain water as the sole source of supply: 1,260,000 cubic meters of fresh water are saved in this way every year.

We continue the implementation of these good practices in priority in areas with high water stress.

Water for communities

Our commitment to respect the communities where we operate is also reflected in our water program where we respond and develop partnerships for joint management of the water resource.

We have for the first time in 2011 created a KPI to track and measure the amount of water provided by our sites to communities for ecological (agriculture, among others) or domestic use.

At a Group level, a total of 2.7 million cubic meters of fresh water was provided to neighboring communities. There are examples in Algeria, Jordan, Philippines and China.

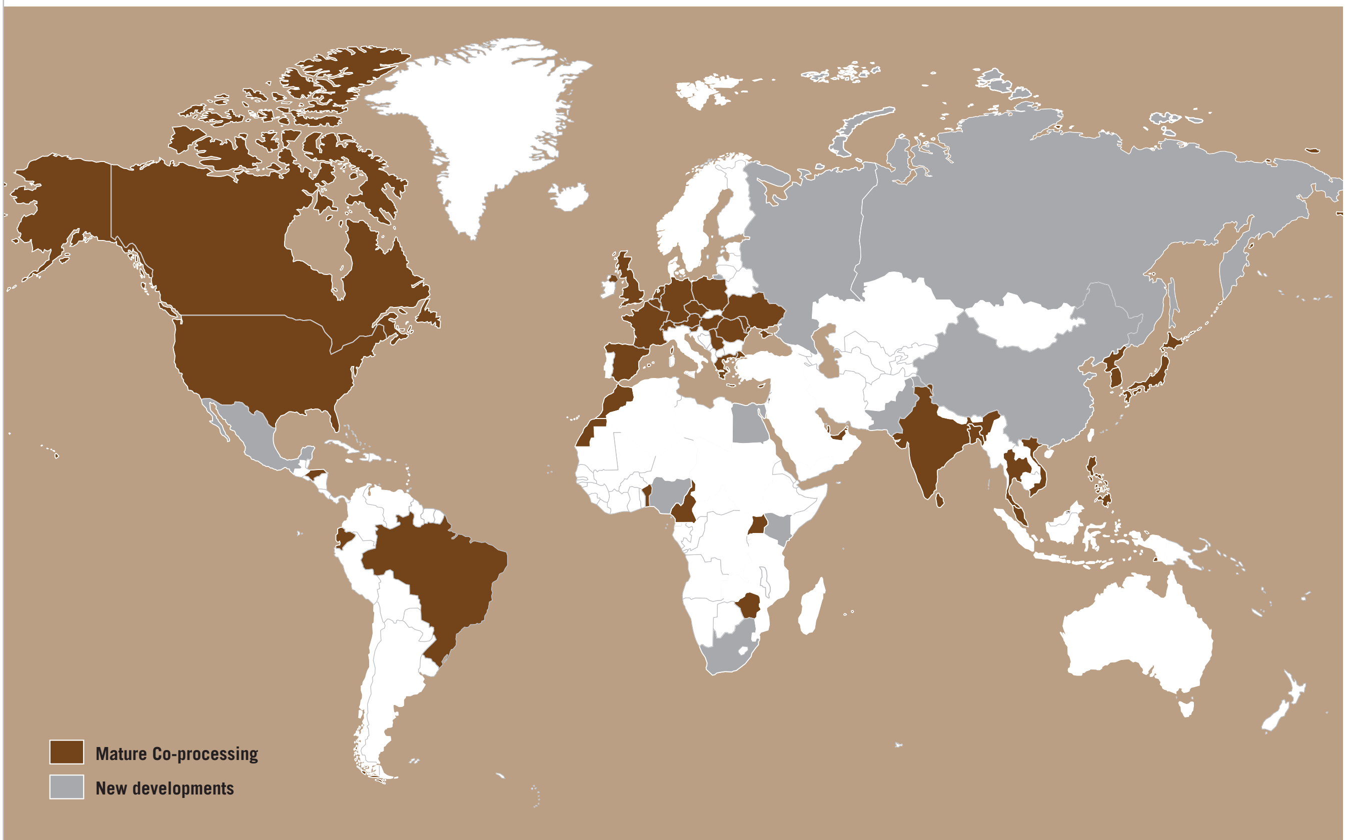
We expect short-and medium-term increases of such initiatives especially in areas with high water stress.

7.5.5 Resource management

The Group consumes hundreds of millions of tons of rock and tens of millions of tons of fuel as raw materials each year. For almost 100 years, the Group has had a tradition of trying to minimize its impact on natural resources through the use of alternative resources such as by-products on waste to replace virgin materials.

Performance programs have always included a component of recycling and recovery of materials and energy. The current program "Excellence" sets ambitious targets to replace fossil fuels with alternative sources such as waste or biomass.

Alternative fuels



In 2011 we recorded an increase in the substitution of fossil fuels, with 13% of our energy needs for cement production met by alternative sources, such as waste and biomass (versus 12% in 2010). This increase is due to a combination of factors:

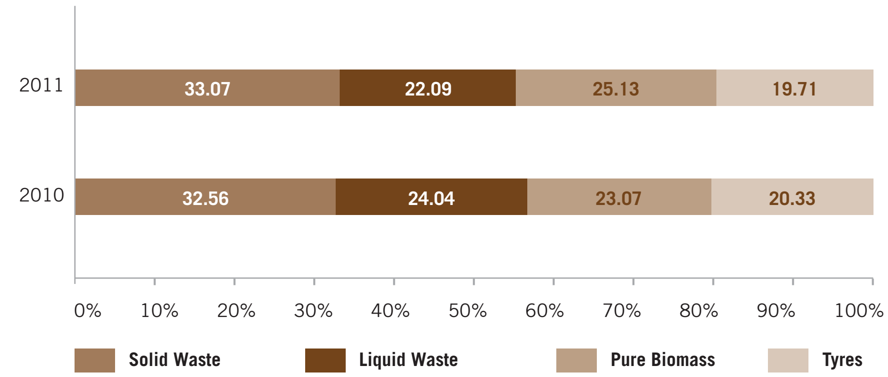
- development of new waste streams;
- increased percent substitution in plants already using recycled materials;
- expanding this practice to new countries.

Among the new channels is a pilot in Romania started in 2010, for sorting of household waste, which will serve as a model for other locations, including in China.

With regards to the use of biomass, several achievements were made in 2011, for instance the use of wood in Nigeria, the recovery of energy from animal waste (poultry) in Pakistan and the recovery of energy from agricultural waste in Ecuador.

The biomass substitution program is in now full swing, and in the short term many developments are planned, especially in emerging countries.

BREAKDOWN OF ALTERNATIVE FUELS

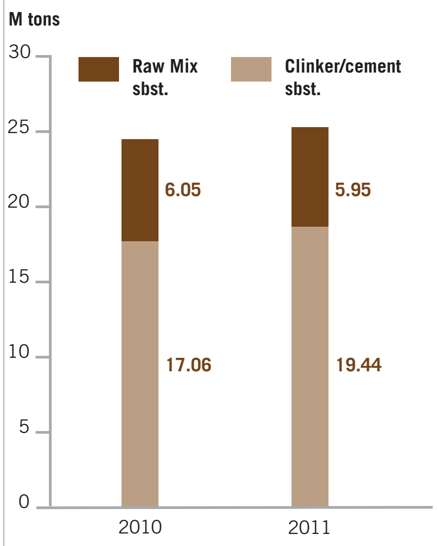


If we take into account the biomass fraction in waste streams, we reach a total of 36% of biomass in 2011:

- Liquid alternative fuels, such as solvents, used oil and hydrocarbons decreased from 24% to 22%;
- The quantities of solid waste and tires has remained stable.

Alternative raw materials

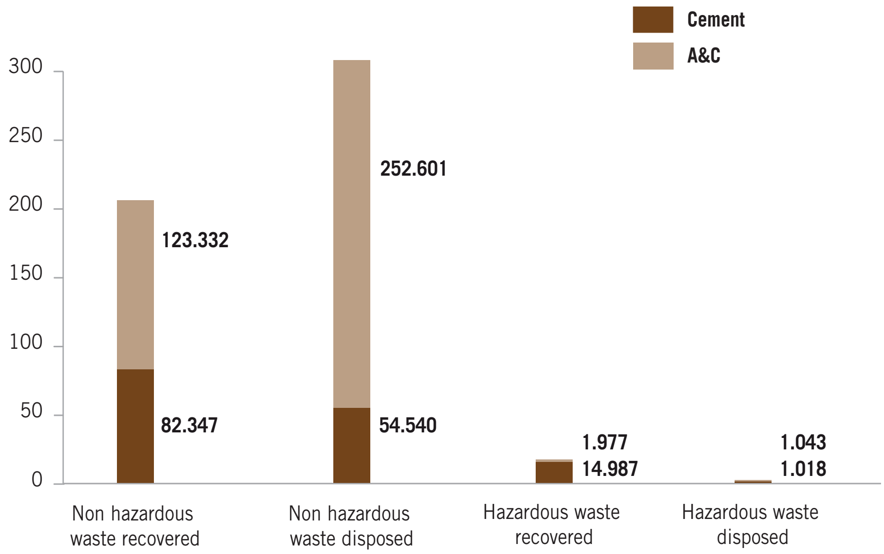
MATERIAL SUBSTITUTION IN CEMENT



Management of waste generated by our activities

WASTE FROM OPERATIONS

(thousand of tons)



Material recovery in cement manufacturing can occur in two areas:

- substitution of the raw materials;
- substitutes for clinker in finished product (cement).

In 2011 we have increased the total materials substitution by 2.3 million tons, mainly due to finished products substitutes, such as slag and fly ash.

Beyond its economic value, material used for clinker substitution has a direct impact on CO_2 performance, where material substitution is a major lever for reducing emissions.

The practice of waste and energy recovery from other industrial and domestic sectors has paved the way for optimal management of the waste we generate on our sites.

Dust is the primary waste stream in cement manufacturing and it often can be recycled into the finished product. 415,000 tons of dust were collected from the kiln and recycled into the cement in 2011.

Wastes leaving the cement plants and treated outside the sites represent 153,000 tons of which 90% are non-hazardous (137,000 tons). 60% of this non-hazardous waste stream was recovered in 2011 (82,347 tons).

For Cement, 93% of hazardous wastes were recovered and only 1,018 tons were disposed of in 2011, all at dedicated installations.

For Aggregates and Concrete operations, the waste footprint is similar to that of cement with 99.7% being non hazardous wastes (376,000 tons) and 3,000 tons of hazardous wastes with two-thirds recycled and only 1,043 tons disposed at dedicated installations.

7.6 Sustainable construction

"Sustainable construction" is the contribution of all actors that are using or shaping the built environment to achieving the ambitions of sustainable development. Building sustainability is complex and multi-faceted but Lafarge is making a contribution in many aspects.

When looking at the life-cycle energy balance of most existing residential buildings over say 50 years, about 85% of the total energy use occurs during the operational phase of a building's life. The remaining 15% is due to the manufacturing of building materials, erection, maintenance, and its end of life (demolition and recycling). These proportions may vary by climates, building types and service life.

7.6.1 Designing buildings for sustainability

A. New constructions

In 2011, Lafarge acquired in-house design capabilities that optimized and documented a set of 30 «Efficient Building ™» systems. Their technical assessment includes structural, thermal, environmental footprint and cost considerations. By having used an integrated design approach, the result gives architects, engineers and contractors clues on how these systems can help them achieve higher overall building sustainability levels at affordable cost. Further, Lafarge developed early assessment tools to help tailor the building systems to single project requirements.

Lafarge focussed in 2011 on building systems suitable for the Mediterranean climate. We will pursue this effort in coming years with the development of building systems for other climates. These building systems and tools have been peer reviewed by a challenging panel of external engineers and architects.

To deliver this knowhow to the market, Lafarge has recruited a new team with the capabilities of showcasing the benefits of such systems to property developers, architects, engineers and contractors.

Already a number of projects have been designed based on these new internal resources. For instance, in France, Lafarge partnered with the home building company Cecile Robin to demonstrate how positive energy buildings can be designed and built at very low construction cost using our innovative materials with traditional construction modes. These houses are designed for extended service life with limited maintenance due to the durability of concrete.

B. Existing buildings

Energy used in buildings represents about 39% of worldwide total energy consumption. To reduce this amount, a collective effort of all building owners and users is required to significantly reduce the amounts of energy use and subsequent CO_2 emissions caused by office buildings. For this reason Lafarge decided to lead by example and in 2011 started to implement WBCSD's Energy Efficiency in Buildings Manifesto. The Group carried out in depth analysis of energy consumption in 11 large office buildings used by 3,200 employees, covering 70,000 square meters. As a result, Lafarge has drafted a Low Energy Office Policy that states:

- Lafarge offices aim to be best in class in energy efficiency when compared to similar offices in their geographic areas;
- Lafarge commits to gradually reduce office energy use;
- Energy consumption will be compared to reduction targets and annually published as part of the Group's Sustainability Ambitions.

7.6.2 Access to housing

With the world's population quickly expanding, especially in urban areas of emerging markets, there is a greater need for decent and affordable housing. This will strain economic and social systems and put unprecedented pressure on the allocation of scarce resources. Lafarge has carried out in 2011 several national initiatives contributing to affordable and efficient housing in Indonesia, Philippines, Honduras and France.

Indonesia: Lafarge launches a pilot fund to generate 100 new projects

In partnership with CARE, Lafarge Cement Indonesia has set up a pilot microcredit program for low-income families to enable them to renovate and expand their houses. The aim is for recipients to improve their living conditions and develop new economic activities. Five microfinance institutions were selected. In collaboration with the University of Aceh, Lafarge has provided technical assistance and conducted a training program for masons. 100 microloans have been granted which will improve the lives of 500 people. Based on this experience, Lafarge is launching several projects in Indonesia, Honduras and other countries.

7.6.3 Shaping Lafarge R&D

Following the course set in 2009, in 2011 the Lafarge R&D program continued to deliver new products to enable construction to be more sustainable. In 2011, Hydromedia™ was launched: this new high permeable concrete absorbs rainwater and facilitates its natural runoff into the ground to replenish groundwater, avoiding saturation of the storm-water treatment network, reducing the risk of flooding in urban areas and reducing water accumulation on roads and paths.

7.6.4 Lafarge Invention Awards

In 2011 Lafarge conducted a European competition to promote innovations for more sustainable construction. One hundred applications were received from eighteen countries, and three projects from France, Poland and Serbia were recognized by an international panel for the quality of their work. The awards were given for the design of a concrete-based artificial reef that fosters marine biodiversity and fisheries, while providing scour protection for underwater structures such as offshore wind power piles, cables and pipelines. The other two prizes went to innovations that improve building thermal performance by integrating heating and cooling equipment in walls and insulation in precast concrete elements.

7.7 Table of Key Performance Indicators

CSI KEY PERFORMANCE INDICATORS - DATA AND COVERAGE

ISSUE	KEY PERFORMANCE INDICATOR (KPI)	KPI 2011	KPI 2010	LEVEL
Climate Protection	Total CO_2 emissions - gross (million tons)	97.9	93.3	CEMENT
	Total CO_2 emissions - net (million tons)	95.0	90.8	CEMENT
	Specific CO_2 emissions - gross (kg/ton cementitious material)	610.7	621.0	CEMENT
	Specific CO_2 emissions - net (kg/ton cementitious material)	592.9	604.5	CEMENT
	Independent third party assurance of CO_2 data (Frequency)	Yearly	Yearly	GROUP
Fuels and Raw Materials	Specific heat consumption of clinker production (MJ/ton clinker)	3,657	3,667	CEMENT
	Alternative Fuel Rate (%)	13.0%	11.6%	CEMENT
	Biomass Fuel Rate (%)	4.71%	4.04%	CEMENT
	Alternative Raw Materials Rate (%)	11.20%	10.99%	CEMENT
	Clinker/Cement Ratio (%)	0.7306	0.7402	CEMENT
Materials used by weight and volume (EN1 GRI)	Consumption of material (million tons)	415.9	413.2	GROUP
	Quantity of quarried material (million tons)	377.2	362.4	GROUP
Consumption of Energy (EN3 GRI)	Direct Energy consumption by primary energy source (million Teo)	11.2	10.4	GROUP
Employee Health and Safety	Number of fatalities (employees)	8	9	GROUP
	Number of fatalities per 10,000 employees	1.11	1.18	GROUP
	Number of fatalities (sub-contractors)	17	24	GROUP
	Number of fatalities (3rd party)	9	11	GROUP
	Number of Lost Time Injuries (employees)	93	120	GROUP
	Lost Time Injuries per 1 million manhours (employees)	0.63	0.76	GROUP
	Number of Lost Time Injuries (sub-contractors)	63	111	GROUP
	Lost Time Injuries per 1 million manhours (sub-contractors)	0.58	0.94	GROUP
	Total Number of Lost Time Injuries	156	231	GROUP
	Independent third party assurance of safety data (LTIFR and fatalities)	Yearly	Yearly	GROUP
Emissions Reduction	Total NO_x emissions (tons/year) (1)	190,288	200,275	CEMENT
	Specific NO_x emissions (g/ton clinker)	1,625	1,800	CEMENT
	Total SO_2 emissions (tons/year) (1)	50,613	47,364	CEMENT
	Specific SO_2 emissions (g/ton clinker)	432	426	CEMENT
	Total Dust emissions (tons/year)	16,862	17,434	CEMENT
	Specific Dust emissions (g/ton clinker) (1)	144	157	CEMENT
	Mercury emissions - t/year	4.0	3.7	CEMENT
	Mercury emissions mg/t clinker	34.2	33.3	CEMENT
	Dioxin/Furans emissions - g TEQ/year	4.7	7.0	CEMENT
	Dioxin/Furans emissions pg/ton of clinker	40.0	62.9	CEMENT
	VOC emissions - kt/year	4.6	4.2	CEMENT
	VOC emissions g/t clinker	39.0	37.7	CEMENT

(1) Data for the year 2010 has been recalculated according to the new method.

ISSUE	KEY PERFORMANCE INDICATOR (KPI)	KPI 2011	KPI 2010	LEVEL
	% Clinker produced with monitoring of dust, SO_2 and NO_x emissions	94%	90%	CEMENT
	% Clinker produced with continuous monitoring of dust, SO_2 and NO_x emissions	65.9%	62.0%	CEMENT
	Independent third party assurance of emissions data (Frequency)	Yearly	Yearly	GROUP
Local Impacts	% of sites with quarry rehabilitation plans in place	86.4%	84.5%	GROUP
	% of sites with community engagement plans in place	69%	64%	CEMENT
Biodiversity KPI no. 1	Number of quarries within, containing, or adjacent to areas designated for their high biodiversity value, as defined by GRI EN11 (number and coverage)	132 18.3%		GROUP
Biodiversity KPI no. 2	Percentage of quarries with high biodiversity value where biodiversity management plans are actively implemented	49.2%		GROUP
Strategies; current actions and future plans for managing impacts on biodiversity (EN14)	Percentage of active quarries that have been screened for biodiversity according to WWF's criteria	97.2%	90.7%	GROUP
Environmental Expenditures and total investments by type (EN30 GRI)	Environment capital expenditure (million euros)	79.2	81.8	GROUP
	Environment operating expense (million euros) (2)	179.5		GROUP
Total weight of waste by type and disposal method (EN22 GRI)	Dust Disposed on-site (kton)	559	687	CEMENT
	Non hazardous waste recovered (kton) (3)	205.7		GROUP
	Non hazardous waste disposed (kton) (3)	307.1		GROUP
	Hazardous waste recovered (kton) (3)	17.0	18.6	GROUP
	Hazardous waste disposed (kton) (3)	2.1	35.1	GROUP
Total water withdrawal by source (EN8 GRI)	Total water withdrawal from ground water (Mm^3)	42.3	96.1	GROUP
	Total water withdrawal from open water (Mm^3)	211.6	182.2	GROUP
	Total water withdrawal from other sources (Mm^3)	13.0	14.5	GROUP
	Rainwater Harvested (Mm^3)	15.7	33.4	GROUP
	Net water withdrawal (Mm^3)	120.9	174.0	GROUP
	Quantity of water consumed (Mm^3)	81.3	96.3	GROUP
Percentage and total volume of water recycled and reused (EN10 GRI)	% of sites equipped with a water recycling system	68%	73%	GROUP
Actions taken in response to incidents of corruption (S04 GRI)	% of sites that have implemented the Competition Compliance Program	96%	96%	GROUP
Total workforce by employment type, employment contract, and region, broken down by gender (LA1 GRI)	Total headcount	67,924	75,677	GROUP
	Percentage of full-time employees	99.0%	99.1%	GROUP
	Percentage of part-time employees	1.0%	0.9%	GROUP
	Percentage of permanent employees	97.0%	96%	GROUP
	Percentage of fixed-term contract employees	3.0%	4.0%	GROUP
Total number and rate of new employees hires and employee turnover by age group, gender, and region. (LA2 GRI)	Number of hirings	7,,400	5991	GROUP
	Number of resignations	3,770	3,752	GROUP
	Number of retirements	776	1057	GROUP
	Number of redundancies	4,308	3,986	GROUP
	Number of deaths	125	142	GROUP
Percentage of employees covered by collective bargaining agreements. (LA4 GRI)	Percentage of business units where employees are covered by collective agreements	74%	71%	GROUP

(2) Operating expense was reported for 52 % of operations. Further to reliability checks by the Group, the figure here is extrapolated to 100 % from a sample of operations (≈ 40 %).
(3) For A&C, data was reported for 47% of operations and extrapolated to 100%.

ISSUE	KEY PERFORMANCE INDICATOR (KPI)	KPI 2011	KPI 2010	LEVEL
Percentage of total worforce represented in formal joint management-worker health and safety comittees that help monitor and advise on occupational health and safety programs (LA6 GRI)	Percentage of total workforce represented in Health & Safety Committees	59%	51%	GROUP
Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by regions and by gender (LA7 GRI)	Injury Rate (TIFR - Employees)	2.8	3.1	GROUP
	Total number of male / female fatalities	33 M / 1F		GROUP
Average hours of training per year per employee, by gender, and by employee category (LA 10 GRI)	Average number of hours of training for management staff	41	45	GROUP
	Average of number of hours of training for non-management staff	29	31	GROUP
Percentage of employees receiving regular performance and career development reviews, by gender (LA 12 GRI)	Percentage of management staff having an annual performance review	91.0%	94.0%	GROUP
	Percentage of non-management staff having an annual performance review	62.0%	64.0%	GROUP
Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity (LA13 GRI)	Percentage of employees under the age of 30	16.1%	16.7%	GROUP
	Percentage of employees between 30 and 50	63.0%	63.3%	GROUP
	Percentage of employees above 50	20.9%	20.0%	GROUP

7.8 Reporting methodology

How we report

We have aligned our definitions for reporting across all product lines of the Group and have updated our air emissions methodologies to conform to new guidelines issued by the WBCSD CSI.

7.8.1 Reporting standards

The rules for computing the KPIs are consistent with the GRI (Global Reporting Initiative) G3 reporting standard. Where details definitions of KPIs are defined by WBCSD - CSI (World Business Council for Sustainable Development - Cement Sustainability Initiative), the recommended CSI methodology is used for the calculation of the KPI. All elements for calculating KPIs are documented in a glossary specific to the Cement, Gypsum or Aggregates and Concrete businesses. Compliance with GRI G3 and a summary of reporting standards used is documented online at http://www.lafarge.com.

Health and safety data is collected separately taking into account our internal guidelines and external best practice. The Group's Social Policies department conducts a separate survey on social data.

The KPI related to the training on the stakeholders relationships is also tracked and verified. Local stakeholder relationship management training is organized around plant managers (in Cement and Gypsum) and area/regional managers in Aggregates and Concrete.

Our 2008, 2009 and 2010 reports were awarded an A+ rating against the GRI G3 guidelines; this is the standard for which we annually strive.

7.8.2 Scope of consolidation and reporting methodologies

The reporting covers all business units and their industrial production sites under the Group's management control throughout the world.

When a new site is acquired by Lafarge, procedures and definitions for sustainability data are not necessarily in line with Lafarge standards. Accordingly we give the new site a maximum of four years to meet our standards. This period is necessary to implement the appropriate management and data collection systems, in order to yield good, reliable data for reporting.

When a plant is sold, we cease to include its performance data and we remove its data from the baseline data used for our Sustainability Ambitions, whether the reference year is 1990 or 2005. For plants divested during the year, environmental and social data is excluded for the entire year; for health and safety, data is included up until the time of divestiture.

We use the CSI Protocol V3 to calculate CO_2 emissions between the 1990 baseline and the reporting year.

In 2011 we are changing our methodology for calculating air emissions to be in accordance with the 2012 CSI protocol for reporting. Previously, gas factors based on the type of kiln process were utilized whereas we now use gas factors based on the energy consumption of the specific kiln; 2010 data and our baseline (2005) is restated using the changed methodology for comparison.

For dust, SO_2 and NO_x emissions, when measurements are missing, we use standard emission concentrations based on the site's kiln process. In 2011 the standard emission concentration was applied to 0.9% of clinker production for dust emissions, 1.9% for SO_2 emissions and 4.4% for NO_x emissions. For persistent pollutants, for 2011 reporting we have changed our reporting methodology to be in line with 2012 CSI recommendation to use the last annual year concentration measurements available rather than a three year average used in past reports; past data is restated using this present definition and the current perimeter for consolidation.

For water, dewatering of quarries and non-contact cooling water taken from surface water and returned to the same catchment is not included in net withdrawal.

For the calculation of safety KPIs that include contractors, contractor off-site hours are not included in the divisor and therefore these indicators may slightly overstate the frequency rates.

Social data and health and safety data is collected by business units and consolidated at Group level. Social data for 2011 in this report is derived from a social survey covering 103 business units in 64 countries representing 100 % of the total Group workforce.

7.8.3 Control and assurance

Environmental data is collected by business line and consolidated at Group level. For cement, environmental experts in the regional technical centers (Beijing, Cairo, Montreal and Vienna) review and validate the performance data for the plants within their regions.

Ernst & Young provides independent verification for sustainability data. The statements made in this Social and Environmental Responsibility Chapter and a selection of key quantitative indicators (lost time injury frequency rate and fatality rate; total headcount, workforce by type of contracts and by Status, workforce hirings, resignations, retirements, redundancies and death; women in senior and executive management; sites environmentally audited, quarries with rehabilitation plans and quarries screened for biodiversity; CO_2, dust, NO_x, SO_2, Mercury, VOC and Dioxins/Furans emissions, water withdrawals by sources, and total, quarried and alternative raw materials consumption) were reviewed to issue a limited assurance report. You can find more details on the verification works and conclusion in Ernst & Young's independent assurance report provided in Section 7.9.

7.9 Independent assurance report on environmental and social information by Ernst & Young

Lafarge S.A.

Financial year ended on December 31, 2011

Independent assurance report on environmental and social information

This is a free translation into English of the original report issued in French and is solely provided for the convenience of English speaking readers.

To the shareholders,

Further to Lafarge's request, we present you our report on the review of the environmental and social information presented in the Chapter 7 of this Document established for the financial year ended December 31, 2011.

The Board of Directors was responsible for preparing the Group Registration Document which includes environmental and social information (the "Information"), defining the appropriate reporting criteria (the "Reporting Criteria") to establish the numerical data (the "Indicators") [1] and to ensure their availability.

It is our responsibility to obtain limited assurance that:

1.the Information have been presented faithfully, in all material aspects, in accordance with the principles of completeness, neutrality and clarity as defined by international standards [2] ;

2.the Indicators were prepared in all material aspects in accordance with the Reporting Criteria.

Our procedures were conducted in compliance with the professional standards applicable in France and the International Standard on Assurance Engagement (ISAE 3000), published in December 2003. The Reporting Criteria applicable in 2011 consist in:

• Group specific instructions and procedures, a summary of which is provided in Section 7.8 under the heading "Reporting methodology", in the comments related to the Indicators presentation in Section 7.7, and on the Group website [3] ;

• External standards and guidelines elaborated by the Cement Sustainable Initiative (CSI) of the World Business Council for Sustainable Development (WBCSD) for environment and safety indicators and the international Hay job evaluation method for data on senior managers. Those standards and guidelines are available on the WBCSD and Hay websites, respectively [4].

A higher level of assurance would have required a more extensive review.

Nature and scope of our review

We performed the following review to be able to express a conclusion:

On the Information:

• At the Group level and at the Cement and Aggregates and Concrete Division levels, we have conducted interviews with the people responsible for environmental, safety, and social reporting. At this level, we checked the consistency of the Information with supporting documents or explanations provided by the Group and available at the headquarters.

• We reviewed the presentation of the Information in Chapter 7 of this Document and the associated notes on methodology.

In addition, on the Indicators:

• We have assessed the Reporting Criteria with respect to their relevance, completeness, neutrality, understandability, and reliability.

• At the Group level and at the Cement and Aggregates and Concrete, Division levels, we have verified the correct application of the Reporting Criteria. At this level, we have implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of data.

• At the Cement Division level, we checked the consistency of CO_2 emissions with figures declared to authorities and verified to date in the framework of the 2007/589/CE European Directive on "allowances".

• At the Cement Division level, for the indicators related to CO_2 emission reduction compared to 1990 emissions, our review was limited to reviewing modifications brought since 2005 to the 1990 baseline.

• We have selected a sample of three cement sites, three regional technical centers, one shared services center, and eight business units [5] on the basis of their activity, their contribution to the Group's consolidated data, their location, and the results of the review performed during prior financial years. At the level of the selected sites and entities, we have verified the understanding and application of the Reporting Criteria, and verified, on a test basis, calculations and reconciliation with supporting documents.

The selected sample represented on average 45% of environmental indicators [6] , 5% of hours worked used in the calculation of the lost time injury frequency rate, and 7% of total headcount for social indicators.

Taking into account the review performed during the past six financial years in different activities and countries, we assess that this review provide a sufficient basis to issue a reasoned opinion on the faithfulness of the Information and express the conclusion below.

Information about the Reporting Criteria

We draw your attention to the following comments on the Reporting Criteria and the Information preparation processes.

Relevance

• The Group publishes environmental and social information on the material issues of the sector and the performance indicators are comparable to other cement manufacturers belonging to WBCSD-CSI.

Completeness

• The Indicators and Information reporting scope aims to cover the whole Group worldwide.

• Methods for estimating missing data, notably atmospheric emissions or 1990 baseline for CO_2 emissions, as well as the perimeters covered by the Indicators (expressed in percentage) have been indicated in the notes on methodology in Section 7.8, and on the Group website [(3)].

Neutrality

• The Group provides detailed information on methodologies used to establish the Indicators or the Information in the notes on methodology in Section 7.8, in the comments next to the published data, and on its website [(3)].

Reliability

• The methods used to count hours of training are different from one entity to another leading to uncertainty on the information reported in Sections 7.3.4 and 7.7. In addition, the internal controls on the consolidated data should be strengthened.

• For the information related to sales of new products reported in Section 7.1.2, the criteria used to define what products are considered as new should be better clarified.

• For the safety indicators, although no major anomaly was detected, the internal controls on the consolidation of hours worked could be strengthened.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that:

1.The Information have not been presented faithfully, in all material aspects, in accordance with the principles of completeness, neutrality and clarity as defined by international standards; and

2.the Indicators were not established, in all material aspects, in accordance with the Reporting Criteria.

Paris-La Défense, March 20th 2012

ERNST & YOUNG et Associés

Environment and Sustainable Development

Eric Duvaud

7

(1) Environmental indicators: Gross and net CO_2 emissions (total and specific), air emissions (SO_2, NO_x, Dust, Mercury, Dioxins/Furans and VOC), energy consumption (total and specific), energy mix in % (incl. Alternative fuels and biomass), materials consumption, quarried materials, percentage of alternative materials, water withdrawals by sources, percentage of active sites audited environmentally within the last 4 years, percentage of quarries with rehabilitation plan, percentage of quarries screened for biodiversity according to WWF criteria. Safety indicators: LTI frequency rate (Lafarge employees), Fatality rate (Lafarge employees).
Social indicators: Total headcount (incl. part time / full time and type of contract repartition), movements in the population (hiring, resignations, retirement, redundancies, death), percentage of women in senior management.
(2) ISAE 3000 from IFAC and Global Reporting Initiative (GRI), Sustainability Reporting Guidelines, Version 3.1, Part I.
(3) http://www.lafarge.com in the section "Reporting Methodology"
(4) http://www.wbcsd.org/ Sector Project/ Cement and http://www.haygroup.com/ Our Services / Job evaluation
(5) Three cement plants : Bath (USA), DingXiao (China), and Malogoszcz (Poland) ; three regional technical centers for the Cement Division: Corporate Technical Services (CTS) based in Montreal (Canada), Asia Technical Center (ATC) based in Beijing and Europe Technical Center (ETC) based in Vienna (Austria); the shared services center based in Reston (USA); three business units of the Cement Division (Poland, Lakes and Seaways in the USA, and Guizhou in China), five business units of the Aggregates and Concrete Division: Poland, Southern China (China), France Béton Sud et France Granulats Sud (France), and Greece.
(6) 41% of CO_2 emissions, 57 % on average of SO_2, NO_x and dust emissions, 16% on average of sites and active quarries, 33% of total water withdrawals, and 52 % on average of the raw material consumption.

8 ADDITIONAL INFORMATION

8.1 Share Capital

As at December 31, 2011, the Company's share capital amounted to 1,148,990,072 euros divided into 287,247,518 fully paid-up shares, each with a nominal value of 4 euros.

Considering that double voting rights accrue to 112,769,432 shares held in registered form for at least 2 years, the total number of voting rights attached to the shares for the purpose of computing notification thresholds amounted to 400,016,950 at December 31, 2011.

8.1.1 Changes in the share capital during the fiscal year ended December 31, 2011

The Company's share capital at December 31, 2010 amounted to 1,145,815,116 euros divided into 286,453,779 shares, each with a nominal value of 4 euros.

Since December 31, 2010, the Company's share capital has increased by a total of 793,739 shares as a result of a capital increase reserved for Group employees:

	NUMBER OF SHARES ISSUED	SUBSCRIPTION AMOUNT *(EUROS)*		
		CAPITAL	SHARE PREMIUM	TOTAL
Capital increase reserved for Group employees	793,739	3,174,956.00	24,351,386.12*	27,526,342.12

* *Net of issuance costs*

8.1.2 Potential share capital at December 31, 2011

The number of shares as at December 31, 2011 could be increased by a maximum of 8,511,063 shares in the hypothetical scenario that stock-options granted to employees existing on that date were exercised. 5,402,651 out of these existing 8,511,063 stock-options could have been exercised at December 31, 2011. The remaining 3,108,412 stock-options can only be exercised upon expiry of a period of four years after their grant and subject to the performance conditions attached to some of these stock-options being fulfilled.

At December 31, 2011, the Company had not issued any other type of security giving any right, directly or indirectly, to the Company's share capital.

Our Board of Directors has received from our General Meeting held on May 12, 2011, the right to carry out share capital increases through the issue of shares or other equity securities with or without preferential subscription rights for shareholders, the capitalization of reserves, the issue of employee stock subscription options or performance shares, and through the issue of shares reserved for our employees.

See Section 8.4 (Authorizations delegated to the Board of Directors) for further information on financial authorizations delegated to our Board of Directors.

8.1.3 Changes in our share capital over the past two fiscal years

	2011	2010
Share capital at the beginning of the fiscal year (number of shares)	**286,453,779**	**286,453,316**
Number of shares issued during the period from January 1 to December 31 as a result of	**793,739**	**463**
payment of the dividend in shares	-	-
exercise of stock subscription options	-	463
exercise of stock subscription warrants	-	-
increase in share capital reserved for employees	793,739	-
issue of new shares	-	-
Number of shares cancelled during the period from January 1 to December 31	**-**	**-**
Maximum number of shares to be issued in the future as a result of	**8,511,063**	**9,099,072**
exercise of stock subscription options	8,511,063	9,099,072
exercise of stock subscription warrants	-	-
conversion of bonds	-	-
Share capital at the end of the fiscal year		
a- euros	1,148,990,072	1,145,815,116
b- number of shares	287,247,518	286,453,779

8.2 Shares owned by the Company

8.2.1 Information on transactions completed during the fiscal year ending December 31, 2011

The Company held 233,448 shares with a nominal value of 4 euros, as of December 31, 2011, representing 0.08% of its capital stock. The value based on the purchase price of those shares is 16,546,794.24 euros.

All of the 233,448 shares held by the Company at December 31, 2011 are assigned to cover stock-options or performance share grants.

In 2011, 130,110 shares were used to cover the delivery of performance shares. None of the shares held by the Company have been reassigned to cover different objectives.

The Company has not entered into any liquidity agreement with an investment service provider.

In 2011, the Company carried out the following transactions on its shares:

	PURCHASES			SALES		
	NUMBER OF SHARES PURCHASED	AVERAGE PRICE *(IN EUROS)*	AMOUNTS *(IN EUROS)*	NUMBER OF SHARES SOLD	AVERAGE PRICE *(IN EUROS)*	AMOUNTS *(IN EUROS)*
2011 fiscal year	-	-	-	130,110*	-	-

* *Delivered to employees as part of performance share plans.*

8.2.2 Information on the share buyback program approved on May 12, 2011

The share buyback program approved by the Shareholders' Meeting on May 12, 2011 has the following features:

Securities	Shares
Maximum percentage of capital that may be authorized	5%
Maximum number of shares that may be acquired	14,322,688*
Maximum total amount of the program	500 million euros
Maximum unit purchase price	100 euros

* *Which is 5% of the capital as of December 31, 2010, subject to adjustment to take into account treasury shares and/or shares cancelled on the date of the purchases.*

Program objectives:

- the implementation of any Company stock-option plan under the terms of articles L. 225-177 *et seq.* of the French Commercial Code or any similar plan; or
- the allotment or sale of shares to employees under the French statutory profit-sharing scheme or the implementation of any employee savings plan under applicable legal conditions, in particular articles L. 3332-1 *et seq.* of the Labor Code; or
- the allotment of consideration free shares pursuant to the terms of articles L. 225-197-1 *et seq.* of the French Commercial Code; or
- generally, to fulfil obligations linked with stock-option programs or other share allotment schemes in favor of employees or executive officers of the Company or related entities; or
- the delivery of shares on the exercise of rights attached to securities giving rights to the capital by redemption, conversion, exchange, presentation of a warrant or any other means; or
- the cancellation of some or all of the shares purchased, pursuant to the 15th resolution approved by the Combined General Meeting on May 12, 2011; or
- the delivery of shares (in exchange, as payment, or otherwise) in connection with acquisitions, mergers, demergers or asset-for-share exchanges; or
- market-making in the secondary market or maintenance of the liquidity of Lafarge shares by an investment services provider under a liquidity contract that complies with the ethical code recognized by the *Autorité des marchés financiers*.

Period 18 months, until November 12, 2012.

As indicated in the table in Section 8.2.1 above, the Company has not purchased any of its own shares within the share buyback program in 2011 or until publication of this Registration Document.

8

8.2.3 Information on the share buyback program to be approved on May 15, 2012

The Shareholders' Meeting convened on May 15, 2012 should be presented with the following share buyback program for approval:

Securities	Shares
Maximum percentage of capital that may be authorized	5 %
Maximum number of shares that may be acquired	14,362,375
Maximum total amount of the program	500 million euros
Maximum unit purchase price	80 euros

* *Which is 5% of the capital as of December 31, 2011, subject to adjustment to take into account treasury shares and/or shares cancelled on the date of the purchases.*

Program objectives:

- the implementation of any Company stock-option plan under the terms of articles L. 225-177 *et seq.* of the French Commercial Code or any similar plan; or
- the allotment or sale of shares to employees under the French statutory profit-sharing scheme or the implementation of any employee savings plan under applicable legal conditions, in particular articles L. 3332-1 *et seq.* of the Labor Code; or
- the allotment of consideration free shares pursuant to the terms of articles L. 225-197-1 *et seq.* of the French Commercial Code; or
- generally, to fulfil obligations linked with stock-option programs or other share allotment schemes in favor of employees or executive officers of the Company or related entities; or
- the delivery of shares on the exercise of rights attached to securities giving rights to the capital by redemption, conversion, exchange, presentation of a warrant or any other means; or
- the cancellation of some or all of the shares purchased, pursuant to the 15th resolution approved by the Combined General Meeting on May 12, 2011; or
- the delivery of shares (in exchange, as payment, or otherwise) in connection with acquisitions, mergers, demergers or asset-for-share exchanges; or
- market-making in the secondary market or maintenance of the liquidity of Lafarge shares by an investment services provider under a liquidity contract that complies with the ethical code recognized by the *Autorité des marchés financiers*.

Period : 18 months, until November 15, 2013.

As at February 29, 2012, the Company held 233,448 shares with a nominal value of 4 euros representing 0.08% of its capital stock, all of which are assigned to cover stock-options or performance share grants.

The Company has no open purchase or sale positions in relation to its share buyback program approved on May 12, 2011 on the date of publication of this Registration Document.

8.3 Securities non representative of share capital – Bonds

To meet the Group's medium and long-term financing needs and to optimize the maturity profile of the Group's debt, Lafarge issues bonds and other related securities on a regular basis, in particular under its Euro Medium Term Notes program ("EMTN").

The Company has not issued any bond or other related security in 2011, either under the EMTN program or otherwise.

The maximal nominal outstanding amount under our EMTN program is currently 12,000 million euros. At December 31, 2011, the Company's total nominal outstanding amount of bond issues under the EMTN program is 8,748 million euros. The available balance for new bond issues was therefore 3,252 million euros at December 31, 2011.

At December 31, 2011, the total nominal outstanding amount of the Company resulting from bonds issues, including bonds issues made under the EMTN program, is 10,384 million euros.

See Section 4.4 (Liquidity and capital resources – Net cash provided (used in) financing activities) and Note 25 (Debt) to our consolidated financial statements for more information on bond issues.

Our General Meeting held on May 12, 2011 authorized our Board of Directors to issue up to 8,000 million euros of bonds and other related securities for a period of 26 months. At December 31, 2011, an outstanding amount of 8,000 million euros was available for new bonds, as the Company had not issued in 2011 any bond or other related security since the authorization granted by the General Meeting held on May 12, 2011.

Following a bond issue on March 15, 2012, the outstanding amount available on the date of the Registration Document has been reduced to 7,950 million euros.

See Section 8.4 (Authorizations delegated to the Board of Directors) for further information on financial authorizations delegated to our Board of Directors.

8.4 Authorizations delegated to the Board of Directors

8.4.1 Authorizations delegated to the Board of Directors by the General Meeting

At March 15, 2012, the Board of Directors benefited from the following authorizations upon delegation by the General Meeting held on May 12, 2011:

TYPE OF AUTHORIZATION	MAXIMUM AMOUNTS	EXPIRATION DATE	MAXIMUM AUTHORIZED AMOUNT AVAILABLE AT MARCH 15, 2012 *(EUROS)*
Buy and sell its own shares (7th resolution)	Up to 5% of the share capital Up to 500 million euros Unitary Purchase price up to 100 euros	November 12, 2012	5% of the share capital 500 million euros
Issue of bonds and other related securities (8th resolution)	8 billions euros (nominal value)	July 12, 2013	7,950 million euros
Issue of shares or other equity securities with preferential subscription rights (9th resolution)	560 million euros (nominal value) (1)	July 12, 2013	560 million euros
Issue of shares or other equity securities without preferential subscription rights (10th resolution)	160 million euros (nominal value) (2)	July 12, 2013	160 million euros
Issue of shares in an offer as set forth in article L. 411-2 of the French Monetary and Financial Code (11th resolution)	160 million euros (nominal value) (2) (3)	July 12, 2013	160 million euros
Issue of shares or other equity securities as payment for contributions in kind (12th resolution)	112 million euros (nominal value) (2) (3)	July 12, 2013	112 million euros
Increase in the number of shares to be issued in case of a capital increase with or without preferential subscription rights (13th resolution)	Up to the amount applicable to the initial issue and to be applied against the global cap set forth in the 9th resolution	July 12, 2013	-
Capital increase through incorporation of premiums, reserves, profits or other items (14th resolution)	100 million euros (nominal value) (2) (3)	July 12, 2013	100 million euros
Reduction of share capital through cancellation of treasury shares (15th resolution)	Up to 10% of the share capital for a 24-month period	July 12, 2013	10% of the share capital
Grant of options to subscribe for and/or purchase shares (16th resolution)	3% of the share capital (on grant date)	July 12, 2013	2.55% of the share capital
Allotment of free existing or new shares (17th resolution)	1% of the share capital (on grant date) (4)	July 12, 2013	0.82% of the share capital
Issue of shares or other equity securities reserved for Group employees (18th resolution)	50 million euros (nominal value)	July 12, 2013	46,825,044 euros
Capital increase reserved for a category of beneficiaries as part of a transaction reserved for employees (19th resolution)	50 million euros (nominal value) (5)	November 12, 2012	46,825,044 euros

(1) Global cap for the 9th, 10th, 11th, 12th, 13th and 14th resolutions.
(2) To be applied against the global cap set forth in the 9th resolution.
(3) To be applied against the cap set forth in the 10th resolution.
(4) To be applied against the cap set forth in the 16th resolution.
(5) To be applied against the cap set forth in the 18th resolution.

Use of authorizations in 2011

In 2011, the Board of Directors made use of the authorization granted in the 17th resolution by granting 20,000 performance shares to Mr Bruno Lafont, Chairman and Chief Executive Officer, on May 12, 2011.

Use of authorizations in 2012

The Board of Directors made use of the authorization granted in the 17th resolution during its meeting on March 15, 2012 by granting 789,920 stock options and 483,967 performance shares, of which 70,000 options and 20,000 performance shares were granted to the Chairman and Chief Executive Officer.

In addition, on March 15, 2012, we made use of the authorization to issue bonds and other related securities granted in the 8th resolution for a 50 million euros private placement under our EMTN Program.

8.4.2 Authorizations to be delegated to the Board of Directors by the General Meeting to be held on May 15, 2012

The General Meeting to be held on May 15, 2012 should vote upon the following delegations:

TYPE OF AUTHORIZATION TO BE VOTED UPON	MAXIMUM AMOUNTS	EXPIRATION DATE
Buy and sell its own shares (17th resolution)	Up to 5% of the share capital Up to 500 million euros Purchase price of up to 80 euros	November 15, 2013

8.5 Articles of Association (*Statuts*)

The main provisions of articles of association of Lafarge S.A. are summarized below.

8.5.1 Corporate purpose

The Company's purpose is:

1. The acquisition and management of all industrial and financial holdings, including, without limitation:
   - industries relating to cement and other hydraulic binders, construction materials and products or equipment used in homes;
   - refractory product industries;
   - industrial plant engineering and construction;
   - bio-industries and agri-business.
2. Research and provision of services in any of the above-mentioned fields and in any other field where the skills of the Company and its subsidiaries may be relevant.
3. All associations or undertakings, all acquisitions of securities, and all industrial, commercial, financial, agricultural, real and movable property transactions relating directly or indirectly to any of the above-mentioned purposes or such as ensure the development of Company assets.

8.5.2 Board of Directors

The Board of Directors must have a minimum of three members and a maximum of 18 members. The Directors are appointed by shareholders at a General Meeting, and their term of office is for four years. Directors must not be over 70 years of age and must each hold at least 1,143 of the Company's shares. Each Director's term of office expires at the end of the ordinary Shareholders' Meeting called to approve the previous year's financial statements and held in the year during which the Director's term of office normally expires or during which the Director reaches the age limit of 70 years.

The Board of Directors elects a Chairman from among its members. The Chairman of the Board must not be over 65 years of age. The Chairman automatically ceases to perform his duties on December 31 of the year in which he reaches the age of 65 unless the Board of Directors decides as an exceptional measure to extend the term of office of the Chairman beyond the above-mentioned age limit for successive one-year periods provided that his term of office as Director continues for such periods. In this case, the term of office of the Chairman of the Board expires definitively on December 31 of the year in which he reaches the age of 67.

See Section 5.1 (Board of Directors-Corporate Officers) for more information on our Board of Directors.

Transactions between the Company and Directors

Agreements between the Company and any member of the Board of Directors are subject to prior approval of the Board unless these agreements are entered into at arms' length in the ordinary course of business. The Director who has an interest in the agreement to be approved by the Board cannot take part in the vote of the Board of Directors. The same applies to agreements to be entered into between the Company and the Chief Executive Officer, a Chief Operating Officer, a shareholder holding more than 10% of the voting rights in the Company or, if such shareholder is a legal entity, a company controlling that shareholder.

Directors' compensation

The Shareholders' Meeting can award a fixed annual amount as compensation for the members of the Board of Directors. The Board can then distribute this amount between its members as it sees fit.

See Section 5.4 (Compensation and benefits) for more information on the amount of compensation awarded to the Directors by the Shareholders Meeting.

The Board of Directors can authorize the reimbursement of travelling expenses and expenses incurred by Directors in the interests of Lafarge. The Board may also award exceptional remuneration to Directors who are members of Committees formed from among its members or who are entrusted with specific tasks or duties.

8.5.3 Rights, preferences and restrictions attached to shares

Allocation and appropriation of earnings

The net results of each financial year after deduction of overheads and other Company expenses, including any depreciation and provisions, constitute the Company's profit or loss for that financial year.

The Company contributes 5% of this profit, as reduced by any loss carried forward from previous years, to a legal reserve fund; this contribution is no longer required if the legal reserve fund equals 10% of the Company's issued share capital and becomes compulsory again if the legal reserve fund falls below this percentage of the share capital.

A contribution is also made to other reserve funds in accordance with French law.

The profits remaining after these contributions constitute the profits available for distribution, as increased by any profit carried forward from the previous years, out of which an initial dividend equal to 5% of the nominal value of shares fully paid-up and not redeemed is paid to the shareholders. Such dividends cannot be carried forward from one year to another.

The profits available for distribution remaining after payment of the initial dividend can be allocated to optional reserve funds or carried forward. Any profits remaining are distributed to shareholders as a super dividend.

The Shareholders' General Meeting may also decide to distribute part of the Company's distributable reserves. In such cases, the decision of the shareholders must specify expressly from which reserves the distribution is to be made. In any event, dividends are to be paid first from the financial year's distributable profits.

If the Company has incurred losses, such losses are recorded, after approval of the accounts by the shareholders, in a special balance sheet account and can be carried forward against profits in subsequent years until extinguished.

Payment of dividends

Our *statuts* provide that the General Meeting may offer shareholders a choice, with respect to all or part of any dividend to be distributed, between payment in cash and payment in new Company shares pursuant to applicable law. Shareholders may be offered the same choice with regard to the payment of interim dividends.

Unclaimed dividends within five years from the date of payment are forfeited and must be paid to the French State, in accordance with French law.

Loyalty dividend

Any shareholder who, at the end of the fiscal year, has held registered shares for at least 2 years and still holds them at the payment date of the dividend in respect of that year, is entitled to receive in respect of such shares a bonus equal to 10% of the dividend (initial and loyalty dividend) paid to other shareholders, including any dividend paid in shares. Where applicable, the increased dividend is rounded down to the nearest cent. Entitlement to the increased dividend is lost upon conversion of the registered shares into bearer form or upon transfer of the registered shares.

Similarly, any shareholder who, at the end of the fiscal year, has held registered shares for at least 2 years and still holds them at the date of an issue by way of capitalization of reserves, retained earnings or issue premiums of performance shares, is entitled to receive additional shares equal to 10% of the number distributed, rounded down to the nearest whole number. The number of shares giving entitlement to such increases held by any one shareholder may not exceed 0.5% of the total share capital at the relevant fiscal year-end.

In the event of a share dividend or bonus issue, any additional share ranks pari passu with the shares previously held by a shareholder for the purpose of determining any increased dividend or distribution of performance shares. However, in the event of fractions:

- where a shareholder opts for payment of dividends in shares, he can pay a balancing amount in cash to receive an additional share provided he meets the applicable legal requirements;
- in the event of a bonus issue, the rights to any fractions of a share arising from the increase are not negotiable, but the corresponding shares can be sold and the proceeds will be distributed to the holder of such rights no later than 30 days after the registration in the share account of the whole number of shares allocated to him.

Voting rights

Each holder of shares is entitled to one vote per share at any Shareholders' General Meeting. Voting rights attached to shares may be exercised by the holder of the usufruct except where the holder of the usufruct and the beneficial owner agree otherwise and jointly notify the Company at least five days before the date of the meeting.

DOUBLE VOTING RIGHTS

Double voting rights are attached to fully paid-up shares registered for at least 2 years in the name of the same shareholder. In accordance with French law, entitlement to double voting rights is lost upon conversion of the registered shares into bearer form or upon transfer of the registered shares (this does not apply to transfers resulting from inheritance or gifts). Double voting rights were introduced in our *statuts* over 60 years ago and are exercisable within the limitations set out below.

ADJUSTMENT OF VOTING RIGHTS

There are no restrictions on the number of voting rights held by each of our shareholders if those rights do not exceed 5% of the rights attached to all the shares comprising the Company's share capital. Above this threshold, the number of voting rights is adjusted on the basis of the percentage of the capital represented at the General Meeting rounded off to the nearest whole unit. This prevents over-representation of a shareholder when participation at a General Meeting is low, while ensuring that each of our shareholders obtains a percentage of voting rights at least equal to his stake in the Company's share capital.

Where applicable, the voting rights held directly or indirectly by a shareholder are added to the voting rights belonging to any third party, with whom such shareholder is acting in concert, as defined by law.

This adjustment mechanism does not apply when the quorum at the General Meeting is greater than two-thirds of the total number of voting rights.

8.5.4 Changes to shareholders' rights

Shareholders' rights can only be modified if a resolution to amend our *statuts* is passed at an Extraordinary General Meeting of the shareholders by a two-thirds majority. Unanimity is, however, required to increase shareholders' obligations. In addition to a vote at the Shareholders' Extraordinary General Meeting, elimination of double voting rights requires ratification by a two-thirds majority at a special meeting of the shareholders benefiting from such rights.

8.5.5 Convocation and admission to Shareholders' General Meetings

Convocation of General Meetings

Shareholders' General Meetings can be called by the Board of Directors or, failing which, by the auditors and any other person legally authorized for such purpose.

The form of notice calling such meeting, which may be transmitted electronically, and the time limits for sending out this notice are regulated by law. The notice must specify the place of the meeting, which may be held at the registered office or any other place, and the agenda of the meeting.

Attendance and Voting at General Meetings

Shareholders' General Meetings may be attended by all shareholders regardless of the number of shares they hold, provided that all calls of capital contributions due or past due with respect to such shares have been paid in full.

Access to the General Meeting is open to such shareholders, as well as to their proxies and registered intermediaries who have provided evidence of their entitlement to attend no later than midnight (Paris time) three business days before the date of the General Meeting, including certification that their shares are registered in an account. It is not necessary to block shares in order to attend General Meetings. The Board of Directors may, where appropriate, present shareholders with personal admission cards and request production of the cards.

At all General Meetings, shareholders are deemed present for quorum and majority purposes if participating in the General Meeting by videoconference or by any electronic communication means, including internet, that permits them to be identified. The Board of Directors organizes, in accordance with applicable laws and regulations, the participation and voting by such shareholders at the meeting by creating a dedicated site, and verifies the efficacy of the methods adopted to permit shareholder identification and to guarantee their effective participation in the General Meeting.

Shareholders not domiciled in French territory may be represented by an intermediary registered in accordance with applicable laws.

Any shareholder may be represented by proxy, even if the proxy holder is not a shareholder. Shareholders may also vote by mail in accordance with the conditions set out by law.

Shareholders may, pursuant to applicable law and regulations, submit their proxy or mail voting forms in respect of any General Meeting, either in paper form or by a method of electronic communications, provided that such method is approved by the Board of Directors and published in the notices of meeting, no later than 3.00 p.m. (Paris time) the day before the date of the General Meeting. The Board of Directors is authorized to reduce the time limit for the receipt of such forms.

Any shareholder fulfilling the required conditions set out above may attend the General Meeting and take part in the vote, and any previously submitted correspondence vote or previously granted proxy is deemed invalid.

Quorum

In Ordinary and Extraordinary General Shareholders' Meetings, the calculation of the quorum is based on the total number of shares with voting rights.

Ordinary General Meetings: the quorum for Ordinary General Meetings called pursuant to the first notice of the meeting is only met if the shareholders present, deemed present or represented, hold 20% of the shares with voting rights. No quorum is required for a meeting called pursuant to a second notice.

Extraordinary Meetings: a quorum for Extraordinary Meetings is met only if the shareholders present, deemed present or represented at a meeting called pursuant to the first notice, hold 25% of the shares with voting rights, or hold 20% of the shares with voting rights at a meeting called on second notice. If the quorum is not met pursuant to the second notice, the meeting is to be postponed to a date no later than 2 months after the date for which it had been called.

Majority Required

Resolutions at an Ordinary General Meeting of shareholders are passed by a simple majority of the votes cast by the shareholders present, deemed present or represented.

Resolutions at an Extraordinary General Shareholders' Meeting are passed by a two-thirds majority of the votes cast by the shareholders present, deemed present or represented.

In the event of a capital increase by capitalization of reserves, profits or issue premiums, resolutions are passed in accordance with the voting requirements for Ordinary General Shareholders' Meetings.

8.5.6 Disclosure of holdings exceeding certain thresholds

In addition to the legal requirement to disclose holdings exceeding certain thresholds, our *statuts* provide that any person acting alone or in concert who becomes, directly or indirectly, the owner of 2% or more of our share capital must notify the Company therein. This notification requirement is governed by the same provisions that apply to the legal requirement. The Company must be notified, within the time limits provided by law, by registered mail with return receipt requested or by fax or telex, of the number of shares held, indicating whether these are held directly or indirectly and whether the shareholder is acting alone or in concert. The same notification requirement applies to each subsequent increase or decrease in ownership of 1% or whole multiples of 1%. The notification must also specify the date on which the threshold was crossed (which corresponds to the date on which the transaction resulting in the crossing of the threshold took place) and the number of shares held giving access to the share capital.

If a person does not comply with this notification requirement, the provisions of the law providing for loss of voting rights apply. If this sanction is not applied automatically, one or more shareholders holding 1% or more of our share capital or voting rights may require a Shareholders' General Meeting to strip the shares in excess of the relevant threshold of voting rights at all General Meetings for 2 years following the date on which the owner complies with the notification requirements. This penalty is irrespective of any legal sanction that may be issued by a court upon the request of the Chairman, a shareholder or the *Autorité des marchés financiers* (AMF).

The Company may at any time request, under the terms and conditions set forth by applicable law, the entity in charge of settlement of securities transactions to identify the holders of securities conferring immediate or future entitlement to voting rights at General Meetings and to state the number of securities held by each holder and any restrictions on such securities.

8.6 Change of control

Within the framework of the provisions of Article L. 225-100-3 of the French Commercial Code, the Company states that it has no specific provisions which may have an incidence in the event of a call for tenders. The change of control provisions of the Company's principal financing agreements, including those presented in Section 8.7 (Material contracts), details the early reimbursement of the loans in case of a change of control. The EMTN program of the Company includes in its terms and conditions the situation of a change of control accompanied by a lowered financial rating for the Company which could bring about, at the choice of bonds holders and subject to certain conditions, the early reimbursement of bonds. In addition, for informational purposes:

- the structure of the Company's capital, the information on the thresholds notifications and declaration of intent are set forth in Chapter 6 (Major shareholders) and certain provisions of the Articles of Association, including those regarding voting rights, are set forth in Section 8.5 (Articles of Association *(Statuts);*
- to the Company's knowledge, there are no agreements between shareholders which may give rise to restrictions to the transfer of shares and the exercise of the Company's voting rights, and the Company has not been informed of agreement clauses pursuant to Article L. 233-11 of the French Commercial Code;
- the severance arrangements which may be due to the Chairman and Chief Executive Officer following a change of control is set forth in Section 5.4.2 (Compensation benefits paid to the Chairman and Chief Executive Officer).

8.7 Material contracts

We are a party to a syndicated credit facility entered into on October 29, 2004, and amended successively on July 28, 2005, July 27, 2010 and March 19, 2012.

This facility originally provided a revolving credit line in the amount of 1,850 million euros, with a maturity of five years. Through the last amendment of March 19, 2012, we have reduced the amount to 1,235 millions euros and extended the maturity to July 28, 2015 for 1,200 million euros.

As a part of the acquisition of Orascom Cement, we are party to a 7,200 million euro credit facility dated December 9, 2007 arranged by BNP Paribas, Calyon and Morgan Stanley Bank International Ltd. This facility is structured in several tranches of different amounts and with maturity dates between one and five years (1,800 million euros maturing in one year, 2,300 million euros in 2 years and 3,100 million euros in five years, with one-year extension options for each of the tranches maturing in one and 2 years). The first tranche was partially refinanced up to 1,500 million euros in 2008. We exercised the first extension option of one year on November 17, 2008 for the remaining 300 million euros. During the 2009 fiscal year we made several early repayments for a total amount of 4,900 million euros. As a result a balance of 768 million euros remains due under this facility as at December 31, 2011, maturing on December 9, 2012.

We also have a significant number of contracts relating to outstanding bond issues.

See Section 4.4 (Liquidity and capital resources) and Note 25 (Debt) to our consolidated financial statements for further information.

In addition, we have entered into several agreements in relation to the significant sales and acquisitions mentioned in Section 3.2.2 (Recent acquisitions, partnerships and divestitures).

8.8 Documents on display

8.8.1 Documents available at the registered office and the Lafarge website

The *Articles of Association* of the Company, minutes of General Meetings as well as reports from the Board of Directors to the General Meeting, auditors' reports, financial statements of the Company for the last three fiscal years, and any other document sent to or available for our shareholders in accordance with the law, are available for consultation during the validity period of this Registration Document at our registered office, 61, rue des Belles Feuilles, 75116 Paris.

In addition, historical financial information and regulated information relating to the Group as well as information relating to the Company's General Meetings is available on-line at www.lafarge.com.

8.8.2 Annual Information Document (art. 222-7 of the general regulations of the *Autorité des marchés financiers* (AMF))

The tables below list the information which has been disclosed by Lafarge since January 1, 2011 (*in addition to the data mentioned in Section 8.8.1 above).*

Releases available on the Lafarge internet website: www.lafarge.com

DATE	TITLE
03/20/2012	Lafarge extends syndicated credit facility to July 2015
03/16/2012	Lafarge: Ordinary General Meeting (May 15, 2012) – Availability of documentation
02/17/2012	2011 full year results
02/02/2012	Lafarge presents its proposed reorganization of the Group's corporate functions
01/17/2012	Lafarge launches Studio+ on affordable housing
11/21/2011	Lafarge announces its new organization project
11/04/2011	Lafarge closes sale of Gypsum assets to Etex Group
11/04/2011	Cooptation of Ian Gallienne as a Director of Lafarge
11/04/2011	2011 third quarter results
09/28/2011	Inauguration of first sustainable construction development laboratory in Chongqing
09/28/2011	Lafarge – partnering architecture and UIA2011 TOKYO
08/17/2011	Divestment of Gypsum business in Asia
07/28/2011	2011 half year results
07/22/2011	Sale of Australian Gypsum operations
07/14/2011	Project to sell European and South American Gypsum operations
06/23/2011	Announcement of new CO_2 targets
06/09/2011	Lafarge strengthens its partnership with Ecole des Ponts ParisTech
05/27/2011	Share capital increase reserved for the Group's employees
05/17/2011	New "Clean Development Mechanism" in the Philippines
05/12/2011	Shareholders' Meeting
05/12/2011	Sale of Cement and Concrete assets in the southeast United States
05/05/2011	2011 first quarter results
02/18/2011	Lafarge and Anglo American to create a joint venture in UK
02/18/2011	2010 full year results
01/30/2011	Temporary return of some Cairo-based expatriates
01/06/2011	Lafarge Invention Awards: innovating for sustainable construction

Other permanent and occasional information available on the Lafarge website: www.lafarge.com

DATE	TITLE
03/09/2012	Declaration in accordance with article 223-16 of the AMF general regulations
02/13/2012	Declaration in accordance with article 223-16 of the AMF general regulations
01/19/2012	Declaration in accordance with article 223-16 of the AMF general regulations
12/08/2011	Declaration in accordance with article 223-16 of the AMF general regulations
11/14/2011	Declaration in accordance with article 223-16 of the AMF general regulations
10/14/2011	Declaration in accordance with article 223-16 of the AMF general regulations
09/08/2011	Declaration in accordance with article 223-16 of the AMF general regulations
08/08/2011	Declaration in accordance with article 223-16 of the AMF general regulations
07/11/2011	Declaration in accordance with article 223-16 of the AMF general regulations
06/09/2011	Declaration in accordance with article 223-16 of the AMF general regulations
05/16/2011	Declaration in accordance with article 223-16 of the AMF general regulations
04/08/2011	Declaration in accordance with article 223-16 of the AMF general regulations
03/08/2011	Declaration in accordance with article 223-16 of the AMF general regulations
02/18/2011	Declaration in accordance with article 223-16 of the AMF general regulations
01/10/2011	Declaration in accordance with article 223-16 of the AMF general regulations

Information published in the Official Journal for Legal Compulsory Publications *(Bulletin des Annonces Légales Obligatoires)* available on the website: www.journal-officiel.gouv.fr

DATE	ISSUE NUMBER	TITLE
03/19/2012	(n°34)	Notice of meeting of shareholders
05/23/2011	(n°61)	Annual financial statements
04/22/2011	(n°48)	Notice of meeting of shareholders
03/18/2011	(n°33)	Notice of meeting of shareholders

8

9 INTERNAL CONTROL PROCEDURES

9

9.1 Report of the Chairman of the Board of Directors on internal control procedures and on corporate governance (article L. 225-37 of the French Commercial Code)

This report on internal control procedures and corporate governance was prepared under the responsibility of the Chairman of the Board pursuant to the article L. 225-37 of the French Commercial Code.

It was drafted with the support of the Group Internal Control department and Group Audit department.

It was examined by the Audit Committee in its meeting of February 15, 2012 and approved by the Board of Directors in its meeting of February 16, 2012 and covers Group Holding, Lafarge S.A., as well as controlled companies included in the Group's scope of consolidation.

The information of this report is organized as follows:

- general organization of internal control and of risk management;
- internal control procedures related to the preparation of accounting and financial information.

The introduction of Chapter 5 (Declaration in terms of corporate governance – Governance Code of reference) and Sections 2.2 (Risk Management), 5.1 (Board of Directors-Corporate Officers), 5.2 (Board and Committee rules and practices), 5.4 (Compensations and benefits), 5.7 (Implementation of the principle "Comply or Explain" of the AFEP-MEDEF Code), and 8.5.5 (Convocation and admission to Shareholders' General Meetings) of the Registration Document are part of this report. Moreover the Registration Document includes the information pursuant to article L. 225-100-3 of the French Commercial Code (see Section 8.6 (Change of control)).

Internal control related to the preparation of financial and accounting information is designated below as "internal control over financial reporting".

9.1.1 General organization of internal control and risk management

Internal control framework chosen by the Group

In conformity with the definition of the COSO Report [1], which is the framework chosen by the Group, the internal control process consists in implementing and permanently adapting appropriate management systems, aiming at giving the Directors and management reasonable assurance concerning the reliability of financial reporting, compliance with laws and internal regulations, and the effectiveness and efficiency of major Company processes. One of the objectives of internal control is to prevent and monitor the risks of errors and fraud. Like all control systems, because of its inherent limitations, the internal control process cannot guarantee that all risks of errors or fraud are fully eliminated or controlled.

Group internal control environment

The Group's internal control environment is based on key documents such as the Group Principles of Action, principles of organization and Code of Business Conduct, which have to be strictly applied by Group employees:

- the Principles of Actions present Group commitments towards customers, employees, shareholders and other Group stakeholders, and define what the "Lafarge Way" is, being its management philosophy;
- the principles of organization define responsibilities at all levels within the organization (business units, Divisions and Group), the various components of the management cycle as well as the key principles driving performance improvement;
- the Code of Business Conduct defines rules of conduct and is structured as follows: compliance with the law and regulations, prevention of conflicts of interest, respect for people and the environment, safeguarding of the Group's assets, financial disclosure, importance of internal control, implementation of behavioral rules and appropriate sanctions.

Those documents are complemented by rules and policies established by the Group defining priorities for each of the Group's principal functions. Among other things, these rules state that implementing a robust internal control process is one of the primary responsibilities of the Executive Management of each legal or operational entity.

An annual assessment of the internal control environment is organized in the Group main operational units, on the basis of self-assessment questionnaires.

(1) COSO: Committee of Sponsoring Organization of the Treadway Commission. Septembrer 1992.

Risk identification and analysis

The approach implemented by the Group, relating to the identification and analysis of risks, is described in Section 2.2.1. (Risk identification and analysis) of the Registration Document.

Risk management systems

A presentation of the general framework of risk management and of major risk management systems is included in Section 2.2.2. (Risk management systems) of the Registration Document.

Control activities

Control activities are implemented at every level in the Group, in conformity with rules and policies described above.

Internal control activities over major processes impacting the reliability of the Group's financial reporting are defined in the Group "Internal Control Standards"[(1)] and are documented and tested as described in Section 9.1.2 below.

Information and communication

The Group's key documents are available on the Group's intranet. Function leaders are responsible for disseminating the rules, policies and procedures applicable Group-wide.

Controls and procedures over key processes affecting the Group's financial reporting are subject to formal documentation and test procedures described in Section 9.1.2 below.

Internal control monitoring across the Group

Internal control is monitored at all levels of the Group. The roles of major stakeholders are described below.

BOARD OF DIRECTORS AND BOARD COMMITTEES

The Board of Directors and its specialized committees, and in particular the Audit Committee, ensure the implementation of the Group's internal control policy.

See Sections 5.1 (Board of Directors-Corporate Officers), 5.2 (Board and Committees rules and practices) and 5.4 (Compensations and benefits).

GROUP EXECUTIVE COMMITTEE

The Executive Committee steers the effective implementation of the Group's internal control policy, through:

- the monitoring and follow-up of internal control procedures performed throughout the Group, and in particular the follow-up of identified action plans;
- the review of the annual summary of the Group's internal audit reports.

GROUP FUNCTIONS AND DIVISIONS

With regard to processes affecting the preparation of financial reporting, Group function leaders, including in particular managers of the Group Finance function, have been designated at Division and Group level as "business process owners", with the responsability of:

- documenting their processes at Division and Group level and verifying that the "Internal Control Standards" for such processes are effectively implemented;
- defining and updating the standards of internal control applicable to business units.

BUSINESS UNITS

In application of Group internal control policy, internal control is under the direct responsibility of the Executive Committee of business units.

In each of the Group's major business units, "Internal Control Coordinators" are appointed. Their role consists mainly in supporting implementation of the Group's "Internal Control Standards" and ensuring procedures related to "internal control over financial reporting" in their unit are implemented. Their activities are coordinated by the Group Internal Control department presented below.

GROUP INTERNAL AUDIT

The Group Internal Audit department (around 40 persons) is responsible for performing an independent assessment of the quality of internal control at all levels in the organization, following the annual audit plan approved by the Chairman and Chief Executive Officer and Audit Committee.

(1) Group "Internal Control Standards" is the set of key controls covering main risks pertaining to processes participating in the preparation of financial reporting.

Reports are issued to business units and to senior managers upon completion of the fieldwork. An annual summary of such reports is presented to the Chairman and Chief Executive Officer and to the Audit Committee, who also receives comments from Group's external auditors on internal control.

Furthermore, follow-up assignments are organized to verify that internal audit recommendations have been put in place.

GROUP INTERNAL CONTROL DEPARTMENT

The Group Internal Control department (12 persons) is part of the Group Finance function. This department is in charge of overseeing internal control and monitoring all procedures related to "internal control over financial reporting".

This department oversees the definition of "Internal Control Standards" mentioned above and coordinates the network of Internal Control Coordinators within its business units. It supports business units and the heads of Group functions in the implementation of such standards as well as the documentation and tests of controls over financial reporting presented in Section 9.1.2 below.

The Internal Control Committee chaired by the Chief Financial Officer and encompassing the key finance managers at Group level, the Group audit Director, the Group information systems Director, the Group purchasing Director, and the Group legal counsel oversees the work performed on "internal control over financial reporting".

9.1.2 Procedures related to "internal control over financial reporting"

Key processes with an impact on the reliability of Group financial reporting

Processes with a direct impact on the production of financial reporting, for which key controls were defined as part of the analysis presented above, relate to the following areas: finance (closing process, consolidation process, legal and tax management, treasury management), purchasing (from the bidding process to recording and payment of invoices), sales (from orders receipt to revenue recognition and collection), IT (security management, among others), payroll and management of various employee benefits, management of tangible and intangible assets and management of inventories (physical count, valuation, etc.).

Documentation and testing of "controls over financial reporting"

The Group is committed to maintain high standards of internal control and implements detailed work related to documentation and testing of "internal control over financial reporting".

This work is implemented by business units, Divisions and at Group level, on key controls contributing to the reliability of financial reporting and encompasses:

- a description of key processes affecting the reliability of the Group's financial reporting, as presented above;
- a detailed description of key controls defined in the "Internal Control Standards" presented above;
- tests of controls to check the operational effectiveness of such controls; the scope of such tests being defined based on the materiality and risk level of each entity;
- an internal certification process to review the principal action plans in progress and to confirm management responsibility at business units, Divisions and Group level on the quality of both internal control and financial reporting.

This work is part of the process of continuous improvement in internal control and includes the preparation of specific action plans, identified through the activities described above, as well as through internal and external audits. The implementation of action plans is followed up by relevant senior management. The outcome of such procedures are presented to the Audit Committee.

Preparation of published financial reporting

Specific procedures are put in place to ensure the reliability of published financial reporting, as follows:

- a consolidation and financial reporting system is used to prepare Group financial reporting;
- a formal reporting, analysis and control process for other published information included in the Group's Registration Document (*Document de référence*) is implemented.

This process is monitored by the Disclosure Committee, composed of the main heads of Group functions, who verify the content of financial disclosures and reports before they are submitted to the Audit Committee and to the Board of Directors.

Paris, February 17, 2012

French original signed by

Bruno Lafont

Chairman of the Board of Directors

9.2 Statutory auditors' Report, prepared in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*) on the report prepared by the Chairman of the Board of Directors of Lafarge

Year ended December 31, 2011

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French Law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of Lafarge ("the Company"), and in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), we report to you on the report prepared by the Chairman of the Board of Directors of your Company in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*) for the year ended December 31, 2011.

It is the Chairman's responsibility to:

- prepare a report describing the internal control and risk management procedures implemented within the Company and providing the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*) notably relating to the corporate governance system;
- submit it for approval to the Board of Directors.

It is our responsibility to:

- report to you on the information set out in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information;
- attest that the report contains the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*), knowing that we are not responsible for verifying the fairness of this other information.

We performed our procedures in accordance with the relevant professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, on which the information presented in the Chairman's report is based, and the existing documentation;
- obtaining an understanding of the work performed to prepare this information, and the existing documentation;
- ensuring that any material weaknesses in internal control procedures relating to the preparation and processing of financial and accounting information that we would have detected in the course of our engagement have been properly disclosed in the Chairman's report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman's report, prepared in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*).

Other information

We attest that the Chairman's report contains the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*).

Neuilly-sur-Seine and Paris–La Défense, February 27, 2012

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG Audit	
French original signed by		*French original signed by*	
Arnaud de Planta	Frédéric Gourd	Christian Mouillon	Nicolas Macé

10 AUDITING MATTERS

10

10.1 Auditors

Auditors

Statutory Auditors

DELOITTE & ASSOCIÉS
185, avenue Charles-de-Gaulle, F 92200 Neuilly-sur-Seine, represented by Arnaud de Planta and Frédéric Gourd.

Date of first appointment: 1994.

Expiry of current appointment: at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year 2011.

The shareholders will be proposed at the next Shareholders Meeting to take place on May 15, 2012 to renew the appointment of Deloitte & Associés as Statutory Auditor for six year, until the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017.

ERNST & YOUNG AUDIT
11, allée de l'Arche, F 92400 Courbevoie, represented by Christian Mouillon and Nicolas Macé.

Date of first appointment: 2006.

Expiry of current appointment: at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year 2011.

The shareholders will be proposed at the next Shareholders Meeting to take place on May 15, 2012 to appoint Ernst & Young et Autres as Statutory Auditor for six years, until the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017.

This actually corresponds to the renewal of the appointment of the Statutory Auditor from the Ernst & Young network, although from a legal stand point it is necessary to propose the appointment of Ernst & Young et Autres, in replacement of Ernst & Young Audit. The Ernst & Young et Autres partners are Mr. Nicolas Macé and Mr. Alain Perroux, the later replacing Mr. Christian Mouillon.

Alternate Auditors

BEAS
7-9, villa Houssay, F 92200 Neuilly-sur-Seine.

Date of first appointment: 2000.

Expiry of current appointment: at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year 2011.

The shareholders will be proposed at the next Shareholders Meeting to take place on May 15, 2012 to renew the appointment of BEAS as Alternate Auditor for six years, until the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017.

AUDITEX
11, allée de l'Arche, F 92400 Courbevoie.

Date of first appointment: 2008.

Expiry of current appointment: at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year 2013.

The shareholders will be proposed at the next Shareholders Meeting to take place on May 15, 2012 to renew the appointment of Auditex as Alternate Auditor for six years, until the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017.

Proposal to renew the Auditors' appointments - 2012 Shareholders Meeting

The Statutory Auditors appointments, which were renewed after a competitive bidding process in 2006, are due to expire after the Shareholders Meeting convened on May 15, 2012.

After noting the high quality of the services provided by the auditors and upon recommendation from the Audit Committee, the Board of Directors resolved during its meeting on February 16, 2012 that it should be proposed at the Shareholders Meeting to renew the appointments of the current Statutory and Alternate Auditors.

10.2 Auditors' fees and services

This table sets out the amount of fees billed for each of the last two fiscal years by each of our auditors, Deloitte & Associés and Ernst & Young Audit, in relation to audit services, audit-related services, tax and other services provided to us.

	DELOITTE & ASSOCIES				ERNST & YOUNG AUDIT			
	AMOUNT (EXCL. TAX)		%		AMOUNT (EXCL. TAX)		%	
(million euros)	2011	2010	2011	2010	2011	2010	2011	2010
Audit fees								
Audit, attestation and review of financial statements	6.6	7.4	57%	84%	5.9	6.4	84%	88%
Lafarge S.A.	1.5	1.8	13%	20%	1.5	1.5	21%	21%
Subsidiaries	5.1	5.6	44%	64%	4.4	4.9	63%	67%
*Audit-related Fees **	4.8	1.3	41%	15%	0.9	0.7	12%	9%
Lafarge S.A.	2.7	0.4	23%	5%	0.6	0.1	8%	1%
Subsidiaries	2.1	0.9	18%	10%	0.3	0.6	4%	8%
SUB-TOTAL	**11.4**	**8.7**	**98%**	**99%**	**6.8**	**7.1**	**96%**	**97%**
Other fees								
*Tax Fees ***	0.3	0.1	2%	1%	0.3	0.2	4%	3%
Legal and Employment Fees	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	--
SUB TOTAL OTHER FEES	**0.3**	**0.1**	**2%**	**1%**	**0.3**	**0.2**	**4%**	**3%**
TOTAL FEES	**11.7**	**8.8**	**100%**	**100%**	**7.1**	**7.3**	**100%**	**100%**

* *Audit-related fees are generally fees billed for services that are closely related to the performance of the audit or review of financial statements. These include due diligence services related to acquisitions, consultations concerning financial accounting and reporting standards, attestation services not required by statute or regulation, information system reviews.*

** *Tax fees are fees for services related to international and domestic tax compliance, including the review of tax returns and tax services regarding statutory, regulatory or administrative developments and expatriate tax assistance and compliance.*

10.3 Auditors' reports

The table below indicates where to find in this Registration Document the different reports issued by the auditors.

REPORT	PAGE
Report on the consolidated financial statements	F 3
Report on the statutory accounts	F 73
Special report on related-party agreements and commitments	F 94
Report on the report prepared by the Chairman of the Board of Directors on internal control and risk management	159
Report on sustainable development indicators (Ernst & Young only)	140

CERTIFICATION

We hereby certify that, having taken all reasonable care to ensure that this is the case, the information set out in this Document de Référence is, to the best of our knowledge, true and accurate and that no information has been omitted that would be likely to impair the meaning thereof.

We certify that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, and of the financial position and results of the Company and of its consolidated subsidiaries, and that the management report of the Annual Financial Report defined on page 265 provides a true and fair view of the evolution of the business, results and financial condition of the Company and of its consolidated subsidiaries, and a description of the main risks and uncertainties the Company and its consolidated subsidiaries are subject to.

We have obtained from our statutory auditors, Deloitte & Associés and Ernst & Young Audit, a letter asserting that they have reviewed the information regarding the financial condition and the financial statements included in this Document de Référence and that they have read the whole Document de Référence.

Our statutory auditors have established a report on the financial statements presented in this Document de Référence, set out on pages F3 and F73. The statutory auditors' reports on the 2010 and 2009 consolidated financial statements presented respectively in the Document de Référence 2010 (D.11-0163) on page F3 and Document de Référence 2009 (D.10-0104) on page F3 contain a technical observation.

Paris, April 6, 2012

French original signed by

Jean-Jacques Gauthier

Chief Financial Officer

French original signed by

Bruno Lafont

Chairman and Chief Executive Officer

F FINANCIAL STATEMENTS

Consolidated financial statements F3

Notes to the consolidated financial statements F10

Statutory Auditors' Report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2011

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you for the year ended December 31, 2011 on:

- the audit of the accompanying consolidated financial statements of Lafarge;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2011 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Goodwill, property plant and equipment, and intangible assets have been tested for impairment in accordance with the Group's accounting policies described in note 2.12 "Impairment of long-lived assets" to the consolidated financial statements. The estimates are established based on currently available information at the time of the preparation of the consolidated financial statements and are in keeping with the current economic crisis or political instability affecting some of the Group's markets, as described in note 2.3 "Use of estimates and judgments" to the consolidated financial statements. Therefore, as set out in note 10 "Goodwill" to the consolidated financial statements, for countries with a recent political instability, or European countries hit by the sovereign debt crisis, the operational and actuarial assumptions used in future discounted cash flows have been determined based on the specific country environment, for these countries, without taken into consideration any possible breach of the economical or geopolitical environment. In addition, the Group analyzed the sensitivity of the recoverable amount (particularly with regard to a change in the discount rate and the perpetual growth rate) for the main goodwill items. Our procedures consisted in reviewing available documents, assessing the reasonableness of retained valuations and the adequacy of the information disclosed in the notes to the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, February 27, 2012

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES		ERNST & YOUNG Audit	
Arnaud de Planta	Frédéric Gourd	Christian Mouillon	Nicolas Macé

F

Consolidated statement of income

(million euros, except per share data)	NOTES	YEARS ENDED DECEMBER 31, 2011	2010*
REVENUE	(4)	**15,284**	**14,834**
Cost of sales		(11,627)	(10,920)
Selling and administrative expenses		(1,478)	(1,521)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	(4)	**2,179**	**2,393**
Net gains (losses) on disposals	(5)	45	45
Other operating income (expenses)	(6)	(541)	(304)
OPERATING INCOME		**1,683**	**2,134**
Finance costs	(8)	(1,142)	(1,055)
Finance income	(8)	143	343
Share of net income (loss) of associates	(13)	(8)	(23)
INCOME BEFORE INCOME TAX		**676**	**1,399**
Income tax	(22)	(432)	(305)
NET INCOME FROM CONTINUING OPERATIONS		**244**	**1,094**
Net income / (loss) from discontinued operations	(3)	492	20
NET INCOME		**736**	**1,114**
Of which, attributable to:			
Owners of the parent company		**593**	**827**
Non-controlling interests		143	287
EARNINGS PER SHARE *(EUROS)*			
NET INCOME - ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY			
Basic earnings per share	(9)	2.07	2.89
Diluted earnings per share	(9)	2.06	2.89
FROM CONTINUING OPERATIONS			
Basic earnings per share	(9)	0.36	2.83
Diluted earnings per share	(9)	0.35	2.83
BASIC AVERAGE NUMBER OF SHARES OUTSTANDING *(IN THOUSANDS)*	(9)	**286,514**	**286,087**

* *Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.*

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

Consolidated statement of comprehensive income

	YEARS ENDED DECEMBER 31,	
(million euros)	**2011**	**2010**
NET INCOME	**736**	**1,114**
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains / (losses)	(345)	(64)
Income tax on items that will not be reclassified to profit or loss	145	9
Total items that will not be reclassified to profit or loss	**(200)**	**(55)**
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets	-	(138)
Cash-flow hedging instruments	1	12
Foreign currency translation adjustments	(400)	1,175
Income tax on items that may be reclassified to profit or loss	2	(4)
Total items that may be reclassified to profit or loss	**(397)**	**1,045**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	**(597)**	**990**
TOTAL COMPREHENSIVE INCOME	**139**	**2,104**
Of which, attributable to:		
Owners of the parent company	**(6)**	**1,712**
Non-controlling interests	145	392

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

F

Consolidated statement of financial position

(million euros)	NOTES	AT DECEMBER 31, 2011	2010
ASSETS			
NON-CURRENT ASSETS		**31,172**	**34,752**
Goodwill	(10)	12,701	14,327
Intangible assets	(11)	652	661
Property, plant and equipment	(12)	15,542	17,912
Investments in associates	(13)	604	422
Other financial assets	(15)	755	863
Derivative instruments	(26)	80	78
Deferred tax assets	(22)	804	489
Other receivables	(18)	34	-
CURRENT ASSETS		**9,547**	**7,742**
Inventories	(16)	1,531	1,647
Trade receivables	(17)	1,765	1,774
Other receivables	(18)	824	971
Derivative instruments	(26)	61	56
Cash and cash equivalents	(19)	3,171	3,294
Assets held for sale	(3)	2,195	-
TOTAL ASSETS	(4)	**40,719**	**42,494**
EQUITY & LIABILITIES			
Common stock	(20)	1,149	1,146
Additional paid-in capital	(20)	9,684	9,640
Treasury shares	(20)	(17)	(26)
Retained earnings		6,219	5,816
Other reserves	(20)	(751)	(555)
Foreign currency translation adjustments	(20)	(280)	123
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**16,004**	**16,144**
Non-controlling interests	(20)	2,197	2,080
EQUITY		**18,201**	**18,224**
NON-CURRENT LIABILITIES		**15,260**	**16,765**
Deferred tax liabilities	(22)	933	871
Pension & other employee benefits	(23)	1,295	1,108
Provisions	(24)	637	633
Long-term debt	(25)	12,266	14,096
Derivative instruments	(26)	46	57
Other payables	(27)	83	-
CURRENT LIABILITIES		**7,258**	**7,505**
Pension & other employee benefits	(23)	167	139
Provisions	(24)	125	146
Trade payables		1,964	1,996
Other payables	(27)	1,499	1,642
Current tax payables		165	314
Short term debt and current portion of long-term debt	(25)	2,940	3,184
Derivative instruments	(26)	34	84
Liabilities associated with assets held for sale	(3)	364	-
TOTAL EQUITY AND LIABILITIES	(4)	**40,719**	**42,494**

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

Consolidated statement of cash flows

YEARS ENDED DECEMBER 31,

(million euros)	NOTES	2011	2010*
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
NET INCOME		**736**	**1,114**
NET INCOME FROM DISCONTINUED OPERATIONS		**492**	**20**
NET INCOME FROM CONTINUING OPERATIONS		**244**	**1,094**
Adjustments for income and expenses which are non cash or not related to operating activities, finance income or costs, or income tax:			
Depreciation and amortization of assets	(4)	1,038	1,093
Impairment losses	(6)	388	154
Share of net (income) loss of associates	(13)	8	23
Net (gains) losses on disposals	(5)	(45)	(45)
Finance (income) / costs	(8)	999	712
Income tax	(22)	432	305
Others, net (including dividends received from equity-accounted investments)		(59)	(305)
Change in working capital items, excluding financial expenses and income tax (see analysis below)		20	361
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS BEFORE IMPACTS OF FINANCIAL EXPENSES AND INCOME TAX		**3,025**	**3,392**
Cash payments for financial expenses		(944)	(911)
Cash payments for income tax		(484)	(383)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS		**1,597**	**2,098**
NET OPERATING CASH GENERATED BY DISCONTINUED OPERATIONS		**22**	**74**
NET CASH GENERATED BY OPERATING ACTIVITIES		**1,619**	**2,172**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(4)	(1,071)	(1,272)
Investment in subsidiaries and joint ventures (1)		(47)	(27)
Investment in associates	(13)	(4)	(3)
Acquisitions of available-for-sale financial assets		(3)	(19)
Disposals (2)	(3) / (32)	2,084	208
Net decrease in long-term receivables		(68)	(73)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS		**891**	**(1,186)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS		**(48)**	**(58)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**843**	**(1,244)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Capital increase (decrease) - owners of the parent company	(20)	18	26
Capital increase (decrease) - non controlling interests	(3)	-	15
Acquisitions of ownership interests with no gain of control		(211)	-
Disposals of ownership interests with no loss in control		87	139
Dividends paid	(20)	(288)	(575)
Dividends paid by subsidiaries to non controlling interests		(199)	(273)
Proceeds from issuance of long-term debt		622	2,224
Repayment of long-term debt		(2,442)	(1,174)
Increase (decrease) in short-term debt		(42)	(323)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		**(2,455)**	**59**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS		**(74)**	**(21)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(2,529)**	**38**

** Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.*

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

		YEARS ENDED DECEMBER 31,	
(million euros)	NOTES	2011	2010*
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33**	**971**
Increase (decrease) in cash and cash equivalents from discontinued operations		(100)	(5)
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts		(56)	108
Cash and cash equivalents at beginning of year		3,294	2,220
CASH AND CASH EQUIVALENTS AT END OF YEAR	(19)	**3,171**	**3,294**
(1) Net of cash and cash equivalents of companies acquired		*3*	35
(2) Net of cash and cash equivalents of companies disposed of		*117*	23
Analysis of changes in working capital items		**20**	**361**
(Increase)/decrease in inventories	(16)	(89)	109
(Increase)/decrease in trade receivables		(193)	71
(Increase)/decrease in other receivables – excluding financial and income taxes receivables		(33)	31
Increase/(decrease) in trade payables		302	167
Increase/(decrease) in other payables – excluding financial and income tax payables		33	(17)

* *Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.*

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

Consolidated statement of changes in equity

	NOTES	OUTSTANDING SHARES	OF WHICH TREASURY SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY SHARES	RETAINED EARNINGS	OTHER RESERVES	FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	NON CONTROLLING INTERESTS	EQUITY
		(number of shares)		*(million euros)*								
BALANCE AT JANUARY 1, 2010		**286,453,316**	**380,148**	**1,146**	**9,620**	**(27)**	**5,555**	**(370)**	**(947)**	**14,977**	**1,823**	**16,800**
Net income		-	-	-	-	-	827	-	-	827	287	1,114
Other comprehensive income, net of income tax		-	-	-	-	-	-	(185)	1,070	885	105	990
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**	**-**	**-**	**-**	**827**	**(185)**	**1,070**	**1,712**	**392**	**2,104**
Dividends paid	(20)	-	-	-	-	-	(575)	-	-	(575)	(277)	(852)
Issuance of common stock	(21)	463	-	-	-	-	-	-	-	-	15	15
Share based payments	(21)	-	-	-	20	-	-	-	-	20	-	20
Treasury shares	(20)	-	(16,590)	-	-	1	(8)	-	-	(7)	-	(7)
Changes in ownership with no gain / loss of control	(20)	-	-	-	-	-	17	-	-	17	118	135
Other movements - Non-controlling interests	(20)	-	-	-	-	-	-	-	-	-	9	9
BALANCE AT DECEMBER 31, 2010		**286,453,779**	**363,558**	**1,146**	**9,640**	**(26)**	**5,816**	**(555)**	**123**	**16,144**	**2,080**	**18,224**
BALANCE AT JANUARY 1, 2011		**286,453,779**	**363,558**	**1,146**	**9,640**	**(26)**	**5,816**	**(555)**	**123**	**16,144**	**2,080**	**18,224**
Net income		-	-	-	-	-	593	-	-	593	143	736
Other comprehensive income, net of income tax		-	-	-	-	-	-	(196)	(403)	(599)	2	(597)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**	**-**	**-**	**-**	**593**	**(196)**	**(403)**	**(6)**	**145**	**139**
Dividends paid	(20)	-	-	-	-	-	(288)	-	-	(288)	(199)	(487)
Issuance of common stock	(21)	793,739	-	3	24	-	-	-	-	27	26	53
Share based payments	(21)	-	-	-	20	-	-	-	-	20	-	20
Treasury shares	(20)	-	(130,110)	-	-	9	(9)	-	-	-	-	-
Changes in ownership with no gain / loss of control	(20)	-	-	-	-	-	109	-	-	109	145	254
Other movements	(20)	-	-	-	-	-	(2)	-	-	(2)	-	(2)
BALANCE AT DECEMBER 31, 2011		**287,247,518**	**233,448**	**1,149**	**9,684**	**(17)**	**6,219**	**(751)**	**(280)**	**16,004**	**2,197**	**18,201**

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Business description

Lafarge S.A. is a French limited liability company *(société anonyme)* governed by French law. Our commercial name is "Lafarge". The Company was incorporated in 1884 under the name "J et A Pavin de Lafarge". Currently, our Articles of Association state that the duration of our company is until December 31, 2066, and may be amended to extend our corporate life. Our registered office is located at 61 rue des Belles Feuilles, 75116 Paris, France. The Company is registered under the number "542105572 RCS Paris" with the registrar of the Paris Commercial Court (*Tribunal de Commerce de Paris*).

The Group organizes its operations into two Divisions: Cement and Aggregates & Concrete. The Gypsum Division was sold during the year, which impacts the financial statements as presented in Note 3.1- "Discontinued operations and Assets held for sale".

The Group's shares have been traded on the Paris stock exchange since 1923 and have been a component of the French CAC-40 market index since its creation, and have also been included in the SBF 250 index.

As used herein, the terms "Lafarge S.A." or the "parent company" refer to Lafarge a société anonyme organized under French law, without its consolidated subsidiaries. The terms the "Group" or "Lafarge" refer to Lafarge S.A. together with companies included in the scope of consolidation.

These financial statements for the year ended December 31, 2011, were established and authorized for issue by the Board of Directors on February 16, 2012. They will be submitted for approbation to the shareholders during the Annual General Meeting to be held on May 15, 2012.

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with **International Financial Reporting Standards** ("IFRS") as endorsed by the European Union as of December 31, 2011 and available on the site http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm, which do not differ, for the Group, with the effective IFRS as published by the International Accounting Standard Board ("IASB").

The consolidated financial statements have been prepared under the historical cost basis, except for the following items, which are measured at fair value:

- derivative financial instruments;
- financial instruments at fair value through the consolidated statement of income;
- available-for-sale financial assets;
- liabilities for cash-settled share based payment arrangements.

The consolidated financial statements are presented in euros rounded to the nearest million, unless otherwise indicated.

As a first time adopter of IFRS at January 1, 2004, the Group has followed the specific prescriptions of IFRS 1 which govern the first-time adoption. The options selected for the purpose of the transition to IFRS are described in the following notes.

Standards and Interpretations which are effective for the first time for the financial year beginning on or after January 1, 2011 had no impact on the Group consolidated financial statements:

- Amendments to IAS 32 – Financial instruments: presentation – Classification of rights issues;
- Revised IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters;
- Revised IAS 24 – Related parties disclosures;
- Improvements to IFRS, issued by the IASB in May 2010;
- Revised IFRIC 14 – Prepayments of a minimum funding requirement;
- IFRIC 19 – Extinguishing financial liabilities with equity instruments.

Standards and Interpretations to existing standards that are not yet effective have not been early adopted by the Group *(see Note 2.27).*

2.2 Principles of consolidation

Subsidiaries

Investments in companies 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 a company so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Total comprehensive income attributable to non-controlling interests is presented on the line "Non-controlling interests" in the statement of financial position, even if it can create negative non-controlling interests.

Special Purpose Entities (SPE) are consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

Joint ventures

Investments in companies in which the Group and 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. Such entities are referred to as "joint ventures" throughout these consolidated financial statements.

Associates

Investments in companies over which the Group exercises significant influence on the financial and operating policies, but not control, are accounted for under the equity method. Such investees are referred to as "associates" throughout these consolidated financial statements. Significant influence is presumed to exist when the Group holds at least 20% of the voting power of associates. Investments in associates are initially recognized at cost except if the Group previously controlled the investee. The consolidated financial statements include the Group's share of the net income or loss recorded by the associates, after adjustments to align the accounting policies with those of the Group, from the date significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Intra-Group transactions eliminated on consolidation

All intra-Group receivables, payables, income and expenses have been eliminated in consolidation for fully consolidated companies. With respect to proportionately consolidated companies, intercompany transactions are eliminated on the basis of the Group's interest in the entity involved.

Gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

2.3 Use of estimates and judgments

a) Accounting estimates

The preparation of consolidated financial statements requires Group's management to make estimates and to use assumptions that affect the reported amounts of assets and liabilities and of income and expenses. The management of the Group revises its estimates and assumptions on a regular basis to ensure that they are relevant regarding the past experience and the current economic and political environment. Such estimates are prepared on the assumption of going concern, are established based on currently available information and are in keeping with the current economic crisis or political instability affecting some of the Group's markets. These forecasts do not reflect any possible breach of the economical or geopolitical environment and may be revised if the circumstances on which they were based change or if new information becomes available. Actual amounts could differ from the estimates.

The measurement of some assets and liabilities in the preparation of these financial statements include assumptions made by management particularly on the following items:

- impairment tests *(see Note 2.12 and Note 10 d)*: the determination of recoverable amounts of the CGUs/groups of CGUs assessed in the impairment test requires an estimate of their fair value less costs to sell or of their value in use. The assessment of the recoverable value requires assumptions to be made with respect to the operating cash flows of the CGUs/groups of CGUs as well as the discount rates;
- deferred tax *(see Note 2.23 and Note 22):* the recognition of deferred tax assets requires assessment of future taxable profit;
- provisions for employee benefits *(see Note 2.20 and Note 23)*: the actuarial techniques used to assess the value of the defined benefit plans involve financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee turnover rate, etc.). The Group uses the assistance of an external independent actuary in the assessment of these assumptions;
- provisions for environmental risks and site restoration *(see Note 2.21 and Note 24)*: provisions for environmental risks and site restoration require to set assumptions in terms of phasing and discount rate;
- provisions for litigation *(see Note 24 and Note 29):* the litigation and claims to which the Group is exposed are assessed by the Legal department. In certain situations, the Legal department may use the assistance of external specialized lawyers.

b) Judgments

The accounting for certain provisions, certain financial instruments and the disclosure of financial assets, contingent assets and liabilities at the date of the consolidated financial statements is judgmental. The items subject to judgment are detailed in the corresponding notes to the consolidated financial statements.

2.4 Translation of financial statements denominated in foreign currencies

1) Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date, monetary assets and liabilities denominated in foreign currencies recorded at historical cost are retranslated at the functional currency exchange closing rate whereas monetary assets and liabilities measured at fair value are translated using the exchange rates at the dates at which the fair value was determined. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction.

All differences are taken to profit and loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to other comprehensive income, until the disposal of the net investment.

2) Foreign operations

As at the reporting date, the assets and liabilities, including goodwill and any fair value adjustment arising on the acquisition of a foreign operation whose functional currency is not the euro, are translated by using the closing rate.

Income and expenses of a foreign entity whose functional currency is not the currency of a hyperinflationary economy, are translated by using the average exchange rate for the period except if exchange rates fluctuate significantly.

The exchange differences arising on the translation are taken directly to a separate component of other comprehensive income "Foreign currency translation adjustments". On the partial or total disposal of a foreign entity with a loss of control, the related share in the cumulative translation differences recognized in equity is recognized in the consolidated statement of income.

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 currencies. Translation adjustments which predate the transition to IFRS will therefore not be included when calculating gains or losses arising from the future disposal.

For companies that operate in countries which have been designated as hyperinflationary, amounts in the consolidated statement of financial position not yet expressed in terms of the measuring unit current at the reporting date are restated by applying a general price index. Income 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 hyperinflation, the Group employs criteria which include characteristics of the economic environment, such as inflation and foreign currency exchange rate fluctuations.

The schedule below presents foreign exchange rates for the main currencies used within the Group:

RATES	2011		2010	
(euros)	AVERAGE RATE	YEAR-END RATE	AVERAGE RATE	YEAR-END RATE
U.S. dollar (USD)	1.3918	1.2939	1.3267	1.3362
Canadian dollar (CAD)	1.3757	1.3215	1.3664	1.3322
British pound (GBP)	0.8678	0.8353	0.8582	0.8608
Brazilian real (BRL)	2.3258	2.4159	2.3345	2.2177
Chinese yuan (CNY)	8.9964	8.1588	8.9800	8.8220
Algerian dinar (DZD)	102.1940	106.5739	99.2034	103.4710
Egyptian pound (EGP)	8.2922	7.7802	7.4325	7.7111
Hungarian forint (HUF)	279.2934	314.5800	275.3593	277.9500
Indian rupee (INR)	64.8693	68.7130	60.6313	59.7580
Iraqi dinar (IQD)	1,667.3972	1,578.5580	1,565.1274	1,596.7590
Jordanian dinar (JOD)	0.9925	0.9190	0.9464	0.9423
Kenyan shilling (KES)	123.7636	110.2467	105.2271	107.7472
Korean won (KRW)	1,541.0569	1,498.6900	1,532.4235	1,499.0600
Moroccan dirham (MAD)	11.2828	11.1390	11.1856	11.2040
Malaysian ringgit (MYR)	4.2554	4.1055	4.2729	4.0950
Nigerian naira (NGN)	212.1543	204.7400	197.7571	195.3000
Philippine peso (PHP)	60.2602	56.7540	59.7977	58.3000
Polish zloty (PLN)	4.1187	4.4580	3.9950	3.9750
Romanian leu (RON)	4.2386	4.3233	4.2106	4.2620
Russian rouble (RUB)	40.8797	41.7650	40.2765	40.8200
South african rand (ZAR)	10.0931	10.4830	9.7132	8.8625

2.5 Business combinations, acquisition of additional interests and disposal of interests

1) Business combinations

Business combinations are accounted for in accordance with the acquisition method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS are recognized at their fair value at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5, which are recognized and measured at fair value less costs to sell.

When goodwill is determined provisionally by the end of the reporting period in which the combination is effected, the Group recognizes any adjustments to those provisional values within twelve months of the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Comparative information which was presented for the periods before the final accounting of fair values is corrected as if the initial accounting had been completed from the acquisition date, if the adjustments to provisional values would have materially affected the presentation of the consolidated financial statements.

At the acquisition date, the goodwill is measured as the difference between:

- the fair value of the consideration transferred to take control over the entity, including contingent consideration, plus the amount of any non-controlling interests in the acquiree, and in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree, accordingly re-valuated through the consolidated statement of income; and
- the fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date.

Any contingent consideration payable in a business combination is accordingly measured at fair value at the acquisition date. After acquisition date, the contingent consideration is re-valued at fair value at each reporting date. Subsequent changes to the fair value of the contingent consideration beyond one year from the acquisition date will be recognized in the consolidated statement of income if the contingent consideration is a financial liability.

A negative goodwill is recognized immediately in the consolidated statement of income.

Acquisition costs (excluding costs to issue debt and equity securities) are expensed as incurred and are presented in the consolidated statement of income on the line "Other operating income (expenses)".

When a business combination is entered into with an interest ownership below 100%, IFRS 3 revised standard allows, on a transaction-by-transaction basis, to account for goodwill either on a 100% basis or on the acquired interest ownership percentage (without any subsequent change in case of additional purchase of non-controlling interests). The non-controlling interests are accordingly measured either at fair value or at the non-controlling interests' proportionate share in the acquiree's net identifiable assets.

SPECIFIC TREATMENT RELATED TO FIRST-TIME ADOPTION OF IFRS (BUSINESS COMBINATIONS BEFORE JANUARY 1, 2004)

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

In addition, under French GAAP, before January 1, 2004, non-amortizable intangible assets acquired in a business combination, 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" (such as market share), but as a component of goodwill. They have been reclassified to goodwill as at January 1, 2004.

2) Acquisition of additional interests after control is obtained

Since there is no change on the control exercised over this entity, the difference between the acquisition cost and the carrying amount of the non-controlling interests acquired is recognized directly in equity and attributed to the owners of the parent company with no change in the consolidated carrying amount of the subsidiary's net assets and liabilities including goodwill. The cash consideration paid, net of acquisition costs, is reflected as cash flows from financing activities in the consolidated statements of cash flows.

3) Disposal of interests after control is obtained

DISPOSAL OF INTERESTS WITHOUT LOSS OF CONTROL

Since there is no change on the control exercised over this entity, the difference between the fair value of the consideration received and the carrying amount of the interests disposed of at transaction date is recognized directly in equity and attributed to the owners of the parent company with no change in the consolidated carrying amount of the subsidiary's net assets and liabilities including goodwill. The cash consideration received, net of sale costs, is reflected as cash flows from financing activities in the consolidated statements of cash flows.

DISPOSAL OF INTERESTS WITH LOSS OF CONTROL

The loss of control triggers the recognition of a gain (loss) on disposal determined on both shares sold and retained at transaction date. Any investment retained is accordingly measured at its fair value through profit or loss upon the date the control is lost. Disposals of interests which result in a loss of control are reflected, for the cash part of the consideration received net of disposal costs and cash and cash equivalents disposed of, as investing cash flows on the line "Disposals" of the consolidated statements of cash flows.

2.6 Revenue recognition

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

Revenues from the sale of goods and products are recorded when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer (generally at the date ownership is transferred) and recovery of the consideration is probable.

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

2.7 Operating income before capital gains, impairment, restructuring and other

The Group has included the subtotal "Operating income before capital gains, impairment, restructuring and other" on the face of the consolidated statement of income. This measure excludes those elements of our operating results that are by nature unpredictable in their amount and/or in their frequency, such as capital gains, asset impairment and restructuring costs. While these amounts have been incurred in recent years and may recur in the future, historical amounts may not be indicative of the nature or amount of these items, if any, in the future. The Group believes that the subtotal "Operating income before capital gains, impairment, restructuring and other" is useful to users of the Group's financial statements as it provides them with a measure of our operating results which excludes these elements, enhancing the predictive value of our financial statements and provides information regarding the results of the Group's ongoing trading activities that allows investors to better identify trends in the Group's financial performance.

In addition, operating income before capital gains, impairment, restructuring and other is a major component of the Group's key profitability measure, return on capital employed (which is calculated by dividing the sum of operating income before capital gains, impairment, restructuring and other, and share of net income (loss) of associates by the average of capital employed). This measure is used by the Group internally to: a) manage and assess the results of its operations and those of its business segments, b) make decisions with respect to investments and allocation of resources, and c) assess the performance of management personnel. However, because this measure has limitations as outlined below, the Group limits its use to these purposes.

The Group's subtotal within operating income may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of capital gains, impairment, restructuring and other amounts excluded from this measure do ultimately affect our operating results and cash flows. Accordingly, the Group also presents "Operating income" within the consolidated statement of income which encompasses all amounts which affect the Group's operating results and cash flows.

2.8 Finance costs and income

Finance costs and income comprise:

- interest expense and income relating to debenture loans, the liability component of compound instruments, other borrowings including finance lease 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) and long-term receivables;
- foreign currency exchange gains and losses;

- gains on the disposal of available-for-sale financial assets;
- impairment losses recognized on available-for-sale financial assets;
- gains and losses associated with certain derivative instruments (except for the effective portion of derivative instruments qualified as cash flow hedge or net investment hedge);
- change in value of derivative instruments held for trading.

2.9 Earnings per share

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

Diluted earnings per share are computed by dividing adjusted net income 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 dilutive common shares result from stock options and convertible bonds issued by the Group on its own common shares.

2.10 Intangible assets

In accordance with criteria set in IAS 38 – Intangible assets, intangible assets are recognized only if:

- identifiable;
- controlled by the entity because of past events;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets primarily include amortizable items such as software, mineral rights, and real estate development rights as well as certain development costs that meet the IAS 38 criteria.

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

Amortization expense is recorded in “Cost of sales” and “Selling and administrative expenses”, based on the function of the underlying assets.

Research & Development costs

According to IAS 38, development expenditure is capitalized only if the entity can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development;
- its capacity to measure reliably the expenditure attributable to the intangible assets during their development.

The Group is committed to improving its manufacturing process, maintaining product quality and meeting existing and future customer needs. These objectives are pursued through various Research and Development programs. Within their framework, expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized as expenses when incurred. Development expenditures (which have direct applications on the product offer) are capitalized only if the above-mentioned criteria are met and are amortized on a straight-line basis over five years. The expenditure capitalized includes the costs that are directly attributable to preparing the asset for its intended use. Other development costs are recognized as expenses as incurred.

Intangible assets considered to have finite useful life are carried at their costs less accumulated amortization and accumulated impairment losses.

2.11 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

In accordance with IFRIC 4 – Determining whether an arrangement contains a lease, arrangements including transactions that convey a right to use the asset, or where fulfillment of the arrangement is dependent on the use of a specific asset, are analyzed in order to assess whether such arrangements contain a lease and whether the prescriptions of IAS 17 – Lease Contracts have to be applied.

In accordance with IAS 17, the Group capitalizes assets financed through finance leases where the lease arrangement transfers to the Group substantially all of the rewards 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; and
- specificity of the leased asset.

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and they are not recognized on the Group’s statement of financial position.

Interest on borrowings related to the financing of significant construction projects, which is incurred during development activities, is capitalized in project costs. The interest rate used to determine the amount of capitalized interest cost is the actual interest rate when there is a specific borrowing or the Group's debt average interest rate.

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

The residual values are reviewed, and adjusted if appropriate, at each reporting date.

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

- mineral reserves are depleted by reference to the ratio of tons extracted during the year to the estimated total extraction capacity of the reserve over its useful life;
- land is not depreciated;
- buildings are depreciated using the straight-line method over estimated useful lives varying from 20 years to 50 years for office properties;
- plant, machinery, equipment and installation costs are depreciated using the straight-line method over their estimated useful lives, ranging from 8 to 30 years.

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

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statement of income as incurred.

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

2.12 Impairment of non-current assets

1) Goodwill

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

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

Impairment tests are carried out in two steps:

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

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

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

If the recoverable amount of the CGU or group of CGUs is less than its net carrying amount, the Group records an impairment loss, first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs, then to to reduce the carrying amount of the other assets of the CGU or group of CGUs. The impairment loss is recorded in "Other operating expenses" *(see Note 6).*

According to IAS 36, impairment losses recognized for goodwill are never reversed.

2) Property, plant & equipment and amortizable intangible assets

Whenever events or changes in circumstances indicate that the carrying amount of intangible assets and property, plant and equipment may not be recoverable, an impairment test is performed. The purpose of this test is to compare the net carrying amount of the asset with its recoverable value. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use which is the present value of the future cash flows expected to be derived from the use of the asset or its disposal. Where the net carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption "Other operating income (expenses)".

When an impairment loss is recognized for a cash-generating unit, the loss is allocated first to reduce the carrying amount of the goodwill allocated to the cash-generating unit; and, then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

After the impairment loss, the newly assessed asset is depreciated over its remaining life.

Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. The increase in the carrying value of the assets, revised due to the increase of the recoverable value, cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. Such reversal is immediately recognized in the consolidated statement of income.

2.13 Other financial assets

Other financial assets mainly consist of shares held in non-consolidated companies, long-term loans and receivables, and cash balances that are restricted from use.

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), long-term loans and receivables (non-derivative assets with fixed or determinable payments that are not quoted in an active market) and available-for-sale (all other assets). The classification depends on the purpose for which the financial assets were acquired. The classification is determined at initial recognition.

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

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

Financial assets held for trading

Trading investments are measured at fair value with gains and losses recorded as finance income or costs. Assets in this category are classified as current assets.

Financial assets held-to-maturity

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

Long-term loans and receivables

Long-term loans and receivables are initially measured at fair value and then accounted for at amortized cost are measured in accordance with the effective interest rate method.

Available-for-sale financial assets

Equity interests in non-consolidated companies are classified as available-for-sale financial assets and are initially recognized and subsequently measured at fair value.

For equity securities listed on an active market, fair value is quoted price.

In absence of active market, fair value is generally determined according to the most appropriate financial criteria in each case (comparable transactions, multiples for comparable companies, discounted present value of future cash flows, estimated selling price). If such fair value cannot be reliably measured, equity securities are accounted for at cost.

Gains and losses arising from changes in their fair value are recognized directly in other comprehensive income ("Available-for-sale financial assets"). When the security is disposed of, the cumulative gain or loss previously recognized in equity is included in the consolidated statement of income for the year ("Finance income" and/or "Finance costs").

The Group assesses at the end of each reporting period whether there is any objective evidence that the available-for-sale financial assets are impaired which would lead, if this were to be the case, to recognize in the consolidated statement of income the cumulative loss previously recognized in equity. In accordance with IAS 39 – Financial Instruments: Recognition and Measurement, such impairment cannot subsequently be reversed.

Factors considered by the Group to assess the objective evidence of impairment of its investments and accordingly enabling the Group to determine if the cost of its equity securities can be or not recovered, are notably:

- the occurrence of significant financial difficulties;
- the analysis of the national/local economic conditions in relation with its assets;
- the analysis of significant adverse changes in the technological, economic or legal environment;
- the existence of a significant or prolonged decline in fair value of the investment below its acquisition cost.

2.14 Derecognition of financial assets

Under IAS 39 – Financial Instruments: Recognition and Measurement, 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.

2.15 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method and includes expenditure incurred in acquiring the inventories. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overhead based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.16 Trade receivables

Trade receivables are initially measured at fair value, and subsequently carried at amortized cost using the effective interest method less provisions for impairment.

Trade receivables are considered impaired when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment loss is recognized in the consolidated statement of income.

2.17 Cash and cash equivalents

Cash and cash equivalents consist of current account bank balances, cash, highly liquid investments and cash equivalents which are not subject to significant changes in value and with an original maturity date of generally less than three months from the time of purchase. Investments, classified as cash equivalents, with a maturity date greater than three months have:

- exit options exercisable with no penalty at any time or maximum every 3 months, planned at the initiation of the contract;
- no risk related to the minimum acquired.

Cash balances with use restrictions other than legal restrictions in force in some countries (exchange controls, etc.) are excluded from cash and cash equivalents presented in the consolidated statement of financial position and in the consolidated statement of cash flows and are classified in non-current assets on the line "Other financial assets".

2.18 Equity

1) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

2) Treasury shares

Treasury shares (own equity instruments held by Lafarge S.A. 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 shares are sold out of treasury shares, the resulting gain or loss is recognized in equity, net of tax.

2.19 Financial liabilities and derivative instruments

1) Recognition and measurement of financial liabilities

Financial liabilities 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 consolidated statement of financial position.

Financial liabilities hedged by an interest rate swap that qualifies for fair value hedge accounting are measured in the statement of financial position at fair value for the part attributable to the hedged risk (risk related to changes in interest rates). The changes in fair value are recognized in the consolidated statement of income for the period of change and are offset by the portion of the loss or gain recognized on the hedging item that relates to the effective portion.

2) Compound instruments

Under IAS 32– Financial Instruments: 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 option to be converted into or repaid in common shares.

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) Recognition and measurement of derivative instruments

The Group enters into financial derivative contracts only in order to reduce its exposure to changes in interest rates, foreign currency exchange rates and commodities prices on firm or highly probable commitments.

Forward exchange contracts and foreign currency swaps are used to hedge foreign currency exchange rate exposures.

The Group enters into various interest rate swaps and options to manage its interest rate exposure. These swaps aim at converting financial instruments either from fixed rate to floating rate or from floating rate to fixed rate.

The Group uses derivatives such as swaps and options in order to manage its exposure to commodity risks.

Pursuant to the guidance in IAS 39 and IAS 32, the Group records in the consolidated statement of financial position derivative instruments at their fair value. The accounting for changes in fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Group designates its derivatives based on the criteria established by IAS 39.

In case of a fair value hedge relationship, changes in fair value on the hedging item are recognized in the consolidated statement of income of the period of change. The part corresponding to the efficient portion of the hedge is offset by the unrealized loss or gain recognized on the hedged item.

In case of a cash flow hedge relationship, changes in fair value on the hedging item are recognized directly in other comprehensive income for the effective portion and in the consolidated statement of income under the "Finance income" caption for the ineffective portion. The gain or loss recognized in equity is subsequently reclassified to the consolidated statement of income when the hedged exposure affects earnings.

Embedded derivatives not closely related to host contracts are recorded at fair value in the consolidated statement of financial position. For embedded derivatives, the gain or loss is recognized in the consolidated statement of income in the period of the change in fair value.

4) Put options on shares of subsidiaries granted to third-parties

Pursuant to IAS 32, put options granted to non controlling interests of fully-consolidated subsidiaries are considered financial debt. The value of the debt is estimated using the contract formulas or prices. When utilizing formulas based upon multiples of earnings minus debt, we use the actual earnings of the period and the debt of the subsidiary at the closing date of the estimation.

PUT OPTIONS GRANTED TO NON CONTROLLING INTERESTS BEFORE JANUARY 1, 2010

The Group recorded the put options granted to non controlling interests as a financial debt at present value of the put exercise price and as a reduction in non controlling interests in equity. When such present value of the put exercise price exceeded the carrying amount of the non controlling interest, the Group recorded this difference as goodwill.

The change in the fair value of the debt related to puts options granted to non controlling interests before January 1, 2010, is recorded against non-controlling interests and against the goodwill initially recorded if the debt exceeds the carrying amount of the non-controlling interests. There is no impact on the consolidated statement of income nor on the equity attributable to the owners of the parent company.

PUT OPTIONS GRANTED TO NON CONTROLLING INTERESTS AFTER JANUARY 1, 2010

The Group recorded the put options granted to non controlling interests as a financial debt at present value of the put exercise price and as a reduction in non controlling interests in equity. When such present value of the put exercise price exceeded the carrying amount of the non controlling interest, the Group recorded this difference as a reduction in equity attributable to the owners of the parent company.

The change in the fair value of the debt is recorded against non-controlling interests and against equity attributable to the owners of the parent company if the debt exceeds the carrying amount of the non-controlling interests.

2.20 Pensions, termination benefits and other post-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 termination benefit obligations are calculated annually, in accordance with the provisions of IAS 19– Employee Benefits, with the assistance of independent actuaries, using the projected unit credit method. This method considers best estimate actuarial assumptions including the probable future length of the employees' service, the employees' final pay, the expected average life expectancy and probable turnover of beneficiaries.

The Group's obligations are discounted by country based upon appropriate discount rates. The obligations are recognized based upon the proportion of benefits earned by employees as services are rendered.

Assets held by external entities to fund future benefit payments are valued at fair value at the reporting date.

For most defined benefit plans of the Group, 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.

The current period pension expense is recorded in Operating income before capital gains, impairment, restructuring and other (in "cost of sales" or "selling and administrative expenses" based on the beneficiaries of the plan).

Actuarial gains and losses arise from changes in actuarial assumptions used in the valuation of obligations and plan assets and from market conditions effectively noticed regarding these assumptions. These gains or losses are charged or credited to other comprehensive income in the period in which they arise, the Group applying the option offered by the amendment to IAS 19.

The effect of plans amendments on the Group companies' obligations are, in general, recognized in the consolidated statement of income:

- in the year of the amendment for the part related to vested benefits;
- over the remaining service lives 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).

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 through the consolidated statement of income over the expected average remaining service lives of the employees (in "cost of sales" or "selling and administrative expenses" based on the beneficiaries of the plan).

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 at January 1, 2004 between defined benefit plan liabilities and the fair value of dedicated assets, not recognized in an entity's statement of financial position at that date, can be recognized through an adjustment to equity, except the non-vested portion of unrecognized past service costs. As a consequence, actuarial gains or losses relating to pensions obligations were recognized as of January 1, 2004.

2.21 Provisions

The Group recognizes provisions when it has a legal or constructive obligation resulting from past events, the resolution of which would result in an outflow of resources embodying economic benefits to the Group.

1) Restructuring

A provision for restructuring costs is recognized when the restructuring plans have been finalized and approved by the Group's management, and when the Group has raised a valid expectation in those affected that it will carry out the plan either by starting to implement the plan or announcing its main features to those affected by it. This provision only include direct expenditures arising from the restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly linked with the closure of the facilities.

2) Site restoration

When the Group is legally, contractually or constructively required to restore a quarry site, the estimated costs of site restoration are accrued and recognized to cost of sales, on the basis of production levels and depletion rates, 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 consolidated statement financial position). When the effect of the passage of time is not significant, the provision is calculated based on undiscounted cash flows.

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

2.22 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.23 Income tax

Income tax expense or benefit comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of goodwill, (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and (iii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, joint ventures and associates except to the extent that both of the following conditions are satisfied:

- the Group is able to control the timing of the reversal of the temporary difference (e.g. the payment of dividends); and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Accordingly, for fully consolidated companies, a deferred tax liability is only recognized in the amount of taxes payable on planned dividend distributions by these companies.

2.24 Share based payments

On a regular basis, the Group grants to its employees stock options, which give entitlement to subscribe for new shares in the Company or to purchase existing shares at a set price, and offers employee share purchase plans. The Group granted a performance stock plan for the first time in 2007.

In accordance with the prescriptions of IFRS 2 – Share Based Payments, the Group records compensation expense for all share-based compensation granted to its employees.

1) Share options granted to employees, performance stock plans and SAR (“Stock Appreciation Rights”)

Share options and performance stock fair value are calculated at grant date using the Black & Scholes model. However, depending on whether the equity instruments granted are equity-settled through the issuance of Group shares or cash settled, the accounting treatment differs.

If the equity instrument is settled through the issuance of Group shares, the fair value of the equity instruments granted is estimated and fixed at the grant date and recorded over the vesting period based on the characteristics of the equity instruments. In addition, the expense is recorded against equity.

If the equity instrument is settled in cash (applicable for SAR), the fair value of the equity instruments granted is estimated as of the grant date and is re-estimated at each reporting date and the expense is adjusted pro rata taking into account the vested rights at the relevant reporting date. The expense is spread over the vesting period based on the characteristics of the equity instruments and corresponding entries are made in non-current provisions.

In accordance with IFRS 1 and IFRS 2, only options granted after November 7, 2002 and not fully vested at January 1, 2004 are measured and accounted for as employee expenses.

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 Group’s contributions to the plan, the potential discount granted on the share price and the effect of post-vesting transfer restrictions (deducted from the discount granted).

The compensation cost calculated is expensed in the period of the transaction (considered as compensation for past services) if no vesting condition is attached to the shares.

2.25 Emission rights

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 consolidated statement of financial position, as they have a cost equal to zero;
- proceeds from the sale of granted emission rights are recorded as a reduction to cost of sales;
- purchases of emission rights on the market are recorded in “Cost of sales” when they cover actual emissions of the period. They are recorded as intangible assets if they cover actual emissions to be made in future periods;
- provisions are recorded (in “Cost of sales”) when 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 consolidated statement of income or in the consolidated statement of financial position.

2.26 Non-current assets held for sale and discontinued activities

A non-current asset or a group of assets and liabilities is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or group of assets and liabilities) must be available for immediate sale and its sale must be highly probable. Such assets or groups of assets and liabilities are presented separately in the consolidated statement of financial position, in the line “Assets held for sale” when they are material. These assets or groups of assets and liabilities are measured at the lower of their carrying amount and fair value less costs to sell. The liabilities directly linked to assets or groups of assets held for sale are presented in the line “Liabilities directly associated with assets held for sale” of the consolidated statement of financial position.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a significant subsidiary acquired exclusively with a view to resale.

Amounts included in the consolidated statement of income and the statements of cash flows related to these discontinued operations are presented separately for the current period and all prior periods presented in the financial statements. Assets and liabilities related to discontinued operations are shown on separate lines for the last period presented with no restatement for prior years.

2.27 Accounting pronouncements at the reporting date not yet effective

Standards and interpretations adopted by the European Union at the reporting date

PRONOUNCEMENTS WITH LIMITED IMPACT EXPECTED ON CONSOLIDATED FINANCIAL STATEMENTS

- Amendments to IFRS 7 – Disclosures – Transfers of Financial assets, issued by the IASB in October 2010 and applicable for annual periods beginning on or after July 1, 2011.

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Standards and Interpretations issued but not yet adopted by the European Union at the reporting date

PRONOUNCEMENTS WITH A POTENTIAL IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS

- IFRS 9 – Financial instruments and subsequent amendments, issued by the IASB in November 2009 and in December 2011 and applicable for annual periods beginning on or after January 1, 2015;
- IFRS 10 – Consolidated financial statements, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2013, based on a preliminary study, no material impact has been identified. However, our final assessment of the potential impacts is not yet complete;
- IFRS 11 – Joint arrangements, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2013, based on a preliminary study, this new standard could have material impacts on performance indicators and presentation of Group consolidated financial statements *(see Note 14 related to Joint ventures)*. However, our final assessment of the potential impacts is not yet complete;
- IFRS 12 – Disclosures of interests in other entities, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2013;
- Amendments to IAS 19 – Employee benefits, issued by the IASB in June 2011 and applicable for annual periods beginning on or after January 1, 2013. The impacts are currently under review.

PRONOUNCEMENTS WITH LIMITED IMPACT EXPECTED ON CONSOLIDATED FINANCIAL STATEMENTS

- IFRS 13 – Fair value measurement, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2013;
- IAS 27 revised – Separate financial statements, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2013;
- IAS 28 revised – Investments in associates and joint ventures, issued by the IASB in May 2011 and applicable for annual periods beginning on or after January 1, 2013;
- Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters, issued by the IASB in December 2010 and applicable for annual periods beginning on or after July 1, 2011;
- Amendments to IAS 1 – Presentation of financial Statements – Presentation of items of other comprehensive income, issued by the IASB in June 2011 and applicable for annual periods beginning on or after July 1, 2012;
- Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities, issued by the IASB in December 2011 and applicable for annual periods beginning on or after January 1, 2013;
- Amendments to IAS 32 – Financial instruments: Presentation – Offsetting financial assets and financial liabilities, issued by the IASB in December 2011 and applicable for annual periods beginning on or after January 1, 2014;
- Amendments to IAS 12 – Deferred Tax – Recovery of Underlying Assets, issued by the IASB in December 2010 and applicable for annual periods beginning on or after January 1, 2012;
- IFRIC 20 – Stripping costs in the production phase of a surface mine, issued by the IASB in November 2011 and applicable for annual periods beginning on or after January 1, 2013.

Note 3 Significant events

3.1 Discontinued operations and Assets held for sale

3.1.1 Disposal of Gypsum Division operations

The Group is committed, after approval in early July 2011 by the Group's Executive Directors and Board of Directors, in a disposal project of the Gypsum Division for its operations in Western Europe, Central and Eastern Europe, North America, Latin America and Asia, which are a Group's specific business segment. Accordingly, these operations are presented as Discontinued operations according to IFRS 5 *(see Note 2.26)* in the financial statements as of December 31, 2011.

As of December 31, 2011, the following transactions have occurred:

- on December 9, 2011, the Group sold to Boral its stake in their common Asian Gypsum joint-venture LBGA (Lafarge Boral Gypsum Asia) for net cash proceeds of 343 million euros;
- on November 4, 2011, the Group sold to Etex Group its European and South American Gypsum operations for net cash proceeds of 824 million euros. The Group retains a 20% interest in the partnerships, which combines the European and South American Gypsum activities of both Groups and is accounted under the equity method for 153 million euros as at December 31, 2011 *(see Note 13)*;
- on August 5, 2011, the Group disposed of the integrality of its Australian Gypsum operations to Knauf for 123 million euros (net of cash disposed of).

As of December 31, 2011, these operations are presented in one single line in the consolidated statement of income (net income (loss) from discontinued operations) and in one separate line in the consolidated statement of cash flows for each nature of flow. Figures in the consolidated statement of income and in the consolidated statement of cash flows were adjusted for the comparative period presented.

As of December 31, 2011, interests that continue to be consolidated are presented in two separate lines in the consolidated statement of financial position i.e. "Assets held for sale" and "Liabilities associated with assets held for sale" with no restatement for previous years. The "Assets held for sale" for an amount of 433 million euros mainly comprise of goodwill and property, plant and equipment and the "Liabilities associated with assets held for sale" for an amount of 27 million euros mainly comprise of trade payables.

The following table provides the net income attributable to the discontinued operations:

STATEMENT OF INCOME - DISCONTINUED OPERATIONS	YEARS ENDED DECEMBER 31,	
(in millions of euros, except per share data)	2011	2010
REVENUE	**1,236**	**1,335**
Cost of sales	(1,028)	(1,094)
Selling and administrative expenses	(133)	(193)
Operating income before capital gains, impairment, restructuring and other	75	48
Other operating income (expenses) (including gains (losses) on disposals)	466	(13)
OPERATING INCOME	**541**	**35**
Finance income (costs)	(6)	(11)
Share of net income (loss) of associates	(15)	7
INCOME BEFORE INCOME TAX	**520**	**31**
Income tax*	(28)	(11)
NET INCOME / (LOSS) FROM DISCONTINUED OPERATIONS	**492**	**20**
Of which part attributable to:		
Owners of the parent company	**490**	**18**
Non-controlling interests	2	2
EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS (IN EUROS)		
Basic earnings per share	1.71	0.06
Diluted earnings per share	1.71	0.06

* *Of which (14) million euros related to gains / (losses) on disposals.*

The depreciation and amortization expense ceased on July 1, 2011 (29 million euros impact as of December 31, 2011).

3.1.2 Agreement between Lafarge and Anglo American

On February 18, 2011, the Group and Anglo American plc announced their agreement to combine their cement, aggregates, ready-mixed concrete, and asphalt & contracting businesses in the United Kingdom, comprising Lafarge Cement UK, Lafarge Aggregates and Concrete UK ("Lafarge UK") and Tarmac Quarry Materials ("Tarmac UK"). The completion of this transaction, which will form a 50:50 joint venture, is conditional upon regulatory approvals.

In compliance with IFRS 5 – Non-current assets held for sale and discontinued operations, Lafarge UK 's assets and liabilities that will be contributed to this joint venture have been grouped since February 18, 2011 in the consolidated statement of financial position on the lines "Assets held for sale" and "Liabilities directly associated with assets held for sale", respectively, with no restatement for previous years. The depreciation charge ceased from that date (50 million euros impact as of December 31, 2011).

As of December 31, 2011, the assets held for sale of Lafarge UK amount to 1,762 million euros and essentially comprise goodwill and property, plant and equipment. The liabilities directly associated with assets held for sale of Lafarge UK amount to 337 million euros and notably comprise trade payables.

Lafarge UK's businesses that will contribute to the joint venture are not discontinued operations according to IFRS 5 *(see Note 2.26)*. Accordingly, the amounts included in the consolidated statement of income and the statements of cash flows related to these businesses are not presented separately for the current and comparative periods presented in the financial statements.

3.1.3 Disposal of the Aggregates & Concrete activities in Portugal

The Group has disposed of the integrality of its Aggregates & Concrete business in Portugal (29 concrete plants and 4 aggregates quarries) to the Portuguese construction group Secil. The approval by the Portuguese competition authorities has been obtained in June 2011. The net impact of this disposal is 62 million euros, net of cash disposed of, in the consolidated statement of cash flows on the line "Disposals" and 18 million euros for the net gain on disposal, in the consolidated statement of income on the line "Net gains (losses) on disposals".

3.1.4 Disposal of Cement and Concrete assets in the South East of United States

On October 3, 2011, the Group disposed of its cement and concrete assets in the South East of United States to the Colombia-based conglomerate Cementos Argos. The cement assets sold include the Harleyville cement plant in South Carolina and the Roberta cement plant in Alabama, a cement grinding station in Atlanta (Georgia), associated supporting cement terminals and its ready-mix concrete units. The net impact of this disposal is 564 million euros, net of cash disposed of, in the consolidated statement of cash flows on the line "Disposals" and 22 million euros for the net gain on disposal, in the consolidated statement of income on the line "Net gains (losses) on disposals".

3.2 Acquisitions of additional interests

These acquisitions have no impact on the evolution of the Group's net financial debt over the period since, non controlling shareholders held a put option and in accordance with accounting principles related to put options on shares of subsidiaries, the Group recorded as at December 31, 2010 a debt for these put exercise prices *(see Note 2.19)*.

3.2.1 Lafarge India PVT Limited

Following the exercise by the non controlling shareholder of its put option, the Group acquired 5.62% of additional interests in Lafarge India PVT Limited for an amount of 51 million euros, reflected on the statement of cash flows on the line “Acquisition of ownership interests with no gain of control”.

3.2.2 Cement activities in Serbia

The Group now holds 100% of Cement activities in Serbia. This acquisition made for an amount of 111 million euros, is reflected on the statement of cash flows on the line “Acquisition of ownership interests with no gain of control”.

3.3 Capital increase reserved for Group’s employees

The Group launched in May 2011 capital increase reserved for Group’s employees. The settlement and delivery took place on July 29, 2011. The employees have the option to pay upfront, or over a 12-month or 24-month period. The net impact in equity is 27 million euros.

Note 4 Business segment and geographic area information

The segment information presented hereafter by operating segment is the same as that reported to the Chief Operating Decision Maker (the Chief Executive Officer) for the purposes of making decisions about allocating resources to the segment and assessing its performance.

The Group now operates in two operating segments (Cement and Aggregates & Concrete), defined as continuing business segments, each of which represents separately managed strategic operating segments that have different capital requirements and marketing strategies. Each segment develops, manufactures and sells distinct products.

CONTINUING BUSINESS SEGMENTS

- 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, relating to paving activities, other products and services.

DISCONTINUED BUSINESS SEGMENT (GYPSUM EXCLUDING ACTIVITIES IN MIDDLE EAST AND AFRICA)

- The Gypsum segment mainly produces and sells drywall for the commercial and residential construction sectors.

Other and holding activities (namely the activities in North America, Middle East and Africa of the Gypsum Division), not allocated to our core operating segments, are summarized in the “other” segment.

Group management internally evaluates its performance based upon:

- operating income before capital gains, impairment, restructuring and other, and share of net income (loss) of associates; and
- capital employed (defined as the total of goodwill, intangible assets and property, plant and equipment, investments in associates and working capital).

Group financing, notably treasury process (including finance income and finance costs), and income taxes are managed at Group level and are not allocated to segments.

The Group accounts for intersegment sales and transfers at market prices.

For the geographical information, the revenue is presented by region or country of destination of the revenue.

Business segment and geographical information, presented below, reflects the items mentioned in Note 3.1 “Discontinued operations and Assets held for sale”. 2010 figures for the consolidated statement of income and consolidated statement of cash flows have been adjusted following the disposal of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.

a) Segment information

2011 *(million euros)*	CEMENT	AGGREGATES & CONCRETE	OTHER	TOTAL
STATEMENT OF INCOME				
Gross revenue	10,622	5,238	82	15,942
Less: intersegment	(647)	(11)	-	(658)
REVENUE	**9,975**	**5,227**	**82**	**15,284**
Operating income before capital gains, impairment, restructuring and other	1,968	237	(26)	2,179
Net gains (losses) on disposals	22	23	-	45
Other operating income (expenses)	(470)	(43)	(28)	(541)
Including impairment on assets and goodwill	*(367)*	*(21)*	-	*(388)*
OPERATING INCOME	**1,520**	**217**	**(54)**	**1,683**
Finance costs				(1,142)
Finance income				143
Share of net income (loss) of associates	(10)	3	(1)	(8)
Income tax				(432)
NET INCOME FROM CONTINUING OPERATIONS				**244**
NET INCOME FROM DISCONTINUED OPERATIONS			**492**	**492**
NET INCOME				**736**
OTHER INFORMATION				
Depreciation and amortization	(766)	(226)	(46)	(1,038)
Other segment non cash items of operating income (expenses)	(413)	34	78	(301)
Capital expenditures	828	169	74	1,071
Capital employed	24,706	4,700	536	29,942
STATEMENT OF FINANCIAL POSITION				
Segment assets	29,237	5,885	2,457	37,579
Of which investments in associates	*395*	*36*	*173*	*604*
Assets held for sale - Lafarge UK	1,216	440	107	1,762
Assets held for sale - Gypsum Division operations			433	433
Unallocated assets*				945
TOTAL ASSETS				**40,719**
Segment liabilities	2,860	1,023	2,052	5,935
Liabilities associated with assets held for sale - Lafarge UK	135	157	45	337
Liabilities associated with assets held for sale - Gypsum Division operations			27	27
Unallocated liabilities and equity**				34,420
TOTAL EQUITY AND LIABILITIES				**40,719**

**Deferred tax assets and derivative instruments.*
***Deferred tax liabilities, financial debt, derivative instruments and equity.*

F

2010 *(million euros)*	CEMENT	AGGREGATES & CONCRETE	OTHER*	TOTAL
STATEMENT OF INCOME				
Gross revenue	10,280	5,093	90	15,463
Less: intersegment	(624)	(5)	-	(629)
REVENUE	**9,656**	**5,088**	**90**	**14,834**
Operating income before capital gains, impairment, restructuring and other	2,230	216	(53)	2,393
Net gains (losses) on disposals	50	(5)	-	45
Other operating income (expenses)	(249)	(28)	(27)	(304)
Including impairment on assets and goodwill	*(126)*	*(11)*	*(17)*	*(154)*
OPERATING INCOME	**2,031**	**183**	**(80)**	**2,134**
Finance costs				(1,055)
Finance income				343
Share of net income (loss) of associates	(26)	5	(2)	(23)
Income tax				(305)
NET INCOME FROM CONTINUING OPERATIONS				**1,094**
NET INCOME FROM DISCONTINUED OPERATIONS			**20**	**20**
NET INCOME				**1,114**
OTHER INFORMATION				
Depreciation and amortization	(775)	(266)	(52)	(1,093)
Other segment non cash items of operating income (expenses)	(100)	22	-	(78)
Capital expenditures	1,060	168	44	1,272
Capital employed	26,780	5,200	1,782	33,762
STATEMENT OF FINANCIAL POSITION				
Segment assets	31,330	6,384	4,157	41,871
Of which investments in associates	*236*	*34*	*152*	*422*
Unallocated assets **				623
TOTAL ASSETS				**42,494**
Segment liabilities	2,797	1,107	2,075	5,979
Unallocated liabilities and equity ***				36,515
TOTAL EQUITY AND LIABILITIES				**42,494**

* *Out of which 1,511 million euros of capital employed 1,900 million euros of segment assets (namely 134 million euros in investments in associates) and 313 million euros of segment liabilities related to the Gypsum Division.*
** *Deferred tax assets and derivative instruments.*
*** *Deferred tax liabilities, financial debt, derivative instruments and equity.*

b) Geographic area information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Non-current assets are allocated to segments based on their geographical locations.

Non-current assets include goodwill, intangible assets, property, plant and equipment and investments in associates.

	2011		2010	
(million euros)	REVENUE	NON CURRENT ASSETS*	REVENUE	NON CURRENT ASSETS
WESTERN EUROPE**	**3,431**	**4,456**	**3,482**	**6,613**
Of which:				
France	*1,885*	*2,271*	*1,800*	*2,345*
United Kingdom	*846*	*2*	*787*	*1,550*
NORTH AMERICA	**3,110**	**5,145**	**3,153**	**6,127**
Of which:				
United States	*1,395*	*4,006*	*1,553*	*4,917*
Canada	*1,715*	*1,139*	*1,600*	*1,210*
MIDDLE EAST AND AFRICA	**3,897**	**12,016**	**3,883**	**12,621**
Of which:				
Egypt	*482*	*2,729*	*714*	*2,804*
Algeria	*537*	*2,954*	*444*	*3,071*
CENTRAL & EASTERN EUROPE**	**1,302**	**2,465**	**1,066**	**2,257**
LATIN AMERICA	**1,035**	**1,421**	**838**	**1,527**
Of which:				
Brazil	*659*	*993*	*504*	*1,072*
ASIA	**2,509**	**3,997**	**2,412**	**4,177**
TOTAL	**15,284**	**29,499**	**14,834**	**33,322**

* The decrease in non-current assets relates to the reclassification as "Assets held for sale" of the items mentioned in Note 3.1 "Discontinued operations and Assets held for sale".
** Austria has been reclassified from Western Europe to Central & Eastern Europe for both years presented.

c) Major customers

The Group has no reliance on any of its customers.

Note 5 Net gains (losses) on disposals

Components of net gains (losses) on disposals, net are as follows:

	YEARS ENDED DECEMBER 31,	
(million euros)	2011	2010*
Net gains (losses) on disposals of consolidated subsidiaries, joint ventures and associates	44	33
Net gains (losses) on sale of other long-term assets	1	12
NET GAINS (LOSSES) ON DISPOSALS	**45**	**45**

* Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.

The effect on the income tax rate of the net gains (losses) on disposals is mentioned in the Note 22 (a).

2011

"Net gain on disposals of consolidated subsidiaries, joint ventures and associates" amounts to 44 million euros, and is notably composed of a 22 million euros gain on the sale of Cement & Concrete assets in the South East United States *(see note 3.1.4)* and 18 million euros on the disposal of Aggregates & Concrete activities in Portugal *(see Note 3.1.3)*.

2010

"Net gain on disposals of consolidated subsidiaries, joint ventures and associates" amounts to 33 million euros, and is notably composed of a 14 million euros gain on the sale of an associate in Brazil.

Note 6 Other operating income (expenses)

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

	YEARS ENDED DECEMBER 31,	
(million euros)	2011	2010*
Impairment losses on goodwill	(292)	-
Impairment losses on intangible assets and property, plant and equipment	(96)	(154)
IMPAIRMENT LOSSES	**(388)**	**(154)**
Restructuring costs	(61)	(115)
Litigations	(25)	(21)
Other income	-	29
Other expenses	(67)	(43)
OTHER OPERATING INCOME (EXPENSES)	**(541)**	**(304)**

* *Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.*

2011

Other operating income (expenses) mainly comprised of impairment losses on goodwill in Greece and United Arab Emirates *(see Note 10 d)*, depreciation of some assets in Europe and restructuring costs for 61 million euros in various locations. Restructuring costs include notably employee termination benefits, contract termination costs and other restructuring costs. They are mainly due to our reduction cost plans and concern notably Spain (Cement and Aggregates & Concrete) and North America. In 2011, litigations mainly include an accrual related to a competition litigation in South Africa described in Note 29.

2010

In 2010, the Group recognized impairment on intangible assets and property, plant and equipment for a total amount of 154 million euros, notably relating to the assets of a closed paper plant in Sweden and to some cement assets in the Western Europe and in South Korea regions due to the impact of the economic environment. Restructuring costs mainly concern Greece (Cement) and Spain (Cement and Aggregates & Concrete).

Note 7 Emission rights

In 2003, the European Union adopted a Directive implementing the Kyoto Protocol on climate change. This directive established a CO_2 emissions trading scheme in the European Union: within the industrial sectors subject to the scheme, each industrial facility is allocated a certain amount of CO_2 allowances. Industrial operators that keep their CO_2 emissions below the level of allowances granted to their plants can sell their excess allowances to other operators that have emitted more CO_2 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 for an initial three-year period (2005-2007). For the second period covering the years 2008 to 2012, each Member State issued at end of 2007, after approval by the European Commission, a National Allocation Plan (NAP) defining the amount of allowances given to each industrial facility.

The Emissions Trading Directive and its provisions apply to all our cement plants in the EU. We are operating cement plants in 10 out of the 27 EU Member States. Allowances that were allocated to these facilities represented some 28 million tonnes of CO_2 per year over the 2008-2012 period. The Group policy is to monitor allowances not only on a yearly basis but also over the whole 2008-2012 period. 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 may be sold on the market.

In 2011, the low level of demand in our European markets combined with our improved performance in kg of CO_2 per ton of cement has led to a surplus of allowances. During 2011, the Group sold excess rights over actual emissions for an amount of 136 million euros and EUA/CER swaps for an amount of 41 million euros, which leads to a total amount of 177 million euros (158 million euros in 2010).

For the year 2012, based on our current production forecasts, which may evolve in case of market trends different from those expected as at today, the allowances granted by the NAP 2008-2012 should exceed our needs on a consolidated basis.

Note 8 Finance income (costs)

Components of finance income (costs) are as follows:

	YEARS ENDED DECEMBER 31,	
(million euros)	2011	2010*
Interest expense	(943)	(853)
Foreign currency exchange losses	(97)	(78)
Other financial expenses	(102)	(124)
FINANCE COSTS	**(1,142)**	**(1,055)**
Interest income	102	87
Dividends received from investments	4	4
Foreign currency exchange gains	18	54
Other financial income	19	198
FINANCE INCOME	**143**	**343**
NET FINANCE INCOME (COSTS)	**(999)**	**(712)**

* *Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.*

2011

Net interest expense (interest expense less interest income), net of capitalized interest costs, amounts to 841 million euros as at December 31, 2011 (766 million euros as at December 31, 2010), which represents an increase of 10%. This variation is mainly explained by:

- the average interest rate on our gross debt of 5.7% in 2011, as compared to 5.3% in 2010 (6.3% in 2011 and 5.8% in 2010 on our net debt);
- capitalized interest costs for construction projects of 33 million euros in 2011 compared to 68 million euros for the year ended December 31, 2010;
- additional interests of 21 million euros in 2011 further to the decisions of the credit rating agencies (Standard & Poor's and Moody's) to downgrade our credit rating in 2011 triggering step-up clauses on certain of our bonds.

The amount of foreign currency exchange gains and losses depends on the exchange risk exposure of loans and debts denominated in currencies different from the functional currencies of the company that carries this loan and/or this debt. These exchange differences mainly relate to loans and debts denominated in US dollars and Algerian dinars.

2010

Other financial income notably includes the gain on disposal of our available-for-sale investment in Cimentos de Portugal (CIMPOR) for an amount of 161 million euros.

Note 9 Earnings per share

The computation and reconciliation of basic and diluted earnings per share from continuing operations for the years ended December 31, 2011 and 2010 are as follows:

	YEARS ENDED DECEMBER 31,	
	2011	2010
NUMERATOR *(MILLION EUROS)*		
NET INCOME - ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**593**	**827**
Out of which net income from continuing operations	103	809
DENOMINATOR *(IN THOUSANDS OF SHARES)*		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**286,514**	**286,087**
Total potential dilutive shares	801	249
Weighted average number of shares outstanding — fully diluted	287,315	286,336
BASIC EARNINGS PER SHARE *(EUROS)*	**2.07**	**2.89**
DILUTED EARNINGS PER SHARE *(EUROS)*	**2.06**	**2.89**
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS *(EUROS)*	**0.36**	**2.83**
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS *(EUROS)*	**0.35**	**2.83**

For purposes of computing diluted earnings per share, stock options which would have an anti-dilutive effect on the calculation of the diluted earnings per share are excluded from the calculation.

In 2011, 7.81 million stock options were excluded from the diluted earnings per share calculation (8.40 million in 2010).

Note 10 Goodwill

a) Changes in goodwill

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

(million euros)	CEMENT	AGGREGATES & CONCRETE	OTHER *	TOTAL
CARRYING AMOUNT AT DECEMBER 31, 2009	**11,038**	**1,966**	**245**	**13,249**
Cost at January 1, 2010	11,308	1,973	266	13,547
Accumulated impairment	(270)	(7)	(21)	(298)
CARRYING AMOUNT AT JANUARY 1, 2010	**11,038**	**1,966**	**245**	**13,249**
Additions	490	22	1	513
Disposals	(8)	(26)	-	(34)
Impairment losses	-	-	-	-
Change in goodwill related to put options on shares of subsidiaries and other	(12)	(23)	-	(35)
Translation adjustments	496	121	17	634
CARRYING AMOUNT AT DECEMBER 31, 2010	**12,004**	**2,060**	**263**	**14,327**
Cost at January 1, 2011	12,289	2,061	285	14,635
Accumulated impairment	(285)	(1)	(22)	(308)
CARRYING AMOUNT AT JANUARY 1, 2011	**12,004**	**2,060**	**263**	**14,327**
Additions	55	50	-	105
Disposals	(123)	(76)	(169)	(368)
Impairment losses	(285)	(7)	-	(292)
Change in goodwill related to put options on shares of subsidiaries and other	39	-	-	39
Translation adjustments	(154)	(6)	(1)	(161)
Other movements **	(151)	-	-	(151)
Reclassification as assets held for sale	(616)	(93)	(89)	(798)
CARRYING AMOUNT AT DECEMBER 31, 2011	**10,769**	**1,928**	**4**	**12,701**
Cost at December 31, 2011	11,140	1,936	4	13,080
Accumulated impairment	(371)	(8)	-	(379)
CARRYING AMOUNT AT DECEMBER 31, 2011	**10,769**	**1,928**	**4**	**12,701**

** Gypsum Division disposed of (see Note 3.1.1).*
*** Corresponds to the goodwill of Saudi Arabia (change of consolidation method - See Note 13).*

b) Acquisitions and disposals

2011

ACQUISITIONS
No significant acquisition occurred in 2011.

DISPOSALS
The 2011 disposals are related to:

- the goodwill allocated to CGUs of the Gypsum Division for its operations in Western Europe, Central and Eastern Europe, Latin America and Asia;
- the goodwill allocated to CGUs of Aggregates & Concrete business in Portugal; and
- the share of goodwill allocated to CGUs of the Cement and Concrete assets affected by the disposal of our operations in the South East United States.

2010

ACQUISITIONS
In February 2010, the Group exchanged its 17.28% stake in Cimpor to Votorantim against cement operations of Votorantim in Brazil and the dividends paid by Cimpor related to its 2009 year-end. The cement operations received from Votorantim have been valued at 755 million euros. This evaluates our sold Cimpor stake at 6.5 euros per share.

The cement operations in Brazil have been transferred to the Group by Votorantim on July 19, 2010, which notably comprise two grinding stations, one cement plant, slag supply contracts and clinker supply to grinding stations.

The goodwill arising from this transaction amounts to 490 million euros.

DISPOSALS
No significant disposal occurred in 2010.

F

c) Reclassification as assets held for sale

The “Reclassification as assets held for sale” line mainly reflects the amounts related to Lafarge UK *(see Note 3)* and includes 230 million euros of goodwill impairment.

d) Impairment test for goodwill

The Group’s methodology to test its goodwill for impairment is described in Note 2.12.

Key assumptions

The evolution of the economic and financial, political and competitive contexts in the different countries may have an impact on the evaluation of recoverable amounts. Especially, the key assumptions are the following:

- the market size, driven by the segments of residential construction, commercial construction and infrastructures’ field of each country;
- our market share and the level of prices based especially on supply - demand balance on the market;
- the costs evolution factors and mainly the evolution of energy costs;
- the country specific discount rate based on the weighted average cost of capital;
- the country specific perpetual growth rate retained.

These parameters are based on:

- a 10-year period plan established during the last quarter of the year in line with the budget exercice and approved by the heads of operating and functional matters, which details operating assumptions described above, based on the last trends known;
- a country specific discount rate, which includes a country risk premium factoring political and economical risks of the country and takes into account if needed specific situations such as in certain countries in Europe and Middle East;
- a perpetual growth rate which has been maintained in 2011, except for North America, because the worldwide economic climate evolution does not change the expected evolution of long-term market trends in the construction segment in which the Group operates.

For countries such as Egypt and Syria with a recent political instability, or European countries hit by the sovereign debt crisis such as Greece and Spain, the operating assumptions and discount rates used have been determined based on the specific country environment. These forecasts do not reflect any possible breach of the economical or geopolitical environment.

As described in Note 2.12, in performing the first step of the impairment test, the Group uses a multiple of EBITDA from 7.9 to 13.4 (8.3 to 11.8 in 2010) according to the corresponding division.

When the Group determines the value in use of CGUs or groups of CGUs based on estimated discounted cash-flows (second step of the impairment test as described in Note 2.12), the discount rates and perpetual growth rates are as follows for the main regions of the Group:

	DISCOUNT RATE		PERPETUAL GROWTH RATE	
	2011	2010	2011	2010
Western Europe	[7.0%-11%]	[6.9%-10.2%]	2%	2%
North America	7.3%	7.1%	1.4%	1.8%
Middle East and Africa	[8.4%-11.8%]	[7.7%-11.7%]	3.0%	3.0%
Asia	[8.1%-12.1%]	[8.0%-10.6%]	[2.0%-3.0%]	[2.0%-3.0%]

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.

The discount rates and perpetual growth rates are based on inflation assumptions in Euro-Zone or American Dollar-zone (“hard currency”). Therefore, the cash flows used for the calculation of the recoverable amount are translated in “hard currency” taking into account the differential of inflation between local currency and “hard currency”.

Main goodwill

Lafarge is composed of around seventy CGUs, generally corresponding to the activity of a segment in a country, or groups of CGUs. The key assumptions used for the valuation of the main CGUs or groups of CGUs, covering more than 50% of total group goodwill, with the carrying amount of corresponding goodwill are as follow:

MAIN CGUS

	AT DECEMBER 31,					
	2011			2010		
CASH GENERATING UNITS	CARRYING VALUE OF GOODWILL *(million euros)*	DISCOUNT RATE	PERPETUAL GROWTH RATE	CARRYING VALUE OF GOODWILL *(million euros)*	DISCOUNT RATE	PERPETUAL GROWTH RATE
Cement North America	1,527	7.3%	1.4%	1,590	7.1%	1.8%
Cement Algeria	1,354	8.4%	3.0%	1,395	8.2%	3.0%
Cement Egypt	1,364	9.4%	3.0%	1,376	8.2%	3.0%
Aggregates & Concrete North America	1,024	(a)	n/a	1,054	7.1%	1.8%
Cement Iraq	679	9.3%	3.0%	672	9.9%	3.0%

(a) *In 2011, the Aggregates & Concrete North America CGU was estimated based on a Ebitda multiple of 13.4.*

MAIN GROUP OF CGUS

The goodwill allocated to the Middle East and Africa region amounts to 1,130 million euros as at December 31, 2011 (1,172 million euros in 2010). The main assumptions used for the valuation of this group of CGUs are discount rates between [8.4% and 11.8%] ([7.7% and 11.7%] in 2010) and a multiple of Ebitda of 7.9 (8.3 in 2010).

The goodwill that are allocated to other CGUs or groups of CGUs do not account individually for more than 4% of total group goodwill.

Sensitivity of recoverable amounts

The Group analyzed the sensitivities of the recoverable amounts to a reasonable possible change of a key assumption (notably to a change of one point in the discount rate or the perpetual growth rate). These analyses did not show a situation in which the carrying value of the main CGUs would exceed their recoverable amount, with the exception of the five CGUs referred to below.

For these five CGUs, the sensitivity of the recoverable amounts to an independent change of one point in either the discount rate or the perpetual growth rate was as follows as at December 31, 2011:

CASH GENERATING UNIT *(million euros)*	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 Greece*	-	(89)	133	69	(38)
Cement Spain	33	(118)	162	90	(66)
Cement Egypt	102	(316)	435	260	(190)
Cement United Arab Emirates**	-	(55)	79	51	(36)
Cement Syria	11	(68)	86	41	(33)

* *After impairment loss of 185 million euros in 2011, which leads to a residual goodwill of 472 million euros.*
** *After impairment loss of 100 million euros in 2011, which leads to a goodwill fully depreciated.*

For these five CGUs, the maximal range of sensitivity estimated by the Group of the recoverable amount to key assumptions included in 10-year period plans is reflected by the sensitivity to the discount rate presented above.

Impairment losses

2011

As at December 31, 2011, the Group has analysed the above assumptions and sensitivities, and has specifically considered the operating assumptions of the above five CGUs. In particular:

- for the CGU Cement Greece, a material drop in demand is noticed in the context of the tougher economic environment and has for consequence a reduced volume growth compared with previous forecasts. On this basis, the Group recorded an impairment loss of 185 million euros for the goodwill of this CGU, based on the value in use of this CGU determined with a discount rate of 11% (10.2% in 2010);
- for the CGU Cement United Arab Emirates, a material drop in demand and an unfavourable evolution of competitive environment have for consequence a reduction of expected volumes and prices growths compared with previous forecasts. On this basis, the Group recorded an impairment loss of 100 million euros for the goodwill of this CGU, based on the value in use of this CGU determined with a discount rate of 8.7% (7.7% in 2010).

2010

No impairment loss occurred in 2010.

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Note 11 Intangible assets

(million euros)	2011	2010
CARRYING AMOUNT AT JANUARY 1,	**661**	**632**
Additions	70	77
Disposals	-	(13)
Amortization	(82)	(95)*
Impairment losses	-	(3)
Changes in scope and other changes	28	18
Translation adjustments	10	45
Reclassification as assets held for sale	(35)	-
CARRYING AMOUNT AT DECEMBER 31,	**652**	**661**

* *Of which (88) million euros related to the continuing operations in 2010.*

For the years presented, no reversal of impairment losses has been recorded.

The following table presents details of intangible assets:

	AT DECEMBER 31,					
	2011			2010		
(million euros)	COST	ACCUMULATED AMORTIZATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTIZATION AND IMPAIRMENT	CARRYING VALUE
Software	478	348	130	494	348	146
Real estate development rights	87	59	28	85	58	27
Mineral rights	182	45	137	158	43	115
Other intangible assets	437	80	357	506	133	373
TOTAL INTANGIBLE ASSETS	**1,184**	**532**	**652**	**1,243**	**582**	**661**

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

In 2011, the overall Group's spendings for product innovation and industrial process improvement was 129 million euros, compared to 153 million euros in 2010. The part of these spendings that are expensed as incurred were 117 million euros in 2011 (140 million euros in 2010).

Note 12 Property, plant and equipment

a) Changes in property, plant and equipment

(million euros)	MINERAL RESERVES AND LAND	BUILDINGS	MACHINERY, EQUIPMENT, FIXTURES AND FITTINGS	CONSTRUCTION IN PROGRESS	TOTAL BEFORE INVESTMENT SUBSIDIES	INVESTMENT SUBSIDIES	TOTAL
Cost at January 1, 2010	2,127	3,628	18,505	2,328	26,588		
Accumulated depreciation	(471)	(1,743)	(7,593)	(14)	(9,821)		
CARRYING AMOUNT AT JANUARY 1, 2010	**1,656**	**1,885**	**10,912**	**2,314**	**16,767**	**(68)**	**16,699**
Additions	31	117	235	837	1,220	(11)	1,209
Disposals	(10)	(4)	(21)	12	(23)	-	(23)
Main acquisitions through business combinations	3	25	229	4	261	-	261
Other changes in scope	(18)	(6)	(11)	3	(32)	1	(31)
Depreciation*	(49)	(114)	(902)	(19)	(1,084)	6	(1,078)*
Impairment losses	(2)	-	(149)	-	(151)	-	(151)
Other changes	22	445	1,016	(1,438)	45	-	45
Translation adjustments	99	99	618	165	981	-	981
CARRYING AMOUNT AT DECEMBER 31, 2010	**1,732**	**2,447**	**11,927**	**1,878**	**17,984**	**(72)**	**17,912**
Cost at January 1, 2011	2,272	4,380	20,760	1,905	29,317		
Accumulated depreciation	(540)	(1,933)	(8,833)	(27)	(11,333)		
CARRYING AMOUNT AT JANUARY 1, 2011	**1,732**	**2,447**	**11,927**	**1,878**	**17,984**	**(72)**	**17,912**
Additions	29	18	116	816	979	-	979
Disposals	(38)	(15)	(47)	(2)	(102)	5	(97)
Other changes in scope	(127)	(58)	(731)	104	(812)	6	(806)
Depreciation	(28)	(152)	(772)	(4)	(956)	-	(956)
Impairment losses	(2)	(12)	(77)	(5)	(96)	-	(96)
Other changes	57	164	841	(1,076)	(14)	-	(14)
Translation adjustments	3	(61)	(161)	(33)	(252)	-	(252)
Reclassification as assets held for sale**	(200)	(162)	(660)	(106)	(1,128)	-	(1,128)
CARRYING AMOUNT AT DECEMBER 31, 2011	**1,426**	**2,169**	**10,436**	**1,572**	**15,603**	**(61)**	**15,542**
Cost at December 31, 2011	1,835	3,877	18,197	1,582	25,490		
Accumulated depreciation	(409)	(1,708)	(7,761)	(10)	(9,887)		

* *Of which (1,005) million euros related to the continuing operations in 2010.*
** *Correspond to property, plant and equipment related to Lafarge UK and to the Gypsum activities for which the disposal is not effective as at December 31, 2011.*

2011

"Other changes in scope" notably includes:

- the disposal of Gypsum activities *(see Note 3.1.1)*;
- the transaction with Strabag *(see Note 20 (g))*;
- the change in consolidation method of the company Al Safwa in Saudi Arabia *(see Note 13)*.

For the years presented, no significant reversal of impairment charges has been recorded.

2010

In 2010, property, plant and equipment items with a carrying amount below their recoverable value were impaired for a total amount of 151 million euros, notably relating to the assets of a closed paper plant in Sweden and to some cement assets in the Western Europe and in South Korea regions due to the impact of the economic environment *(see Note 6)*.

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b) Finance Leases

The cost of property, plant and equipment includes 113 million euros and 121 million euros of assets under finance leases at December 31, 2011, and 2010, respectively. The remaining obligations on such assets amount to 46 million euros and 52 million euros at December 31, 2011, and 2010, respectively.

Note 13 Investments in associates

Investments in associates *(see Note 35)*, presented below, are not listed and therefore do not have public quote. Their reporting date is in line with Group's one.

a) Changes in investment in associates

	YEAR ENDED DECEMBER 31,	
(million euros)	2011	2010
AT JANUARY 1,	**422**	**335**
Share of net income (loss) of associates*	(8)	(16)
Dividends received from associates	(15)	(11)
Acquisitions or share capital increases	155	148
Disposals and reduction in ownership percentage**	(128)	(14)
Other changes	178	(20)
AT DECEMBER 31,	**604**	**422**

* *Of which (23) million euros related to the continuing operations in 2010.*
** *In 2011 mainly corresponds to the disposal of Gypsum activities.*

2011

ACQUISITIONS
Following the disposal to Etex Group of European and South American Gypsum operations, the Group retains a 20% interest in the partnerships, which combines the European and South American Gypsum activities of both Groups and is accounted under the equity method for 153 million euros as of December 31, 2011 *(see Note 3.1.1)*.

OTHER CHANGES
In Saudi Arabia, the Al Safwa company was jointly controlled by the Group and a Saudi partner. On December 13, 2011, an agreement has been signed and plans the entrance of two new Saudi financial partners, by reserved increase in capital in this company. Following this agreement, the Group exercises a significant influence on this entity, which is accounted under the equity method as of December 31, 2011.

2010

The Group capitalized its long- term loan with an associate in Nigeria (United Cement Company Of Nigeria Limited) for an amount of 132 million euros *(see Note 15)*. In 2010, the Group sold its investment of 8% in an associate in Brazil *(see Note 5)*.

Information relating to the statement of income

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

	YEAR ENDED DECEMBER 31,	
(million euros)	2011	2010*
Operating income before capital gains, impairment, restructuring and other	33	1
Net gains (losses) on disposals	-	2
Other operating income (expenses), net	(9)	2
Finance income (costs)	(27)	(22)
Income tax	(5)	(6)
SHARE OF NET INCOME (LOSS) FROM ASSOCIATES	**(8)**	**(23)**

* *Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.*

b) Summarized combined statement of financial position and statement of income information of associates

Combined statement of financial position information at 100%

	AT DECEMBER,31	
(million euros)	2011	2010
Non-current assets	2,652	1,413
Current assets	931	397
TOTAL ASSETS	**3,583**	**1,810**
Total equity	1,247	780
Non-current liabilities	1,304	640
Current liabilities	1,032	390
TOTAL EQUITY AND LIABILITIES	**3,583**	**1,810**

Combined statement of income information at 100%

	YEARS ENDED DECEMBER 31,	
(million euros)	2011	2010*
Revenue	732	554
Operating income before capital gains, impairment, restructuring and other	60	(7)
Operating income	65	6
Net income (loss)	(23)	(69)

* *Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.*

Note 14 Joint ventures

The Group has several interests in joint ventures *(see Note 35).*

As of December 31, 2011, the joint ventures mainly relate to:

- Emirats Cement LLC, owned at 50% in United Arab Emirates;
- several joint ventures in Morocco for the Cement and Aggregates & Concrete activities, owned at 35%;
- several joint ventures in China, notably: Lafarge Chongqing Cement Co. Ltd. owned at 43.68%, Lafarge Dujiangyan Cement Company Limited owned at 35.09% and Yunnan Shui On Building Materials Investment Co. Ltd. owned at 44%;
- and other joint ventures in the Middle East for the Aggregates & Concrete Division and in Bangladesh for the Cement Division.

As at December 31, 2010, the joint ventures included the investment in Al Safwa company in Saudi Arabia which is accounted under the equity method on December 31, 2011 *(see Note 13)* and also the investments in Asia for the Gypsum Division disposed of in 2011 *(see Note 3.1.1).*

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

Impact on the consolidated statement of income

	YEARS ENDED DECEMBER 31,	
(million euros)	2011*	2010**
Revenue	1,093	1,024
Operating income before capital gains, impairment, restructuring and other	131	148
Operating income	127	135
Net income	50	93

* *Including Al Safwa net income further to the change of consolidation method in December 2011 (see Note 13).*
** *Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.*

Impact on the consolidated statement of financial position

	AT DECEMBER 31,	
(million euros)	2011	2010
Non-current assets	2,076	2,599
Current assets	653	626
Non-current liabilities	313	389
Current liabilities	991	939

Note 15 Other financial assets

Components of other financial assets are as follows:

	AT DECEMBER 31,	
(million euros)	2011	2010
Long-term loans and receivables	386	490
Available-for-sale financial assets	309	319
Prepaid pension assets	3	5
Restricted cash	57	49
TOTAL	**755**	**863**

a) Available-for-sale financial assets

Available-for-sale financial assets are equity interests in non-consolidated companies.

The table below presents the split of the fair value between the three levels of hierarchy:

- level 1: for equity securities listed on an active market, fair value is quoted price;
- level 2: for equity securities not listed on an active market and for which observable market data exist that the Group can use in order to estimate the fair value;
- level 3: for equity securities not listed on an active market and for which observable market data doesn't exist in order to estimate the fair value.

	AT DECEMBER 31,	
(million euros)	2011	2010
Level 1	-	-
Level 2	90	86
Level 3	219	233
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**309**	**319**

For the level 3 category, the reconciliation from the beginning balances to the ending balances presents as follows:

(million euros)	2011	2010
AT JANUARY 1,	**233**	**196**
Gains (losses) in statement of income	-	-
Unrealized gains or losses in equity	-	-
Acquisitions	5	19
Other movements (including translation adjustments)	(19)	18
Reclassification out of Level 3	-	-
AT DECEMBER 31,	**219**	**233**

b) Long-term loans and receivables

In 2010, the Group notably capitalized its long- term loan with an associate in Nigeria (United Cement Company Of Nigeria Limited) for an amount of 132 million euros *(see Note 13)*.

Note 16 Inventories

Components of inventories are as follows:

(million euros)	AT DECEMBER 31, 2011	2010
Raw materials	425	409
Work-in-progress	9	8
Finished and semi-finished goods	634	705
Maintenance and operating supplies	624	674
INVENTORIES CARRYING VALUE	**1,692**	**1,796**
Impairment losses	(161)	(149)
INVENTORIES	**1,531**	**1,647**

The depreciation primarily relates to maintenance and operating supplies for 110 million euros and 108 million euros at December 31, 2011, and 2010, respectively.

The change in the inventories is as follows:

(million euros)	2011	2010
AT JANUARY 1,	**1,647**	**1,702**
Movement of the year	89	(97)
Scope effects and other changes	(197)	(65)
Translation adjustments	(8)	107
AT DECEMBER 31,	**1,531**	**1,647**

Scope effects and other changes mainly include the disposal of Gypsum activities *(see Note 3.1.1)* and the reclassification as “Assets held for sale” of Lafarge UK’s inventories.

Note 17 Trade receivables

Components of trade receivables are as follows:

	AT DECEMBER 31,	
(million euros)	2011	2010
Gross trade receivables and advances on trade payables	1,998	1,995
Valuation allowance	(233)	(221)
TRADE RECEIVABLES	**1,765**	**1,774**

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

(million euros)	2011	2010
AT JANUARY 1,	**(221)**	**(193)**
Current year addition	(53)	(69)
Current year release	12	24
Cancellation	16	25
Other changes	12	-
Translation adjustments	-	(8)
Reclassification as assets held for sale	1	-
AT DECEMBER 31,	**(233)**	**(221)**

Securitization programs

The Group entered into multi-year securitization agreements, with respect to trade receivables:

- the first one implemented in France in January 2000 for Cement activity, renewed twice, includes Aggregates and Concrete activities since September 2009. This is a five-year program from June 2010;
- the second one implemented in September 2009 in North America (United States and Canada) for a three-year period;
- the last one implemented in March 2010 both in Spain and United Kingdom, also for a 5-year period, for some of the Cement, Aggregates and Concrete activities of these two countries.

Under the programs, some of the French, North American, British and Spanish subsidiaries agree to sell on a revolving basis, some of their trade receivables. Under the terms of the arrangements, the subsidiaries involved in these programs do not maintain control over the assets sold and there is neither entitlement nor obligation to repurchase the sold receivables. In these agreements, the purchaser of the receivables, in order to secure his risk, only finances a part of the acquired receivables as it is usually the case for similar commercial transactions. As risks and benefits cannot be considered as being all transferred, these programs do not qualify for derecognition of receivables, and are therefore accounted for as secured financing.

Trade receivables therefore include sold receivables totaling 537 million euros and 680 million euros at December 31, 2011 and 2010, respectively.

The current portion of debt includes 404 million euros and 533 million euros at December 31, 2011 and 2010, respectively, related to these programs.

The European securitization agreements are guaranteed by subordinated deposits and units totaling 133 million euros and 147 million euros at December 31, 2011 and 2010, respectively.

Note 18 Other receivables

Components of other receivables are as follows:

(million euros)	AT DECEMBER 31, 2011	2010
Taxes	256	373
Prepaid expenses	108	131
Interest receivables	25	26
Other current receivables	469	441
OTHER RECEIVABLES	**858**	**971**
Current portion	*824*	*971*
Non-current portion	*34*	-

In 2011, "Other current receivables" mainly include:

- the receivables on disposals of assets and advances paid to suppliers for an amount of 105 million euros (115 million euros at December 31, 2010), including the short-term part of our receivable on the 2009 disposal of our Cement activities in Venezuela for 17 million euros;
- the receivables from Group's employees for 15 million euros (15 million euros at December 31, 2010).

Note 19 Cash and cash equivalents

Cash and cash equivalents, amounting to 3,171 million euros at December 31, 2011 (3,294 million euros at December 31, 2010), include cash equivalents totaling up to 1,191 million euros at December 31, 2011, mainly time deposits and short-term investments (200 million euros at December 31, 2010) measured at their fair value.

Note 20 Equity

a) Common stock

At December 31, 2011, Lafarge common stock consisted of 287,247,518 shares with a nominal value of 4 euros per share.

At December 31, 2011, the total number of theoretical voting rights attributable to the shares is 400,016,950 after inclusion of the double voting rights attached to registered shares held for at least two years in the name of the same shareholders.

b) Capital increase and decrease

In 2011, Lafarge launched a share capital increase reserved for Group's employees *(see Note 3 and Note 21)*.

There was neither capital increase nor decrease in 2010.

c) Dividends

The following table indicates the dividend amount per share the Group paid for the year 2010 as well as the dividend amount per share for 2011 proposed by our Board of Directors for approval at the Annual General Meeting of shareholders to be held on May 15, 2012. 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, unless otherwise indicated)	2011	2010
Total dividend (MILLION)	145***	288
Base dividend per share	0.50*	1.00
Increased dividend per share**	0.55*	1.10

* *Proposed dividend. As this dividend is subject to approval by shareholders at the Annual General Meeting, it has not been included as a liability in these financial statements as of December 31, 2011.*

** *See Section 8.5 (Articles of Association (Statuts) - Rights, preferences and restrictions attached to shares) for an explanation of our "Loyalty dividend".*

*** *Based on an estimation of the number of shares eligible for dividends of 287,014,070 shares.*

F

d) Transactions on treasury shares

In 2011, the treasury shares decreased by 130,110 shares related to the 2007 and 2009 performance stock plans which were vested and delivered to the employees.

In 2010, the treasury shares decreased by 16,590 shares related to the 2008 and 2009 performance stock plans which were vested and delivered to the employees.

e) Other comprehensive income – part attributable to the owners of the parent company

The roll forward of other comprehensive income, for the part attributable to the owners of the parent company, is as follows:

	JANUARY 1, 2010	GAINS/(LOSSES) ARISING DURING THE YEAR	RECYCLING TO STATEMENT OF INCOME	DECEMBER 31, 2010	GAINS/(LOSSES) ARISING DURING THE YEAR	RECYCLING TO STATEMENT OF INCOME	DECEMBER 31, 2011
Available-for-sale financial assets	**160**	**10**	**(148)**	**22**	**(1)**	**-**	**21**
Gross value	169	10	(148)	31	-	-	31
Deferred taxes	(9)	-	-	(9)	(1)	-	(10)
Cash flow hedge instruments	**(42)**	**-**	**8**	**(34)**	**3**	**2**	**(29)**
Gross value	(55)	-	12	(43)	(1)	3	(41)
Deferred taxes	13	-	(4)	9	4	(1)	12
Actuarial gains/(losses)	**(488)**	**(55)**	**-**	**(543)**	**(200)**	**-**	**(743)**
Gross value	(661)	(64)	-	(725)	(345)	-	(1,070)
Deferred taxes	173	9	-	182	145	-	327
TOTAL OTHER RESERVES	**(370)**	**(45)**	**(140)**	**(555)**	**(198)**	**2**	**(751)**
TOTAL FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	**(947)**	**1,078**	**(8)**	**123**	**(386)**	**(17)**	**(280)**
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX	**(1,317)**	**1,033**	**(148)**	**(432)**	**(584)**	**(15)**	**(1,031)**

In 2010, the unrealized gain on the shares of Cimentos de Portugal (CIMPOR), which amounted to 148 million euros, was transferred to the consolidated statement of income further to the sale of this asset.

f) Non controlling interests

At December 31, 2011, the non controlling interests amount to 2,197 million euros (2,080 million euros at December 31, 2010).

In 2010, the Group notably sold on the market a minority stake representing 11.2% of interests in Lafarge Malayan Cement.

At December 31, 2011 and December 31, 2010, the Group's significant non controlling interests are Lafarge Cement Egypt (Egypt), Malayan Cement Berhad (Malaysia), Jordan Cement Factories Company PSC (Jordan), Lafarge Halla Cement Corporation (South Korea), West African Portland Cement Company plc (Nigeria) and Bazian Cement Company Ltd. (Iraq).

g) Changes in ownership interests with no gain/loss of control

As at December 31, 2011, changes in ownership interest with no gain/loss of control amount to 254 million euros, of which 350 million euros related to the transaction with Strabag (Lafarge brought its cement plants in Austria, in Czech Republic and in Slovenia in exchange of Strabag's contribution of its cement plant in Hungary).

As at December 31, 2010, changes in ownership interest with no gain/loss of control amounted to 135 million euros, of which 141 million euros related to the disposal of a non controlling stake in Malaysia as stated above.

Note 21 Share based payments

a) Compensation expense for share based payments

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

	YEARS ENDED DECEMBER 31,	
(million euros)	2011	2010
Employee stock options	9	13
Employee share purchase plans	8	-
Performance stock plans	8	7
Stock appreciation rights (SAR) plans	-	-
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	**25**	**20**

Capital increase reserved for employees

The Group launched in 2011 a capital increase reserved for Group's employees, under the plan "Lafarge in Action". Under the terms of the plan, the employees and Corporate Officers eligible to the Employee Lafarge Plan ("PEG") were entitled to purchase a maximum of five million shares at 4 euros each.

The purchase price was 36.98 euros, 20% less than the average of Lafarge's shares price over the last 20 days preceding the date the offer was proposed. Additionally, depending on the country, bonuses are paid on the first 15 purchased shares. The shares purchased cannot be sold for a period of five years, except under specific circumstances. The increase in capital resulting from this plan amounts to 3,174,956 euros by issuing 793,739 new shares.

A net expense of 8 million euros has been recognized on this plan in full in 2011 as there are no vesting conditions attached to the shares:

- seven million euros related to the cash incentives;
- one million euros related to the compensation expense deducted from the discount element.

Employee stock options plans and performance stock plans

The compensation cost recognized includes the fair value amortization for all outstanding and non vested plans, including the plans granted in 2011.

The expense related to share based payments is included in the consolidated statement of income as follows:

	YEARS ENDED DECEMBER 31,	
(million euros)	2011	2010
Cost of sales	9	7
Selling and administrative expenses	16	13
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	**25**	**20**

Total compensation cost related to non-vested and not yet recognized stock options plans, performance stock plans and SAR plans is 26 million euros which will be recognized on a straight-line basis over the vesting period from 2012 to 2015.

b) Equity settled instruments

Stock option plans

Lafarge S.A. grants stock option plans and employee stock purchase plans. Stock option plans offer options to purchase or subscribe shares of the Group's common stock to executives, senior management, and other employees who have contributed significantly to the performance of the Group. The option exercise price approximates market value on the grant date. The options are vested four years and expire ten years from the grant date.

Information relating to the Lafarge S.A. stock options granted is summarized as follows:

	2011		2010	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE *(euros)*	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE *(euros)*
OPTIONS OUTSTANDING AT JANUARY 1,	**9,113,828**	**69.47**	**8,358,955**	**72.01**
Options granted	781,980	44.50	1,203,500	51.30
Options exercised	-	-	(463)	57.00
Options cancelled and expired	(1,384,745)	75.18	(448,164)	68.10
OPTIONS OUTSTANDING AT DECEMBER 31,	**8,511,063**	**66.25**	**9,113,828**	**69.47**
OPTIONS EXERCISABLE AT DECEMBER 31,	**5,402,651**	**72.07**	**5,884,994**	**70.24**
Weighted average share price for options exercised during the year		-		58.93
Weighted average share price at option grant date (for options granted during the year)		45.25		53.93
Weighted average fair value of options granted during the year		8.26		11.86

Information relating to the Lafarge S.A. stock options outstanding at December 31, 2011 is summarized as follows:

EXERCISE PRICE *(euro)*	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING LIFE *(months)*	NUMBER OF OPTIONS EXERCISABLE
87.98	428,406	5	428,406
64.38	318,577	11	318,577
57.00	1,108,341	23	1,108,341
61.19	746,956	35	746,956
62.78	1,345,793	47	1,345,793
84.42	885,918	53	885,918
110.77	568,660	65	568,660
96.18	774,270	75	-
30.74	704,930	88	-
51.30	861,307	99	-
44.50	767,905	111	-
	8,511,063		**5,402,651**

FAIR VALUE OF OPTIONS GRANTED

The Group estimated the fair value of the options granted based on the following assumptions:

	LAFARGE S.A. OPTIONS	
Years ended December 31,	2011	2010
Expected dividend yield	3.5%	4.3%
Expected volatility of stock	30.4%	31.3%
Risk-free interest rate	3.2%	3.2%
Expected life of the options *(years)*	7.0	8.0

The expected dividend yield assumption is based on a prospective approach, according to market expectations by 2012.

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 Lafarge S.A. 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.

Performance stock plans

Lafarge set up a performance stock plan in 2011 and 2010. The shares are granted to executives, senior management and other employees for their contribution to the continuing success of the business. For French resident employees, these shares will be issued following a three-year vesting period after the grant date (two-year for the 2010 plan), but will remain unavailable for an additional two-year period. For non-French resident employees, the shares will be vested for four years.

Information relating to the Lafarge S.A. performance stock plans outstanding at each December 31, is summarized as follows:

(million euros)	2011	2010
SHARES OUTSTANDING AT JANUARY 1,	**492,560**	**356,393**
Shares granted	348,755	169,605
Shares cancelled	(31,695)	(16,848)
Shares definitely alloted	(130,110)	(16,590)
SHARES OUTSTANDING AT DECEMBER 31,	**679,510**	**492,560**
Weighted average share price at option grant date	45.25	53.93

The Group estimated the fair value of the performance stock plan granted in 2011 and 2010 based on the following assumptions:

	YEARS ENDED DECEMBER 31,	
	2011	2010
Expected dividend yield	3.4%	4.1%
Post vesting transfer restriction discount	4.2%	3.8%

The expected dividend yield assumption is based on a prospective approach, according to market expectations by 2012.

A discount for post vesting transfer restriction has been applied on shares granted to French resident employees for the three years following the vesting date.

c) Cash-settled instruments

In 2007 and 2008, Lafarge granted certain U.S. employees equity instruments settled in cash, called Stock Appreciation Rights plans (SAR). SAR give the holder, for a period of 10 years after the grant date, the right to receive a cash payment based on the increase in the value of the Lafarge share from the time of the grant until the date of exercise. The SAR strike price approximates market value on the grant date. Right grants will vest at a rate of 25% each year starting on the first anniversary of the grant.

Information relating to the Lafarge North America Inc. Stock Appreciation Rights plan outstanding at December 31 is summarized as follows:

	2011		2010	
	SAR	WEIGHTED AVERAGE EXERCISE PRICE *(euros)*	SAR	WEIGHTED AVERAGE EXERCISE PRICE *(euros)*
SAR OUTSTANDING AT JANUARY 1,	**496,385**	**118.41**	**505,710**	**118.42**
SAR revaluation	79,422	(16.06)	-	-
SAR granted	-	-	-	-
SAR exercised	-	-	-	-
SAR cancelled and expired	(4,782)	91.29	(9,325)	119.03
SAR OUTSTANDING AT DECEMBER 31,	**571,025**	**102.44**	**496,385**	**118.41**
OPTIONS EXERCISABLE AT DECEMBER 31,	**510,253**	**102.95**	**349,175**	**119.24**
Weighted average share price for SAR exercised during the year		-		-
Weighted average share price at SAR grant date		-		-
Weighted average fair value of SAR granted during the year		-		-

The Group estimated at year-end the fair value of the Stock Appreciation Rights plan based on the following assumptions:

	YEARS ENDED DECEMBER 31, 2011	2010
Expected dividend yield	4.0%	4.0%
Expected volatility of stock	24.7%	24.7%
Risk-free interest rate	4.0%	4.0%
Expected life of the SAR *(years)*	7.6	7.6

The expected dividend yield assumption is based on market expectations.

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 to 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 SAR.

Note 22 Income tax

a) Income Tax

The components of the income tax expense from continuing operations for the reporting periods are as follows:

	YEARS ENDED DECEMBER 31,	
(million euros)	2011	2010*
CURRENT INCOME TAX	**453**	**528**
Corporate income tax for the period	380	412
Adjustment recognized in the period for current tax of prior periods	2	(7)
Withholding tax on dividends	27	33
Other	44	90
DEFERRED INCOME TAX	**(21)**	**(223)**
Deferred taxes on origination or reversal of temporary differences and other movements	(154)	(130)
Reassessment of deferred tax assets	68	(81)
Adjustment recognized in the period for deferred tax of prior periods	19	(15)
Effect of changes in tax rates	46	3
INCOME TAX	**432**	**305**

* *Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.*

An analysis of the deferred tax expense (income) in respect of each temporary difference is presented in paragraph (b) "Change in deferred tax assets and liabilities".

Effective tax rate

The Group's effective tax rate is based on income before tax from continuing operations, excluding the share of net income (loss) of associates, namely 684 million euros for 2011 and 1,422 million euros for 2010.

For the years ended December 31, 2011 and 2010, the Group's effective tax rate is reconciled to the same tax rate of 34.43%. This rate elected by the Group does not take into account the additional contribution of 5% as enacted in France on December 28, 2011 by the Loi de Finances 2011, based on the following grounds: i) the French tax group is not tax payer in 2011; ii) this contribution is a temporary measure; iii) the impact of the additional contribution on French deferred taxes positions that will be reversed in 2012 is deemed to be not material at Group level.

The reconciliation is as follows:

	YEARS ENDED DECEMBER 31,	
(%)	2011	2010*
Statutory tax rate	34.4	34.4
Effect of foreign tax rate differentials	(20.2)	(14.3)
Withholding taxes and other costs on dividends and service and royalties fees	9.8	4.4
Changes in enacted tax rates	6.7	0.3
Capital gains taxed at a different rate	6.2	(4.4)
Impact of impairment loss on goodwill and other assets	16.2	1.4
Non recognition of deferred tax assets and provisions for tax exposure	14.3	7.8
Other	(4.2)	(8.2)
EFFECTIVE TAX RATE	**63.2**	**21.4**

* *Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.*

The effect of foreign tax rate differentials, withholding taxes and other costs on dividends remains consistent in value as compared to last year but has a relative impact more significant on the effective tax rate in 2011 as a result of the decrease in taxable result.

The effective tax rate is negatively impacted for 14.7% by the non-deductibility of goodwill impairment loss which amounted to 292 million euros in 2011.

The Group has accounted for an additional deferred tax charge of 46 million euros as a result of the re-measurement of the relevant deferred tax balances following the change in the corporation tax rate in Egypt from 20% to 25% as at January 1, 2011. The negative impact on effective tax rate amounted to 6.7 % as shown on the caption "changes in enacted tax rates".

North American assets' disposals generated a taxable result higher than the accounting result which has been allocated to the North American tax group's activated losses and an associated tax charge amounting to 59 million euros in 2011: it negatively impacted the effective tax rate for 7.2% as shown on the caption "capital gains taxed at a different rate".

Furthermore, the Group has recorded a valuation allowance on certain deferred tax assets on tax loss carry forwards along with tax assets relating to taxable temporary differences following the reassessment of the recoverability of these assets and in order to cover the risks associated with the contingent impacts of ongoing tax audits. This negatively impacted the effective tax rate for 14.3%. This is presented in paragraph c).

b) Change in deferred tax assets and liabilities

The movements in net deferred tax (from a net liability of 579 million euros as at December 31, 2009 to a net liability of 382 million euros as at December 31, 2010 and to a net liability of 129 million euros as at December 31, 2011) as presented in the consolidated statement of financial position are as follows:

NET DEFERRED TAXES POSITIONS

(million euros)	JANUARY 1, 2010	EXPENSE (INCOME)*	(CREDIT) CHARGE TO OTHER COMPREHENSIVE INCOME	SCOPE EFFECTS	OTHER CHANGES	TRANSLATION ADJUSTMENTS	DECEMBER 31, 2010
Pensions and other post-retirement benefits	(355)	31	(22)	-	(17)	(23)	(386)
Property, plant and equipment	1,419	(11)	-	-	(1)	73	1,480
Net operating loss and tax credit carry forwards	(784)	(336)	(20)	-	(47)	(25)	(1,212)
Net capital loss carry forwards	(370)	63	-	-	43	(9)	(273)
Valuation allowance	703	120	11	-	7	21	862
Provisions, current liabilities and others, net	(34)	(106)	26	-	28	(3)	(89)
TOTAL	**579**	**(239)**	**(5)**	-	**13**	**34**	**382**

**: Of wich (223) million euros related to continuing operations in 2010*

NET DEFERRED TAXES POSITIONS

(million euros)	JANUARY 1, 2011	EXPENSE (INCOME)	(CREDIT) CHARGE TO OTHER COMPREHENSIVE INCOME	SCOPE EFFECTS	OTHER CHANGES	TRANSLATION ADJUSTMENTS	DECEMBER 31, 2011
Pensions and other post-retirement benefits	(386)	34	(101)	4	2	(10)	(457)
Property, plant and equipment	1,480	77	-	(35)	62	(24)	1,560
Net operating loss and tax credit carry forwards	(1,212)	(215)	-	(15)	3	(9)	(1,448)
Net capital loss carry forwards	(273)	20	-	1	2	(7)	(257)
Valuation allowance	862	11	(47)	(1)	(4)	11	832
Provisions, current liabilities and others, net	(89)	52	-	(11)	(60)	7	(101)
TOTAL	**382**	**(21)**	**(148)**	**(57)**	**5**	**(32)**	**129**

In 2011, in addition to the income tax charged to the consolidated statement of income, a net deferred tax income of 148 million euros was recognized in other comprehensive income, mostly composed of a 101 million euros deferred tax income relating to actuarial gains and losses and of a 47 million euros income deriving from a reversal of valuation allowance recognized in prior periods on deferred tax assets through other comprehensive income.

Scope effects are mainly related to the disposal of the Group's Gypsum activities in Europe, South America and Asia.

c) Tax loss and capital loss carry forwards

At December 31, 2011, the Group has net operating loss (NOL) and tax credit carry forwards of approximately 4,342 million euros, and capital loss carry forwards of 1,026 million euros, which will expire as follows:

(million euros)	NOL AND TAX CREDITS CARRY FORWARDS	LONG-TERM CAPITAL LOSS CARRY FORWARDS	TOTAL
2012	24	1	25
2013	34	-	34
2014	58	-	58
2015	55	-	55
2016 and thereafter	4,171	1,025	5,196
TOTAL	**4,342**	**1,026**	**5,368**

Deferred tax assets have been recognized on all tax losses and a valuation allowance has been recorded when it is not probable that such deferred tax assets will be recoverable in a foreseeable future or when tax losses are uncertain to be used due to risks of differing interpretations with regard to the application of tax legislation.

The analyses performed, based on the most recent forecasts approved by the management, consistent with the Group's last strategic review and the Group's budget for next year concludes that it is probable that such assets will be recoverable in a foreseeable future, notably in France, North America and Spain where these net assets amount to 647 million euros as at December 31, 2011. Net deferred tax assets as presented on the consolidated statement of financial position as at December 31, 2011, based on the most reasonable estimate of taxable results should be recoverable within approximately 8 to 12 years.

In 2010, the deferred tax assets on the French tax loss carry forwards, along with tax assets relating to taxable temporary differences had been depreciated to limit their amount to the amounts of deferred tax liabilities of the French tax Group, since the recoverability of these assets in a foreseeable future was not assured considering notably the structure of the Group's indebtedness. In 2011, in view of the action plans implemented to reduce the level of indebtedness at Group level and of the French tax group, the deferred tax assets on the French tax loss carry forwards, along with tax assets relating to taxable temporary differences, have been recognized for an amount corresponding to the losses generated during the year.

d) Tax audits

The fiscal year ended December 31, 2011 and prior years are open to tax audits by the respective tax authorities in the jurisdictions in which the Group has or had operations. Various tax authorities have proposed or levied adjustments for additional tax in respect of prior years.

In jurisdictions where notices of adjustments have been received, the Group has challenged almost all of the proposed assessments and is proceeding with discussions with relevant tax authorities under applicable rules.

As at December 31, 2011, the Group has covered its most reasonable estimate of the charge which may ultimately result from such tax audits considering notably the technical merits of its positions and the possible settlements in certain countries.

The Group regularly reviews the assessment of such risk taking into account the evolution of audits and disputes.

Note 23 Pension plans, termination benefits and other post-employment benefits

The Group sponsors both defined benefit and defined contribution plans, in accordance with local legal requirements and each specific subsidiary 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. The pension costs of these plans, corresponding to the contribution paid, are charged in the consolidated statement of income. The total contribution paid in 2011 and 2010 (excluding mandatory social security plans organized at state level) for continuing operations is 33 million euros and 30 million euros, respectively.

Only defined benefit plans create future obligations for the Group. Defined benefit pension plans and termination benefits constitute 93% of the Group's post-employment obligations. The remaining 7% relates to other post-employment 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. These entities do not hold any instrument issued by the Group.

The following table shows the asset allocation of the most significant funded plans of the Group located in the United Kingdom and North America:

	NORTH AMERICA		UNITED KINGDOM	
(%)	2011	2010	2011	2010
Equity	59	68	46	53
Bonds	40	32	45	40
Other	1	-	9	7
TOTAL	**100**	**100**	**100**	**100**

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The following table shows the accounting treatment for defined benefit pension plans and termination benefits under the column "pension benefits" and the accounting treatment for other post-employment benefits under the column "other benefits".

	AT DECEMBER 31,					
	PENSION BENEFITS		OTHER BENEFITS		TOTAL	
(million euros)	2011	2010	2011	2010	2011	2010
COMPONENTS OF NET PERIODIC PENSION COST						
Service cost	79	76	8	8	87	84
Interest cost	236	244	16	19	252	263
Expected return on plan assets	(249)	(236)	-	-	(249)	(236)
Amortization of past service cost	7	(16)	(1)	(6)	6	(22)
Special termination benefits	24	51	2	2	26	53
Curtailment (gain)	(79)	(5)	2	-	(77)	(5)
Settlement loss	-	1	-	-	-	1
NET PERIODIC PENSION COST	**18**	**115**	**27**	**23**	**45**	**138**
CHANGE IN DEFINED BENEFIT OBLIGATION						
DEFINED BENEFIT OBLIGATION AT JANUARY 1,	**4,568**	**4,117**	**326**	**282**	**4,894**	**4,399**
Service cost	79	76	8	8	87	84
Interest cost	236	244	16	19	252	263
Employee contributions	6	8	2	3	8	11
Plan amendments	11	(17)	(4)	(6)	7	(23)
Curtailments*	(79)	(5)	2	-	(77)	(5)
Settlements	(9)	-	-	-	(9)	-
Business combinations/Divestitures	(28)	(44)	-	-	(28)	(44)
Special termination benefits	24	51	2	2	26	53
Benefits paid	(278)	(314)	(19)	(20)	(297)	(334)
Actuarial (gain) loss related to change in assumptions	231	239	24	1	255	240
Actuarial (gain) loss related to experience effect	62	3	-	10	62	13
Foreign currency translations	124	210	8	27	132	237
DEFINED BENEFIT OBLIGATION AT DECEMBER 31,	**4,947**	**4,568**	**365**	**326**	**5,312**	**4,894**

* *Including the effect of freezing the UK pension plan for 66 million euros (see Note 23 (a)).*

AT DECEMBER 31,

	PENSION BENEFITS		OTHER BENEFITS		TOTAL	
(million euros)	2011	2010	2011	2010	2011	2010
CHANGE IN PLAN ASSETS						
FAIR VALUE OF PLAN ASSETS AT JANUARY 1,	**3,654**	**3,236**	**-**	**-**	**3,654**	**3,236**
Expected return on plan assets	249	236	-	-	249	236
Actuarial gains/(losses) related to experience effect	(29)	185	-	-	(29)	185
Employer contributions*	113	85	-	-	113	85
Employee contributions	6	8	-	-	6	8
Benefits paid	(223)	(208)	-	-	(223)	(208)
Settlements	(9)	-	-	-	(9)	-
Business combinations/Divestitures	(9)	(53)	-	-	(9)	(53)
Foreign currency translations	103	165	-	-	103	165
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31,	**3,855**	**3,654**	**-**	**-**	**3,855**	**3,654**
Actual return on plan assets	220	421	-	-	220	421
RECONCILIATION OF PREPAID (ACCRUED) BENEFIT COST						
Defined benefit obligation	4,947	4,568	365	326	5,312	4,894
Fair value of plan assets	3,855	3,654	-	-	3,855	3,654
FUNDED STATUS OF THE PLAN	**(1,092)**	**(914)**	**(365)**	**(326)**	**(1,457)**	**(1,240)**
Unrecognized actuarial past service cost	8	6	(6)	(3)	2	3
Unrecognized asset due to asset ceiling limitations	(4)	(5)	-	-	(4)	(5)
PREPAID (ACCRUED) PENSION COST AT DECEMBER 31,	**(1,088)**	**(913)**	**(371)**	**(329)**	**(1,459)**	**(1,242)**
Of which Other financial assets	*3*	*5*	-	-	*3*	*5*
Of which Pension and other employee benefits	*(1,091)*	*(918)*	*(371)*	*(329)*	*(1,462)*	*(1,247)*

* *Of which exceptional contributions to the UK pension plan of 12 million British pounds in 2010 and in 2011 (see Note 23(a)).*

Amounts recognized in equity are presented in the table below (before tax, non-controlling interests and after translation adjustments):

	PENSION BENEFITS		OTHER BENEFITS		TOTAL	
(million euros)	2011	2010	2011	2010	2011	2010
STOCK OF ACTUARIAL GAINS/(LOSSES) RECOGNIZED AT DECEMBER 31,	**(1,109)**	**(757)**	**(35)**	**(4)**	**(1,144)**	**(760)**
AMOUNTS RECOGNIZED IN THE PERIOD	**(321)**	**(54)**	**(24)**	**(10)**	**(345)**	**(64)**
Of which Actuarial gains/(losses)	*(322)*	*(52)*	*(24)*	*(10)*	*(346)*	*(62)*
Of which Asset ceiling impact	*1*	*(2)*	-	-	*1*	*(2)*

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:

AT DECEMBER 31,

(million euros)	2011	2010	2009	2008	2007
Plans wholly unfunded	905	865	770	699	630
Plans wholly or partially funded	4,407	4,028	3,629	3,051	4,140
TOTAL DEFINED BENEFIT OBLIGATION	**5,312**	**4,894**	**4,399**	**3,750**	**4,770**
Actuarial (gains)/losses related to experience effect	63	13	(179)	83	112
Actuarial (gains)/losses in % of obligation at December 31,	1%	0%	(4%)	2%	2%
TOTAL FAIR VALUE OF PLAN ASSETS	**3,855**	**3,654**	**3,236**	**2,761**	**4,148**
Gains/(losses) related to experience effect	(29)	185	233	(839)	(26)
Gains/(losses) in % of fair value of asset at December 31,	(1%)	5%	7%	(30%)	(1%)

The primary assumptions made to account for pensions and termination benefits are as follows:

%	UNITED STATES	CANADA	UNITED KINGDOM	EURO ZONE
2011				
Discount rate at December 31,	4.50	4.60	4.70	4.30
Salary increase at December 31,	4.00	3.50	n/a	2.50 to 4.00
Expected return on assets at January 1	7.75	7.5	6.9	4.75
2010				
Discount rate at December 31,	5.30	5.10	5.40	4.75
Salary increase at December 31,	4.00	4.50	4.90	2.50 à 4.00
Expected return rate on assets at January 1,	8.00	7.75	7.00	4.75 à 5.25

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.

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. The impact of decreasing the expected rate of return on assets by one percentage point for 2011 for the most significant benefits plans located in the United Kingdom and North America would have been to increase the net periodic pension expense by approximately 35 million euros.

Discount rates reflect the rate of long-term high-grade corporate bonds. They are selected based on external indexes (such as the iboxx index in the UK for instance), usually considered as references for discounting pension obligations. The Group was specifically attentive to the relevance of those indexes. The impact of decreasing the discount rate assumption by one percentage point at December 31, 2011 for the valuation of the most significant benefit plans located in the United Kingdom and North America would have been to increase the total benefit obligation by approximately 735 million euros.

For the fiscal year 2012, the expected return rates on assets are as follows:

United States	7.50
Canada	7.25
United Kingdom	7.00
Euro zone	4.30

a) Pension plans

The main defined benefit pension plans provided to employees by the Group are mainly in the United Kingdom and North America (The United States of America and Canada). The related pension obligations represent 54% and 35%, 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. In October 2011, vested rights (based on salary and years of service within the Group) have been frozen: active members of the scheme will no more acquire rights in the defined benefit plan. If needed, the plan will be funded by employer contributions based on rates determined, within the framework of the UK pension regulation every three years, based on plan valuation made 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. Based on the funding situation of the plan every end of June, an additional contribution of 12 million British pounds can be called in 2012, as it was in 2011. At the end of 2011, approximately 46% of the pension fund assets are invested in equity instruments, which is consistent with the long-term nature of the pension obligations, approximately 45% are invested in bond portfolios and 9% in cash instruments and 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. Group obligations granted through these funds are currently managed to limit further accruals of rights by closing some funds to new entrants and to optimize administrative and management costs and processes by merging some of them. At the end of 2011, 59% of the pension fund assets were invested in equity instruments 40% in bond portfolios and 1% in cash instruments and real estate. Required employer contributions in 2012 are expected to be 155 million U.S. dollars.

b) Termination benefits

Termination 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 termination benefits are in France, Greece and Korea. In France, the pension reform in November 2010 did not impact significantly the obligation.

c) Other post-employment benefits

In North America, and to a lesser extent in France, in Jordan and in Brazil, 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. The health care reform in the United States did not lead to significant impact on the obligation of the U.S. plans.

In North America, the assumed healthcare cost trend rate used in measuring the accumulated post-employment benefit obligation differs between U.S. and Canadian plans. At the end of 2011, the rate used was 8% in the U.S. plan, decreasing to 5% in 2019, and 7.6% in the Canadian plan, decreasing to 5% in 2018.

At the end of 2010, the rate used was 8% in the U.S. plan, decreasing to 5% in 2017, and 8% in the Canadian plan, decreasing to 5% in 2018.

Assumed healthcare 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:

	ONE-PERCENTAGE-POINT	
(million euros)	INCREASE	DECREASE
Increase (decrease) in defined benefit obligation at December 31, 2011	37	(31)
Increase (decrease) in the total of service and interest cost components for 2011	3	(3)

Note 24 Provisions

(million euros)	RESTRUCTURING PROVISIONS	SITE RESTORATION AND ENVIRONMENTAL PROVISIONS	OTHER PROVISIONS	TOTAL
AT JANUARY 1, 2010	**74**	**229**	**772**	**1,075**
Current year addition*	40	33	142	215
Current year release*	(60)	(25)	(396)	(481)
Cancellation*	(4)	(4)	(71)	(79)
Other changes	1	5	8	14
Translation adjustments	4	13	18	35
AT DECEMBER 31, 2010	**55**	**251**	**473**	**779**
Current portion				*146*
Non-current portion				*633*
AT JANUARY 1, 2011	**55**	**251**	**473**	**779**
Current year addition	20	39	120	179
Current year release	(18)	(26)	(64)	(108)
Cancellation	(1)	(4)	(36)	(41)
Other changes	(16)	(43)	15	(44)
Translation adjustments	-	1	(4)	(3)
AT DECEMBER 31, 2011	**40**	**218**	**504**	**762**
Current portion				*125*
Non-current portion				*637*

* *Of which 202 million euros of addition, (475) million euros of release and (41) million euros of cancellation related to the continuing operations in 2010.*

The restructuring provisions mainly include the employee termination benefits, the contract termination costs and other restructuring costs.

Other provisions include:

- the provisions for competition litigation, mainly comprised of the competition litigations in South Africa (accrued in 2011) and in Germany. *See Note 29 Legal and arbitration proceedings*. The variation in 2010 essentially relates to the reversal of the provision relating to the Gypsum competition litigation further to the fine payment of 338 million euros in July 2010;
- insurance and re-insurance reserves for an amount of 111 million euros at December 31, 2011 (107 million euros at December 31, 2010).

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Note 25 Debt

Debt breakdown is as follows:

(million euros)	AT DECEMBER 31, 2011	2010
Long-term debt excluding put options on shares of subsidiaries	12,216	14,033
Put options on shares of subsidiaries, long-term	50	63
LONG-TERM DEBT	**12,266**	**14,096**
Short-term debt and current portion of long-term debt excluding put options on shares of subsidiaries	2,842	2,980
Put options on shares of subsidiaries, short-term	98	204
SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT	**2,940**	**3,184**
Total debt excluding put options on shares of subsidiaries	15,058	17,013
Total put options on shares of subsidiaries	148	267
TOTAL DEBT	**15,206**	**17,280**

a) Analysis of debt excluding put options on shares of subsidiaries by type of financing

(million euros)	AT DECEMBER 31, 2011	2010
Debenture loans	10,384	11,323
Bank loans and credit lines	3,442	3,591
Commercial paper	57	724
Other notes	688	688
Other debt	487	687
TOTAL DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES	**15,058**	**17,013**

Debenture loans and other notes

The Group has a Euro Medium-Term Note (EMTN) program, which allows for a maximum issuable amount of 12,000 million euros. At December 31, 2011, 8,748 million euros had been issued under the EMTN program, including 8,135 million euros of debenture loans and 613 million euros of private placements included under "Other notes". The weighted average interest rate of EMTN issues is 6.7% with maturities ranging from 2012 to 2020.

At December 31, 2011, debenture loans consist of bonds issued mainly in euros, U.S. dollars and British pounds with a weighted average interest rate of 6.7% (6.1% at December 31, 2010). Their maturities range from 2012 to 2036, with an average maturity of 5 years and 5 months.

Other notes mainly consist of notes denominated in euros and in U.S. dollars with a weighted average interest rate of 7.1% at December 31, 2011 (6.3% at December 31, 2010).

Bank loans

At December 31, 2011, bank loans total 2,661 million euros and are primarily comprised of loans to Group subsidiaries in their local currencies.

The weighted average interest rate on these bank loans is 5.9% at December 31, 2011 (5.8% at December 31, 2010).

Committed long and medium-term credit lines

Drawdowns on long and medium-term committed credit lines amount to 13 million euros (excluding the acquisition credit facility) out of a maximum amount available of 4,023 million euros equivalent at December 31, 2011 (including 3,973 million euros at Lafarge S.A. level which are fully undrawn). The average interest rate of these drawdowns, fully denominated in Egyptian pounds, is 11% at December 31, 2011.

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 63 basis points at December 31, 2011 (46 basis points at December 31, 2010).

The outstanding amount of the three remaining tranches of the Orascom Cement acquisition credit facility put in place on December 9, 2007 did not change during 2011 and therefore still stands at 768 million euros. The average interest rate on these drawdowns is 2.0% at December 31, 2011 (1.5% at December 31, 2010).

Commercial paper

The Group's euro denominated commercial paper program at December 31, 2011 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, 2011, commercial paper issued under this program totaled 57 million euros. This commercial paper bears an average interest rate close to the European inter-bank offer rate ("Euribor") for maturities generally ranging from 1 to 6 months. As of December 31, 2011, the weighted average interest rate of the euro denominated commercial paper is 2.0% (1.1% at December 31, 2010).

b) Analysis of debt excluding put options on shares of subsidiaries by maturity

At December 31, 2011, 57 million euros of short-term debt have been classified as long-term based upon the Group's ability to refinance these obligations on a medium and long-term basis through its committed credit facilities.

The short-term debt that the Group can refinance on a medium and long-term basis through its committed credit facilities is classified in the statement of financial position under the section "Long-term debt". The net variation of this short-term debt is shown in the cash flow statement in "proceeds from issuance of long-term debt" when it is positive, and in "repayment of long-term debt" when it is negative. At December 31, 2011, the net variation of this debt amounted to a decrease of 667 million euros (compared to a decrease of 212 million euros at December 31, 2010).

	AT DECEMBER 31,
(million euros)	**2011**
2012 H1	1,215
2012 H2	1,627
2013	1,802
2014	1,990
2015	1,368
2016	2,187
Beyond 5 years	4,869
TOTAL DEBT EXCLUDING PUT OPTIONS ON SHARE OF SUBSIDIARIES	**15,058**

This repayment schedule results from the schedules of group's loan contracts, without any discount rate nor netting.

c) Analysis of debt excluding put options on shares of subsidiaries by currency

AT DECEMBER 31,	2011		2010	
(million euros)	BEFORE SWAPS	AFTER SWAPS	BEFORE SWAPS	AFTER SWAPS
Euro (EUR)	9,597	10,896	10,836	10,467
U.S. dollar (USD)	2,487	1,998	3,068	3,999
British pound (GBP)	1,589	710	1,543	830
Chinese yuan (CNY)	588	588	434	434
Indian rupee (INR)	22	151	52	189
Nigerian naira (NGN)	215	215	104	104
Other	560	500	976	990
TOTAL	**15,058**	**15,058**	**17,013**	**17,013**

d) Analysis of debt excluding put options on shares of subsidiaries by category and type of interest rate

AT DECEMBER 31,	2011		2010	
(million euros)	BEFORE SWAPS	AFTER SWAPS	BEFORE SWAPS	AFTER SWAPS
Floating rate	3,561	4,971	4,455	5,723
Fixed rate below 6%	3,111	1,559	6,544	5,150
Fixed rate between 6% and 10%	7,652	7,794	5,831	5,957
Fixed rate 10% and over	734	734	183	183
TOTAL	**15,058**	**15,058**	**17,013**	**17,013**

The average spot interest rate of the debt after swaps, as at December 31, 2011, is 6.2% (5.5% as at December 31, 2010). The average interest rate on net debt after swaps in 2011 is 6.3% (5.8% in 2010).

Most of the increase of the interest rate on gross debt comes from the triggering of "step-up" clauses included in our bonds issued since 2009. These clauses have been progressively triggered in 2011 following our credit rating downgrade by Standard & Poor's (March 17, 2011) and Moody's (August 5, 2011).

e) Particular clauses in financing contracts

Financial covenants

At December 31, 2011, Lafarge S.A. loan contracts do not required any financial covenants.

Loan contracts requiring compliance with certain financial covenants existed in some of our subsidiaries. These subsidiaries are located in the following countries: Bangladesh, China, Ecuador, India, Jordan, Nigeria, Qatar, Syria, United Arab Emirates, United Kingdom, Vietnam and Pakistan. Debt with such financial covenants represents approximately 6% of the total Group debt excluding put options on shares of subsidiaries at December 31, 2011. For most of them, they have a low probability of being triggered. Our agreements and those of our subsidiaries also include cross-acceleration clauses. If we, or under certain conditions, our material subsidiaries, fail to comply with our or their covenants, then our lenders could declare default and accelerate a significant part of our indebtedness.

Given the split of these contracts on various subsidiaries and the quality of the Group liquidity protection through its access to committed credit lines, the existence of such clauses cannot materially affect the Group's financial situation.

The other loan contracts do not require any compliance with certain financial covenants.

Change of control clauses

Change of control clauses are included in the acquisition credit facility dedicated to the acquisition of Orascom Cement and in several of the Group's committed credit facilities contracts, which amount to 4,740 million euros, i.e. 100% of the total outstanding credit facilities contracted at parent company level. As a consequence, in the event of a change in control, these facilities will be automatically cancelled if undrawn or, if drawn upon, will require immediate repayment. Change of control clauses are also included in some debenture loans and private placements issued under the EMTN program, which amount to 6,301 million euros. In case of a change in control, the holders of these notes would be entitled, under certain conditions, to request their repayment.

f) Put options on shares of subsidiaries

As part of the acquisition process of certain entities, the Group has granted third party shareholders the option to require the Group to purchase their shares at 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 acquired entities. Assuming that all of these options were exercised, the purchase price to be paid by the Group, including debt and cash acquired, would amount to 162 euros at December 31, 2011 (283 million euros at December 31, 2010).

Out of the outstanding put option at year-end 2011, 113 million euros can be exercised in 2012. The remaining 49 million euros can be exercised for part starting 2014 and for part starting 2015.

Put options granted to non controlling interests of subsidiaries are classified as debt of the Group. Out of the total options granted by the Group, the options granted to non controlling interests amounted to 148 million euros and 267 million euros at December 31, 2011 and December 31, 2010, respectively, the remaining options were granted on shares of joint ventures.

The debt decrease related to put options granted to non controlling interests of subsidiaries is mainly due to the acquisition of additional interests mentioned in Note 3.2.

The goodwill resulting from put options granted to non controlling interests amounts to 71 million euros and 128 million euros at December 31, 2011, and December 31, 2010, respectively.

Put options on shares of joint ventures are presented in Note 28 (c) as "Commitments related to scope of consolidation".

Note 26 Financial instruments

a) Designation of derivative instruments for hedge accounting

The Group uses derivative financial instruments to manage market risk exposures. Such instruments are entered into by the Group solely to hedge such exposures on anticipated transactions or firm commitments. The Group does not enter into derivative contracts for speculative purposes.

Certain derivative instruments are designated as hedging instruments in a cash flow or fair value hedge relationship in accordance with IAS 39 criteria.

Other derivatives, which are not documented under IAS 39 as it would translate into an unfavorable cost-benefit ratio, are not designated as hedges for accounting purposes. Changes in fair value of these derivatives are recorded directly in the consolidated statement of income, as required by IAS 39.

b) Fair values

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

FINANCIAL INSTRUMENTS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, (million euros)	IAS 39 CATEGORY	FAIR VALUE CATEGORY	2011 CARRYING AMOUNT	2011 NET FAIR VALUE	2010 CARRYING AMOUNT	2010 NET FAIR VALUE
ASSETS						
Cash and cash equivalents	*Financial assets at fair value through profit and loss*	Lev 1, 2*	3,171	3,171	3,294	3,294
Trade receivables	*Loans and Receivables at amortized cost*		1,765	1,765	1,774	1,774
Other receivables	*Loans and Receivables at amortized cost*		858	858	971	971
Other financial assets			755	755	863	863
Held-to-maturity financial assets	*Held-to-maturity financial assets at amortized cost*		-	-	-	-
Available-for-sale financial assets	*Available-for-sale financial assets at fair value recognized in equity*	*See Note 15*	*309*	*309*	*319*	*319*
Long-term loans and receivables	*Loans and Receivables at amortized cost*		*386*	*386*	*490*	*490*
Prepaid pension assets	*(excluding the IAS 39 scope)*		*3*	*3*	*5*	*5*
Restricted cash	*Financial assets at fair value through profit and loss*		*57*	*57*	*49*	*49*
Derivative instruments - assets	*Refer below*		141	141	134	134
LIABILITIES						
Short-term bank borrowings**	*Financial liabilities at amortized cost*		1,034	1,034	1,036	1,036
Trade payables	*Financial liabilities at amortized cost*		1,964	1,964	1,996	1,996
Other payables	*Financial liabilities at amortized cost*		1,582	1,582	1,642	1,642
Debenture loans	*Financial liabilities at amortized cost*	Lev 2	10,384	10,045	11,323	11,722
Other long-term financial debt (including current portion)	*Financial liabilities at amortized cost*	Lev 2	3,640	3,524	4,654	4,706
Put options on shares of subsidiaries	-		148	148	267	267
Derivative instruments - liabilities	*Refer below*		80	80	141	141
DERIVATIVE INSTRUMENTS						
Interest rate derivative instruments			49	49	(5)	(5)
Designated as hedging instruments in cash flow hedge relationship		*Lev 2*	*44*	*44*	*24*	*24*
Designated as hedging instruments in fair value hedge relationship		*Lev 2*	*7*	*7*	*9*	*9*
Not designated as hedges for accounting purposes		*Lev 2*	*(2)*	*(2)*	*(38)*	*(38)*
Foreign exchange derivative instruments			14	14	(3)	(3)
Designated as hedging instruments in cash flow hedge relationship		*Lev 2*	*3*	*3*	*1*	*1*
Designated as hedging instruments in fair value hedge relationship		*Lev 2*	*(5)*	*(5)*	*(8)*	*(8)*
Not designated as hedges for accounting purposes		*Lev 2*	*16*	*16*	*4*	*4*
Commodities derivative instruments			(2)	(2)	1	1
Designated as hedging instruments in cash flow hedge relationship		*Lev 2*	*(2)*	*(2)*	*1*	*1*
Other derivative instruments			-	-	-	-
Equity swaps not designated as hedges for accounting purposes			-	-	-	-
Embedded derivatives not designated as hedges for accounting purposes			-	-	-	-

* *See Note 2.17 and Note 19.*

** *Of which 282 million euros of bank overdraft as at December 31, 2011 (209 million euros of bank overdrafts as at December 31, 2010) and 404 million euros of securitization (533 million euros of bank overdrafts as at December 31, 2010).*

Level 1: quoted on financial markets (Note 15).

Level 2: based on market observable data (Note 15).

Level 3: based on internal assumptions (Note 15).

The fair value of financial instruments has been estimated on the basis of available market quotations or the use of various valuation techniques, such as present value of future cash flows. However, the methods and assumptions followed to disclose fair value are inherently judgmental. Thus, estimated fair value does not necessarily reflect amounts that would be received or paid in case of immediate settlement of these instruments.

The use of different estimations, methodologies and assumptions could have a material effect on the estimated fair value amounts. The methodologies used are as follows:

- **cash and cash equivalents, trade receivables, trade payables, short-term bank borrowings:** due to the short-term nature of these balances, the recorded amounts approximate fair value;
- **other financial assets:** Marketable securities quoted in an active market are carried at market value with unrealized gains and loss recorded in a separate component of equity. The fair value of securities that are not quoted in an active market and for which there is no observable market data on which the Group can rely to measure their fair value (219 million euros as at December 31, 2011 and 233 million euros as at December 31, 2010) is determined according to the most appropriate financial criteria in each case (discounted present value of cash flows, estimated selling price). If such fair value cannot be reliably measured, securities are carried at acquisition cost;
- **debenture loans:** the fair values of the debenture loans were estimated with internal models that rely on market observable data, 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 flows on a borrowing-by-borrowing basis, and discounting these future cash flows using a rate which takes into account the Group's spread for credit risk at year end for similar types of debt arrangements;
- **derivative instruments:** the fair values of foreign exchange, interest rate, commodities and equity derivatives were calculated using 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 "operational" foreign currency exposures arising from its transactions using derivative instruments as soon as a firm or highly probable commercial and/or financial commitment is entered into or known. These derivative instruments are limited to forward contracts, foreign currency swaps and options, with a term generally less than one year.

This policy is implemented in all of the Group's subsidiaries, which are required to ensure its monitoring. When allowed by local regulations and when necessary, Group subsidiaries have to hedge their exposures with the corporate Treasury department. A follow up of risks related to foreign exchange financial instruments is regularly done through internal reporting provided to the management.

The Group's operating policies tend to reduce potential "financial" foreign currency exposures by requiring all liabilities and assets of controlled companies to be denominated as much as possible 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.

See Section 2.1.2 (Financial and market risks) for more information on our exposure to foreign currency risk.

Foreign currency hedging activity

At December 31, 2011, most forward contracts have a maturity date of less than one year. The nominal amount of foreign currency hedging instruments outstanding at year-end is as follows:

	AT DECEMBER 31,	
(million euros)	2011	2010
FORWARD CONTRACT PURCHASES AND CURRENCY SWAPS		
U.S. dollar (USD)	1,158	600
British pound (GBP)	1,040	888
Other currencies	217	307
TOTAL	**2,415**	**1,795**
FORWARD CONTRACT SALES AND CURRENCY SWAPS		
U.S. dollar (USD)	668	1,526
British pound (GBP)	55	62
Other currencies	425	334
TOTAL	**1,148**	**1,922**

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Details of the statement of financial position value of instruments hedging foreign currency risk

At December 31, 2011 and 2010, most of the Group's foreign currency derivatives were not designated as hedges for accounting purposes *(see Note 26 a) (Designation of derivative instruments for hedge accounting)*. Changes in fair value were recorded directly in the consolidated statement of income.

AT DECEMBER 31, *(million euros)*	2011			2010		
	DERIVATIVES' FAIR VALUE	UNDERLYING REEVALUATION	NET IMPACT	DERIVATIVES' FAIR VALUE	UNDERLYING REEVALUATION	NET IMPACT
ASSETS						
Non-current derivative instruments	-	-	-	-	-	-
Current derivatives instruments	43	-	43	42	-	42
Net reevaluation of financial loans and borrowings denominated in foreign currencies	-	-	-	-	-	-
LIABILITIES						
Non-current derivative instruments	3	-	3	6	-	6
Current derivative instruments	26	-	26	39	-	39
Net reevaluation of financial loans and borrowings denominated in foreign currencies	-	15	15	-	4	4
NET IMPACT ON EQUITY	**14**	**(15)**	**(1)**	**(3)**	**(4)**	**(7)**

d) Interest rate risk

The Group is primarily exposed to fluctuations in interest rates based upon the following:

- price risk with respect to fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of fixed-rate assets and liabilities;
- cash flow risk for floating rate assets and liabilities. Interest rate fluctuations have a direct effect on the financial income or expense of the Group.

In accordance with established policies, the Group seeks to mitigate these risks using, to a certain extent, interest rate swaps and options. A follow up of risks related to interest rate financial instruments is regularly done through internal reporting provided to the management.

Interest rate risk derivatives held at December 31, 2011 were mainly designated as hedging instruments in:

- cash flow hedge relationship for derivatives used to hedge cash flow risk;
- fair value hedge relationship for derivatives used to hedge price risk.

See Section 2.1.2 (Financial and market risks) for more information on our policy and procedure to interest rate risk.

Interest rate hedging activity

AT DECEMBER 31, 2011	LESS THAN ONE YEAR		1 TO 5 YEARS		MORE THAN 5 YEARS		TOTAL	
(million euros)	FIXED RATE	FLOATING RATE	FIXED RATE	FLOATING RATE	FIXED RATE	FLOATING RATE	FIXED RATE	FLOATING RATE
Debt*	489	2,353	6,182	1,165	4,826	43	11,497	3,561
Cash and cash equivalents	-	(3,171)	-	-	-	-	-	(3,171)
NET POSITION BEFORE HEDGING	**489**	**(818)**	**6,182**	**1,165**	**4,826**	**43**	**11,497**	**390**
Hedging instruments	(1,022)	1,022	(388)	388	-	-	(1,410)	1,410
NET POSITION AFTER HEDGING	**(533)**	**204**	**5,794**	**1,553**	**4,826**	**43**	**10,087**	**1,800**

* *Debt excluding put options on shares of subsidiaries.*

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

MATURITIES OF NOTIONAL CONTRACT VALUES AT DECEMBER 31, 2011*

(million euros)	AVERAGE RATE	2012	2013	2014	2015	2016	> 5 YEARS	TOTAL
Pay fixed *(designated as cash flow hedge)*								
Euro	4.5%	70	58	42	-	-	-	170
Other currencies	7.2%	34	67	104	-	-	-	205
Pay floating *(designated as fair value hedge)*								
Euro	1.7%	1,200	300	-	-	-	-	1,500
Other currencies	1.8%	-	77	240	-	-	-	317
Other interest rate derivatives								
Euro	-	-	-	-	-	-	-	-
Other currencies	2.2%	19	332	-	-	-	-	351
TOTAL		**1,323**	**834**	**386**	**-**	**-**	**-**	**2,543**

* *The notional amounts of derivatives represent the face value of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

MATURITIES OF NOTIONAL CONTRACT VALUES AT DECEMBER 31, 2010*

(million euros)	AVERAGE RATE	2011	2012	2013	2014	2015	> 5 YEARS	TOTAL
Pay fixed *(designated as cash flow hedge)*								
Euro	4.5%	-	70	58	42	-	-	170
Other currencies	5.4%	120	31	71	108	7	-	337
Pay floating *(designated as fair value hedge)*								
Euro	1.2%	-	1,200	300	-	-	-	1,500
Other currencies	1.5%	-	-	75	232	-	-	307
Other interest rate derivatives								
Euro	-	-	-	-	-	-	-	-
Other currencies	2.0%	218	20	331	-	-	-	569
TOTAL		**338**	**1,321**	**835**	**382**	**7**	**-**	**2,883**

* *The notional amounts of derivatives represent the face value of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

Details of the statement of financial position value of instruments hedging interest rate risk

AT DECEMBER 31,	2011			2010		
(million euros)	IMPACT ON DERIVATIVES	IMPACT ON UNDERLYING	NET IMPACT	IMPACT ON DERIVATIVES	IMPACT ON UNDERLYING	NET IMPACT
ASSETS						
Non-current derivative instruments	80	-	80	78	-	78
Current derivative instruments	17	-	17	5	-	5
LIABILITIES						
Long-term debt	-	7	7	-	9	9
Non-current derivative instruments	43	-	43	51	-	51
Current derivative instruments	5	-	5	37	-	37
NET IMPACT ON EQUITY	**49**	**(7)**	**42**	**(5)**	**(9)**	**(14)**

e) Commodity risk

The Group is subject to commodity risk with respect to price changes mainly in the electricity, natural gas, petcoke, coal, oil refined products and sea freight markets.

The Group uses, from time to time, financial instruments to manage its exposure to these risks. At December 31, 2011 and 2010, these derivative instruments were mostly limited to swaps and options. A follow up of risks related to commodity financial instruments is regularly done through internal reporting provided to the management.

See Section 2.1.2 (Financial and market risks) for more information on our commodity risk hedging policy and procedure.

Commodities hedging activity

The notional value of commodity derivative instruments at year-end is as follows:

MATURITIES OF NOTIONAL CONTRACT RESIDUAL VALUES AT DECEMBER 31, 2011*

(million euros)	2012	2013	2014	2015	2016	> 5 YEARS	TOTAL
Natural Gas (NYMEX)	5	-	-	-	-	-	5
Heating Oil (NYMEX)	26	-	-	-	-	-	26
Sea freight (PANAMAX)	-	-	-	-	-	-	-
Others	35	-	-	-	-	-	35
TOTAL	**66**	**-**	**-**	**-**	**-**	**-**	**66**

* *The notional residual amounts of derivatives represent the residual value at December 31 of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

MATURITIES OF NOTIONAL CONTRACT RESIDUAL VALUES AT DECEMBER 31, 2010*

(million euros)	2011	2012	2013	2014	2015	> 5 YEARS	TOTAL
Natural Gas (NYMEX)	10	-	-	-	-	-	10
Heating Oil (NYMEX)	19	-	-	-	-	-	19
Sea freight (PANAMAX)	19	-	-	-	-	-	19
Others	29	-	-	-	-	-	29
TOTAL	**77**	**-**	**-**	**-**	**-**	**-**	**77**

* *The notional residual amounts of derivatives represent the residual value at December 31 of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

Details of the statement of financial position value of instruments hedging commodities risk

Commodities derivative instruments held at December 31, 2011 and 2010 were all designated as hedging instruments in cash flow hedge relationship.

Statement of financial position values of commodity derivative instruments are as follows:

	AT DECEMBER 31,	
(million euros)	2011	2010
ASSETS		
Non-current derivative instruments	0	0
Current derivative instruments	1	9
LIABILITIES		
Non-current derivative instruments	0	0
Current derivative instruments	3	8
NET IMPACT ON EQUITY	**(2)**	**1**

f) Counterparty risk for financial operations

The Group is exposed to credit risk in the event of a counterparty's default. The Group implemented policies to limit its exposure to 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 its counterparty management risk is cautious and in line with market practises but this may not prevent the Group's financial statements from being significantly impacted in case of systemic crisis.

g) Liquidity risk

The Group implemented policies to limit its exposure to liquidity risk. As a consequence of this policy, a significant portion of our debt has a long-term maturity. The Group also maintains committed credit lines with various banks which are primarily used as a back-up for the debt maturing within one year as well as for the short-term financings of the Group and which contribute to the Group's liquidity.

See Section 4.4 (Liquidity and capital resources) and Note 25 for more information on our exposure to liquidity risk.

h) Capital risk management

The Group manages equity from a long-term perspective taking the necessary precautions to ensure its sustainability, while maintaining an optimum financial structure in terms of the cost of capital, the Return On Equity for shareholders and security for all counterparties with which it has ties.

Within this framework, the Group reserves the option, with the approval of shareholders, to issue new shares or to reduce its capital. The Group also has the power to adapt its dividend distribution policy. The Group wishes to adjust its dividend distribution to its financial performances, notably to earnings per share.

In accordance with common market practices, in managing its financial structure, the Group strives to maintain the cash flow from operations to net debt ratio within a predefined range.

Based on the 2011 financial statements, the cash flow from operations to net debt ratio was 13.2%, compared to 12.4% at year-end 2010.

In Section 4.2 "Accounting policies and definitions" of the present Registration Document, the sub-heading "Reconciliation of our non-GAAP financial measures" presents the Group's definition of the indicators net debt, equity and cash flow from operations.

In Section 4.4 "Liquidity and capital resources" of the present Registration Document, the sub-heading "Net debt and net debt ratios" presents the net-debt-to-equity ratio and the cash flow from operations to net debt ratio for each of the periods presented.

i) Credit risk

Credit risk is defined as the risk to the counterparty to a contract failing to perform or pay the amounts due.

The Group is exposed to credit risks in its operations.

The Group's maximum exposure to credit risk as of December 31, 2011 on its short-term receivables is presented in the following table:

	AT DECEMBER 31,
(million euros)	**2011**
Trade receivables *(see Note 17)*	1,765
Other receivables *(see Note 18)*	858
TOTAL	**2,623**

The Group considers that the credit risk on overdue and not depreciated receivables is not material.

In fact, the Group sells its products to thousands of customers, and customers usually order quantities to meet their short-term needs. Outstanding amounts per customer are, on an individual basis, not significant. The general terms of payment are different across countries however, the Group average days of payment is around 45 to 60 days.

The Group has implemented procedures for managing and depreciating receivables, which are set by each division. A monthly review of the operating working capital is performed at both division and Group level, aiming to verify that the monitoring of trade receivables, through the days' receivable ratio, is compliant with the Group's commercial policies.

In addition, the Group has loans and long term-receivables for a total amount of 386 million euros and 490 million euros as at December 31, 2011 and 2010, respectively *(see Note 15)*.

Note 27 Other payables

Components of other payables are as follows:

(million euros)	AT DECEMBER 31, 2011	2010
Accrued payroll expenses	444	402
Accrued interest	302	333
Other taxes	156	200
Payables to suppliers of fixed assets	221	258
Other accrued liabilities	459	449
OTHER PAYABLES	**1,582**	**1,642**
Current portion	*1,499*	*1,642*
Non-current portion	*83*	*-*

"Other accrued liabilities" include payables to suppliers for non-operating services and goods, and payables to associates.

Note 28 Commitments and contingencies

The procedures implemented by the Group allow all the major commitments to be collated and prevent any significant omissions.

(million euros)	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	AT DECEMBER 31, 2011	AT DECEMBER 31, 2010
COMMITMENTS GIVEN					
Commitments related to operating activities					
Capital expenditures and other purchase obligations	407	567	409	1,383	1,206
Operating leases	222	557	318	1,097	974
Other commitments	336	177	90	603	464
Commitments related to financing					
Securities pledged	-	17	84	101	263
Assets pledged	49	557	23	629	775
Other guarantees	13	83	-	96	147
Scheduled interest payments*	876	2,497	1,276	4,649	4,981
Net scheduled obligation on interest rate swaps**	17	2	-	19	16
Commitments related to scope of consolidation					
Indemnification commitments	91	332	18	441	395
Put options to purchase shares in joint-ventures	15	-	-	15	16
COMMITMENTS RECEIVED					
Unused confirmed credit lines	147	3,863	-	4,010	3,839
Indemnification commitments	-	2,240	129	2,369	2,511

* *Scheduled interest payments associated with variable rate are computed on the basis of the rates in effect at December 31. Scheduled interest payments include interest payments on foreign exchange derivative instruments.*
** *Scheduled interest payments of the variable leg of the swaps are computed based on the rates in effect at December 31.*

1) Commitments given

a) Commitments related to operating activities

In the ordinary course of business, the Group signed contract for long term supply for raw materials and energy.

The Group is committed as lessee in operating leases for land, quarries, building and equipment. The amount in off-balance sheet commitments corresponds to future minimum lease payments. Total rental expense under operating leases was 193 million euros and 191 million euros for the years ended December 31, 2011, and 2010, respectively for continuing operations.

Future expected funding requirements or benefit payments related to our pension and post retirement benefit plans are not included in the above table because future long-term cash flows in this area are uncertain. Refer to the amount reported under the "current portion" of pension and other employee benefits liabilities in the statements of financial position or in Note 23 for further information on these items.

b) Commitments related to scope of consolidation

As part of its divestment of assets transactions, the Group has granted indemnification commitments, for which the exposure is considered remote, for a total maximum amount still in force at December 31, 2011 of 441 million euros.

2) Commitments received

As part of its acquisition of assets transactions, the Group received indemnification commitments for an initial maximum amount of:

- 2,240 million euros relating to the acquisition of Orascom Cement in 2008;
- 129 million euros relating to the acquisition of cement operations in Brazil from Votorantim in 2010. The Group in addition received specific warranties to cover specific assets, properties and agreements related to the transaction.

The Group received an indemnification commitment unlimited in amount further to the acquisition in 2008 of 50% of Grupo GLA from the former partners of Orascom Cement.

Note 29 Legal and arbitration proceedings

In the ordinary course of its business, Lafarge is involved in a certain number of judicial and arbitral proceedings. Lafarge is also subject to certain claims and lawsuits which fall outside the scope of the ordinary course of its business, the most significant of which are summarized below.

The amount of provisions made is based on Lafarge's assessment of the level of risk on a case-by-case basis and depends on its assessment of the basis for the claims, the stage of the proceedings and the arguments in its defense, it being specified that the occurrence of events during proceedings may lead to a reappraisal of the risk at any moment.

Competition

Germany – Cement: Following investigations on the German cement market, the German competition authority, the Bundeskartellamt, announced on April 14, 2003, that it was imposing fines on the major German cement companies, including one in the amount of 86 million euros on Lafarge Zement, our German cement subsidiary for anti-competitive practices in Germany. Considering that the amount of the fine was disproportionate in light of the actual facts, Lafarge Zement has brought the case before the Higher Regional Court, the Oberlandesgericht, in Düsseldorf. Moreover, on August 15, 2007, Lafarge Zement partially withdrew its appeal. Consequently Lafarge Zement paid an amount of 16 million euros on November 2, 2007 and reduced the related provision of the same amount.

Finally, the Court's decision related to the remaining part of the appeal has been given on June 26, 2009, exempting Lafarge Zement partly and reducing the remaining fine very significantly to 24 million euros. Lafarge Zement has appealed to the Supreme Court on the basis of legal grounds. The decision of the Supreme Court should be given in 2012.

Assessment on the merits of a potential civil action brought by third parties to obtain damages may depend on the outcome of the above mentioned procedure. There has been no significant development on this potential civil action at this stage further to the decision of the Düsseldorf Appeal Court.

The global provision in connection with this case amounts to 24 million euros as of December 31, 2011.

South Africa – Cement: In South Africa, an inquiry by cement players was opened by the competition authorities in 2009 regarding possible infringements to competition rules. Lafarge cooperated with the South African authority ("Authority") during the course of the procedure. In 2009 and in November 2011 some competitors agreed having had anticompetitive behaviors during the previous years and signed agreements with the Authority to cease the proceedings. Lafarge also decided to enter into a settlement agreement with the Authority to cease the proceedings. These negotiations are still ongoing and a provision was recorded for this purpose.

Also on competition matters, there are three industry-wide inquiries which do not constitute judicial proceedings and for which no provision has been recorded:

Europe – Cement: In November 2008, the major European cement players, including Lafarge, were investigated by the European Commission for alleged anti-competitive practices. By a letter dated December 6, 2010, the Commission notified the parties of the opening of an official investigation (which do not however constitute a statement of objection), while reminding them that at that stage, it did not have conclusive evidence of anti-competitive practices. The alleged offences, which will be the subject of the detailed investigation, involve any possible restrictions of commercial trade in or upon entry to the EEA, market sharing, and coordination of prices on the cement and related markets (concrete, aggregates). In the case of Lafarge,

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seven (7) countries are quoted: France, the United Kingdom, Germany, Spain, the Czech Republic, Greece and Austria. The Commission's investigation is ongoing and Lafarge is answering to its various requests for information. In November 2011, further to the answer by Lafarge of the last questionnaire received, the Commission notified Lafarge an injunction to waive any reserve to the answer and provide any further information deemed necessary to complete its investigation, under the threat of a penalty. Lafarge promptly complied with this new request for information and lodged a lawsuit before the EU General Court with a view to obtaining the annulment of such injunction decision. The completion date of this investigation is unknown and no conclusion can be drawn at this stage.

United Kingdom (UK) – Cement: On January, 18, 2012, the UK Office of Fair Trading (OFT) announced that it had referred the aggregates, cement and ready-mixed concrete markets (the "Industry") in the UK to the Competition Commission for an in-depth sector investigation. The OFT believes that it has reasonable grounds to suspect that competition problems may exist due to the existing market structure in the UK, and considers that the Industry displays a number of features which may potentially adversely affect the way competition operates in the UK. As a result, the UK Competition Commission will conduct an in-depth sector investigation into competition in relation to the supply of those products, and decide whether or not any structural and/or behavioural remedies will be required. Our UK subsidiaries will continue to fully cooperate with the UK Competition Commission, which is expected to conclude its investigation in the coming years (late 2013 or early 2014). At this stage, we cannot assess the potential consequences of this investigation.

India – Cement: An investigation started in 2011 against the major players of the cement Indian market, including our subsidiary Lafarge India PVT Ltd. This investigation which was initiated by the Director General of the Competition Commission of India ("CCI") concludes to the existence of anticompetitive behaviours in India. Lafarge India PVT Ltd., which is the less significant player in terms of market share among the implicated companies, vigorously defends itself against these allegations essentially based on economic speculations. Hearings took place before the CCI in February 2012, and a decision is expected in 2012. No conclusion on the outcome of this procedure can be drawn at this stage.

Other proceedings

United States of America – Hurricane Katrina: In late 2005, several class action and individual lawsuits were filed in the United States District Court for the Eastern District of Louisiana. In their Complaints, plaintiffs allege that our subsidiary, Lafarge North America Inc., and/or several other defendants including the federal government, are liable for death, bodily and personal injury and property and environmental damage to people and property in and around New Orleans, Louisiana. Some of the referenced complaints claim that these damages resulted from a barge under contract to Lafarge North America Inc. that allegedly breached the Inner Harbor Navigational Canal levee in New Orleans during or after Hurricane Katrina. On May 21, 2009, the Court denied plaintiffs' Motion for Class Certification. The Judge trial involving the first few plaintiffs commenced in late June, 2010 and briefing to the Court closed in October. In a ruling dated January 20, 2011, the Judge ruled in favor of our subsidiary, Lafarge North America Inc. These plaintiffs filed a Notice of Appeal, but then withdrew it. A new case was filed against Lafarge North America Inc on September 16, 2011 in Louisiana State Court. Our subsidiary has moved to remove the case to Federal Court before the same Judge and has filed a Motion for Summary Judgment against all the remaining plaintiffs. A Hearing was held by the Court in October 2011 and a decision is expected during the first quarter of 2012.

Lafarge North America Inc. vigorously defends itself in these actions. Lafarge North America Inc. believes that the claims against it are without merit and that these matters will not have a materially adverse effect on its financial condition.

India / Bangladesh: The Group holds, jointly with Cementos Molins, 59% of Lafarge Surma Cement which is operating a cement plant in Bangladesh. This cement plant is supplied by its Indian affiliate with limestone extracted from a quarry in the Meghalaya region of India. At a hearing on February 5, 2010, the Supreme Court of India decided to suspend the mining activities of the quarry, due to the fact that its location is today regarded as a forest area, making it necessary to obtain a new mining permit.

By a favourable decision dated July 6, 2011, the Supreme Court has declared to see no reason to interfere with the past decisions of the Ministry of Environment and Forest granting the clearances to our subsidiary during the course of the project (including site clearance dated June 1999, Environmental Impact Assessment clearance dated August 2001 and revised in April 2010 and the Stage 1 Forest Clearance dated April 2010). Accordingly the Court decides to stand vacated its interim order dated February 5, 2010 suspending the mining activities of our subsidiary and to allow the application filed by our subsidiary to obtain a new clearance from the Ministry of Environment and Forest. Further to this decision, and pending to the granting of a Stage 2 Forest Clearance for which the procedures are continuing before the Ministry of Environment and Forest, by a letter dated August 5, 2011 the State Government of Meghalaya allowed our Indian subsidiary to immediately restart its mining activities in the already broken-up area of the quarry. Therefore, Lafarge Surma Cement has restarted in a normal way the operations of its cement plant, thanks to the supply of limestone extracted from this area of its Indian affiliate's quarry.

In connection with disposals made in the past years, Lafarge and its subsidiaries provided customary warranties notably related to accounting, tax, employees, product quality, litigation, competition, and environmental matters. Lafarge and its subsidiaries received or may receive in the future notice of claims arising from said warranties. In view of the current analysis, it is globally concluded that no significant provision has to be recognized in relation to such claims and disposals.

Finally, certain Group subsidiaries have litigation and claims pending in the normal course of business. The resolution of these matters should not have any significant effect on the Company's and/or the Group's financial position, results of operations and cash flows. To the Company's knowledge, there are no other governmental, legal or arbitration proceedings which may have or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

Note 30 Related parties

Lafarge has not entered into any transaction with any related parties as defined under paragraph 9 of IAS 24, except for information described hereafter and in paragraph b) disclosed in Note 31.

Transactions with associates and with joint ventures were not material for the years presented except for a loan granted to our associate in Nigeria (Unicem) amounting to 84 million euros as at December 31, 2011 (74 million euros as at December 31, 2010).

See Note 35 (List of significant subsidiaries, joint ventures and investments in associates at December 31, 2011).

Transactions with other parties or companies related to the Group are as follows:

Mr. Baudouin Prot is Director of Lafarge S.A. and Chairman of BNP Paribas, and Mrs. Ploix is Director of both Lafarge S.A. and BNP Paribas. Lafarge S.A. has and will continue to have an arm's length business relationship with BNP Paribas, including for the conclusion of mandates in the context of acquisitions and/or divestments, financings, credit facilities and agreements relating to securities offerings. In compliance with French law on regulated transactions ("conventions réglementées"), and when applicable, these agreements are approved by the Board of Directors of Lafarge S.A. and communicated to the auditors and shareholders.

Within the scope of the purchase of Orascom Building Materials Holding SAE (OBMH) in 2008, the holding company of the cement activities of Orascom construction industrie SAE (OCI), Lafarge S.A. has received indemnification guarantee *(see Note 28)* and entered into a cooperation agreement with OCI. Mr. Nassef Sawiris is Chief Executive Officer of OCI and Director of both OCI and Lafarge S.A., and Mr. Jérôme Guiraud is Director of both OCI and Lafarge S.A. The cooperation agreement dated December 9, 2007 aims to allow OCI to participate in tenders in respect of the construction of new and cement plants in countries where OCI has the capability to meet certain of Lafarge's construction needs.

At this stage, the construction agreements entered into with the OCI Group are considered to be arms length business transactions, intervening within the framework of consortia, OCI being one of the members. There is no conflict of interest between Mr. Sawiris and Lafarge on this subject. Under these agreements, the outstanding balances with OCI Group are not significant as at December 31, 2011.

From time to time, Directors of the Group, or their related entities, may purchase or sell goods from/to the Group. These purchases or sales are on the same terms and conditions as those entered into by other Group employees or customers.

Certain business relationships between the Group, its Directors and related parties are described in chapter 5.1.3. of this document (see also the description of related party agreements and commitments detailed in the special report of the statutory auditors on page F94).

Note 31 Employee costs and Directors' and Executive Officers' compensation for services

a) Employees and employee expenses

	AT DECEMBER 31,	
	2011	**2010****
Management staff	11,989	12,859
Non-management staff	48,936	54,177
TOTAL NUMBER OF EMPLOYEES*	**60,925**	**67,036**
Of which:		
companies accounted for using the proportionate method	*7,788*	*9,123*

* The headcounts at 100% of our fully consolidated and proportionately consolidated subsidiaries amounted to 67,924 as of December 31, 2011 and 75,677 as of December 31, 2010.
** Of which 4,935 related to the employees of Gypsum discontinued activities.

	YEARS ENDED DECEMBER 31	
(million euros)	**2011**	**2010***
TOTAL EMPLOYEE EXPENSES	**2,452**	**2,337**
Of which:		
companies accounted for using the proportionate method	*117*	*100*

* Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.

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b) Directors' and executive officers' compensation for services

The table below presents the compensation by Lafarge S.A. and its subsidiaries to executives who are, at the reporting date or have been during the period, members of the Board of Directors or of the Group Executive Committee. The Group Executive Committee is composed as defined in Section 5.3 - Executive Officers – of the Registration Document:

	YEARS ENDED DECEMBER 31	
(million euros)	2011	2010
Board of Directors [(1)]	0.7	0.7
Senior Executives	18.4	24.4
Short-term benefits	*8.5*	*11.0*
Post-employment benefits [(2)]	*5.7*	*8.8*
Other long-term benefits	*-*	*-*
Share-based payments [(3)]	*4.2*	*4.6*
TOTAL	**19.1**	**25.1**

(1) Directors' fees.
(2) Change for the year in discounted post-employment benefit obligation.
(3) Expense of the year estimated in accordance with principles described in Note 2.24.

Note 32 Supplemental cash flow disclosures

a) Cash flow information related to investing activities

The cash flows from investments in subsidiaries and joint venture include the purchase price consideration paid for the acquisitions less the cash acquired. No significant acquisition settled in cash occurred in 2011 and 2010.

The cash flows from disposal of assets include the selling price, net of disposal costs and less the cash disposed of. The impact of the disposals in the consolidated statement of income is detailed in Note 5. The main disposals in 2011 are more fully described in Note 3.

	YEARS ENDED DECEMBER 31	
	2011	2010*
CASH FLOWS FROM DISPOSALS OF ASSETS	**2,084**	**208**
of which:		
Disposal of our Gypsum activities in Europe, South America, Asia and Australia	1,290	-
Disposal of our Cement and Concrete activities in South East US	564	-
Disposal of our activities in Portugal	62	-
Disposal of our investment in Venezuela	22	22
Disposal of our Aggregates & Concrete activities in Alsace (France) and Switzerland	13	37
Disposal of our Cimpor investment in Portugal	-	21
Others	133	128

* *Figures have been adjusted as mentioned in Note 3.1.1 «Disposal of Gypsum Division operations» following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 Registration Document.*

b) Cash flow information related to financing activities

The lines "Acquisitions/disposals of ownership interests with no gain/loss in control" reflect the cash impact of acquisition and disposal of non-controlling interests *(see Note 2)*, net of related acquisition/disposal costs.

In 2011, "Acquisitions of ownership interests with no gain of control" amounts to 211 million euros and essentially includes put exercised on non controlling interests in Serbia (111 million euros) and in India (51 million euros). The impact of partial acquisitions of interests is described in Note 3.

In 2011, "Disposals of ownership interests with no loss in control" amounts to 87 million euros and essentially includes the cash proceeds arising from the disposal of the non controlling interests in Austria *(see Note 20 (g))*.

In 2010, "Disposals of ownership interests with no loss in control" amounted to 139 million euros and essentially included the cash proceeds arising from the disposal of non controlling interests in Malaysia for an amount of 141 million euros.

Note 33 Auditors' fees and services

This table sets out the amount of fees billed for each of the last two fiscal years by each of our auditors, Deloitte & Associés and Ernst & Young Audit, in relation to audit services, audit-related services, tax and other services provided to us.

	DELOITTE & ASSOCIES				ERNST & YOUNG AUDIT			
	AMOUNT (EXCL. TAX)		%		AMOUNT (EXCL. TAX)		%	
(million euros)	2011	2010	2011	2010	2011	2010	2011	2010
AUDIT FEES								
Audit, attestation and review of financial statements	*6.6*	*7.4*	*57%*	*84%*	*5.9*	*6.4*	*84%*	*88%*
Lafarge S.A.	1.5	1.8	13%	20%	1.5	1.5	21%	21%
Subsidiaries	5.1	5.6	44%	64%	4.4	4.9	63%	67%
*Audit-related Fees**	*4.8*	*1.3*	*41%*	*15%*	*0.9*	*0.7*	*12%*	*9%*
Lafarge S.A.	2.7	0.4	23%	5%	0.6	0.1	8%	1%
Subsidiaries	2.1	0.9	18%	10%	0.3	0.6	4%	8%
SUB-TOTAL	**11.4**	**8.7**	**98%**	**99%**	**6.8**	**7.1**	**96%**	**97%**
OTHER FEES								
*Tax Fees***	*0.3*	*0.1*	*2%*	*1%*	*0.3*	*0.2*	*4%*	*3%*
Legal and Employment Fees	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	--
SUB TOTAL OTHER FEES	**0.3**	**0.1**	**2%**	**1%**	**0.3**	**0.2**	**4%**	**3%**
TOTAL FEES	**11.7**	**8.8**	**100%**	**100%**	**7.1**	**7.3**	**100%**	**100%**

* Audit-related fees are generally fees billed for services that are closely related to the performance of the audit or review of financial statements. These include due diligence services related to acquisitions, consultations concerning financial accounting and reporting standards, attestation services not required by statute or regulation, information system reviews.

** Tax fees are fees for services related to international and domestic tax compliance, including the review of tax returns and tax services regarding statutory, regulatory or administrative developments and expatriate tax assistance and compliance.

Note 34 Events after the reporting period

As part of its new country-based organization project, Lafarge announced on February 2, 2012, a proposed reorganization of its Corporate functions.

Note 35 List of significant subsidiaries, joint ventures and investments in associates at December 31, 2011

The companies listed below are consolidated using the full method, the proportionate method or the equity method based on the principles of consolidation described in Note 2.2 and meet the following criteria:

- over 25 million euros contribution to the Group revenue;
- over 250 million euros contribution to the Group total assets.

COMPANIES	COUNTRY	CEMENT	AGGREGATES & CONCRETE	OTHER*	% OF INTEREST	CONSOLIDATION METHOD
Lafarge Aggregates South Africa (Pty.) Ltd.	South Africa	-	■	-	100.00	Full
Lafarge Gypsum (Pty.) Ltd.	South Africa	-	-	■	100.00	Full
Lafarge Industries South Africa (Pty.) Ltd.	South Africa	■	■	-	100.00	Full
Algerian Cement Company S.P.A.	Algeria	■	-	-	99.99	Full
Algerian Concrete Technologies S.P.A.	Algeria	-	■	-	99.50	Full
Ciment Blanc d'Algérie S.P.A.	Algeria	■	-	-	99.99	Full
Lafarge Zement Karsdorf GmbH	Germany	■	-	-	100.00	Full
Lafarge Zement Wössingen GmbH	Germany	■	-	-	100.00	Full
Al Safwa Cement Company	Saudi Arabia	■	-	-	50.00	Equity
Lafarge Zementwerke GmbH	Austria	■	-	-	70.00	Full
Lafarge Surma Cement Limited	Bangladesh	■	-	-	29.44	Proportionate
Groupement SCB Lafarge	Benin	■	-	-	50.00	Proportionate
Centralbeton LTDA	Brazil	-	■	-	99.75	Full
Indústria E Comércio De Extração De Areia Khouri LTDA	Brazil	■	-	-	99.75	Full
Lafarge Brasil SA	Brazil	■	-	-	99.76	Full
Cimenteries du Cameroun	Cameroon	■	-	-	54.73	Full
Lafarge Canada Inc.	Canada	■	■	■	100.00	Full
Lafarge Chongqing Cement Co., Ltd.	China	■	-	-	43.68	Proportionate
Lafarge Dujiangyan Cement Co. Ltd.	China	■	-	-	35.09	Proportionate
Yunnan State Assets Cement Honghe Co., Ltd.	China	■	-	-	44.00	Proportionate
Lafarge Halla Cement Corporation	Korea	■	-	-	71.47	Full
Lafarge Cement Egypt SAE	Egypt	■	-	-	53.70	Full
Lafarge Ready Mix SAE	Egypt	-	■	-	100.00	Full
Lafarge Emirates Cement LLC	United Arab Emirates	■	-	-	50.00	Proportionate
Lafarge Cementos SA	Ecuador	■	-	-	98.57	Full
Lafarge Aridos y Hormigones S.A.U.	Spain	-	■	-	100.00	Full
Lafarge Cementos S.A.U.	Spain	■	■	-	100.00	Full
Bulk Mines Minerals SL	Spain	■	-	-	100.00	Full
Blue Circle North America Inc.	USA	■	-	-	100.00	Full
Lafarge North America Inc.	USA	■	■	■	100.00	Full
Béton Chantiers de Bretagne	France	-	■	-	58.28	Full
Granulats Bourgogne Auvergne	France	-	■	-	70.00	Full
Lafarge Bétons de l'Ouest	France	-	■	-	100.00	Full
Lafarge Bétons Sud Est	France	-	■	-	100.00	Full
Lafarge Bétons Sud Ouest	France	-	■	-	100.00	Full
Lafarge Bétons Vallée de Seine	France	-	■	-	100.00	Full

* *Mainly Gypsum.*

COMPANIES	COUNTRY	CEMENT	AGGREGATES & CONCRETE	OTHER*	% OF INTEREST	CONSOLIDATION METHOD
Carrières de Saint Laurent	France	-	■	-	50.59	Full
Lafarge Ciments	France	■	-	-	100.00	Full
Lafarge Ciments Distibution	France	■	-	-	100.00	Full
Lafarge Ciments Réunion	France	■	-	-	82.92	Full
Lafarge Granulats Bétons Réunion	France	-	■	-	93.34	Full
Lafarge Granulats Ouest	France	-	■	-	100.00	Full
Lafarge Granulats Seine Nord	France	-	■	-	100.00	Full
Lafarge Granulats Sud	France	-	■	-	100.00	Full
Société des Ciments Antillais	France	■	-	-	69.73	Full
Etex Dryco S.A.S	France	-	-	■	20.00	Equity
Heracles General Cement Company S.A.	Greece	■	-	-	88.99	Full
Lafarge Beton Industrial Commercial SA	Greece	-	■	-	88.99	Full
Lafarge Cementos SA de C.V.	Honduras	■	-	-	53.11	Full
Lafarge Cement Hungary Ltd.	Hungary	■	-	-	70.00	Full
Lafarge India PVT Limited	India	■	-	-	100.00	Full
Lafarge Aggregates & Concrete India Private Limited	India	-	■	-	100.00	Full
Pt Lafarge Cement Indonesia	Indonesia	■	-	-	100.00	Full
Bazian Cement Company Ltd.	Iraq	■	-	-	70.00	Full
United Cement Company Limited	Iraq	■	-	-	60.00	Full
Arabian Concrete Supply Company	Jordan	-	■	-	25.64	Full
Jordan Cement Factories Company PSC	Jordan	■	-	-	50.28	Full
Bamburi Cement Ltd.	Kenya	■	-	-	58.60	Full
CMCM Perniagaan SND BHD	Malaysia	■	-	-	51.00	Full
Lafarge Malayan Cement Berhad	Malaysia	■	-	-	51.00	Full
Lafarge Cement sdn bhd	Malaysia	■	-	-	51.00	Full
Lafarge Concrete (Malaysia) sdn bhd	Malaysia	-	■	-	31.49	Full
Lafarge Cement Malawi Ltd.	Malawi	■	-	-	100.00	Full
Lafarge Betons	Morocco	-	■	-	34.64	Proportionate
Lafarge Ciments	Morocco	■	-	-	34.93	Proportionate
Lafarge Cementos S.A. de C.V.	Mexico	■	-	-	100.00	Full
Lafarge Ciment (Moldova) SA	Moldavia	■	-	-	95.31	Full
Atlas Cement Company Ltd.	Nigeria	■	-	-	100.00	Full
United Cement Company of Nigeria Ltd.	Nigeria	■	-	-	35.92	Equity
Ashakacem plc	Nigeria	■	-	-	58.60	Full
Lafarge cement WAPCO Nigeria plc	Nigeria	■	-	-	60.00	Full
Hima Cement Ltd.	Uganda	■	-	-	71.01	Full
Lafarge Pakistan Limited	Pakistan	■	-	-	73.22	Full
Lafarge Holdings (Philippines) Inc.	Philippines	■	-	-	100.00	Full
Lafarge Cement S.A.	Poland	■	-	-	100.00	Full
Lafarge Kruszywa i Beton	Poland	-	■	-	100.00	Full
Readymix Qatar W.L.L.	Qatar	-	■	-	49.00	Proportionate
Lafarge Cement AS	Czech Republic	■	-	-	67.98	Full
Lafarge Ciment (Romania) S.A.	Romania	■	-	-	98.56	Full
Lafarge Aggregates Limited	United Kingdom	-	■	-	100.00	Full
Lafarge Cement UK Limited	United Kingdom	■	-	-	100.00	Full

* *Mainly Gypsum.*

COMPANIES	COUNTRY	CEMENT	AGGREGATES & CONCRETE	OTHER*	% OF INTEREST	CONSOLIDATION METHOD
Redland Readymix Holdings Limited	United Kingdom	-	■	-	100.00	Full
OAO Lafarge Cement	Russia	■	-	-	75.00	Full
Lafarge Beocinska Fabrika Cementa	Serbia	■	-	-	100.00	Full
Lafarge Mahaweli Cement (Private) Limited	Sri Lanka	■	-	-	85.08	Full
Cementia Trading AG	Switzerland	■	-	-	100.00	Full
Marine Cement AG/Ltd.	Switzerland	■	-	-	100.00	Full
Lafarge Cement Syria	Syria	■	-	-	98.67	Full
Mbeya Cement Company Limited	Tanzania	■	-	-	62.76	Full
PJSC Mykolaivcement	Ukraine	■	-	-	79.41	Full
Lafarge Cement Zambia PLC	Zambia	■	-	-	84.00	Full
Lafarge Cement Zimbabwe Limited	Zimbabwe	■	-	-	76.46	Full

* *Mainly Gypsum.*

FINANCIAL STATEMENTS OF THE PARENT COMPANY LAFARGE S.A. FOR THE YEAR ENDED DECEMBER 31, 2011

Statutory Auditors' Report on the annual financial statements

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the annual financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the annual financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the annual financial statements. This report also includes information relating to the specific verification of information given in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2011

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you for the year ended December 31, 2011 on:

- the audit of the accompanying annual financial statements of Lafarge;
- the justification of our assessments;
- the specific verifications and information required by law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the annual financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2011 and of the results of its operations for the year then ended, in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Note "2.3 Financial assets" to the annual financial statements details the accounting principles and methods applied to investments and mentions that the earnings outlooks are established based on currently available information and are in keeping with the current economic crisis or political instability affecting some of the Group's markets. They do not take into consideration any possible breach of the economical or geopolitical environment. Our procedures consisted in reviewing available documents and assessing the reasonableness of retained valuations.

The assessments were made as part of our audit of the annual financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the annual financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the annual financial statements, or with the underlying information used to prepare these annual financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris-La Défense, February 27, 2012

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES
Arnaud de Planta   Frédéric Gourd

ERNST & YOUNG Audit
Christian Mouillon   Nicolas Macé

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Comments on the income statement and the balance sheet

The financial statements for the year ended December 31, 2011 show net income of 206 million euros compared to 49 million euros the previous year.

- These results reflect the following events:
  - the increase in operating income of 29 million euros due mainly to the new license contracts with our main subsidiaries;
  - the increase in dividends collected (+122 million euros) partly compensated by the increase in net financial expenses (-66 million euros) explains the increase in financial income (+56 million euros);
  - exceptional income of 72 million euros in 2011 mainly corresponds to the reversal of 1976 revaluation reserve of its investments in Lafarge Ciments and Lafarge Ciments Distribution following the transfer of these investments to its subsidiary Sofimo (+85 million euros);
  - finally, income tax includes 103 million euros already received or receivable from subsidiaries included in the Group tax regime.
- The main trends in the balance sheet reflect the following:
  - the change in the gross value of investments (+613 million euros) which may be explained by, in particular:
    - the Lafarge North America capital increase (+1,144 million euros),
    - the Lafarge Centre de Recherche capital increase (+20 million euros),
    - the Sabelfi capital decrease (-551 million euros);
  - the increase in provisions of 21 million euros which corresponds to the increase of the provision for the potential consequences of the tax audit in progress;
  - the net decrease of 2,347 million euros in short and long-term loans, borrowings and current accounts granted to Group companies;
  - the decrease in equity of 297 million euros before profit or loss, resulting from the appropriation of the previous year's net income (+49 million euros), a dividend payment (-288 million euros), the share capital increase reserved for Group's employees (+27 million euros) and the decrease of the reevaluation reserve 1976 (-85 million euros);
  - the decrease in net debt of 1,466 million euros which stood at 11,518 million euros at year-end 2011.

As of December 31, 2011, gross debt was composed of bonds for 10,201 million euros, negotiable debt instruments of 703 million euros, borrowings from Group companies for 352 million euros and other bank borrowings for 1,575 million euros.

Appropriation of earnings

It will be proposed to the Shareholders' Annual General Meeting an appropriation of the earnings for fiscal year 2011 that allows a normal dividend of 0.50 euro per share and a loyalty dividend of 0.55 euro per share, as follows:

ORIGINS:	
Earnings	205,507,226.30
Retained earnings*	1,700,991,186.71
TOTAL	**1,906,498,413.01**
APPROPRIATION	
Legal reserve	10,275,361.32
Dividend	
- First dividend (5% of the par value of the share)	57,402,814.00
- Additional dividend (total dividend - first dividend)	86,104,221.00
- Maximum amount of the 10% increase	1,052,013.85
- Total dividend	144,559,048.85
Retained earnings	1,751,664,002.84
TOTAL	**1,906,498,413.01**

* *After inclusion of:*
- *the dividends received on treasury shares, which total 130,110.00 euros;*
- *the 10% increase not collected on the registered shares transferred in to a bearer account between January 1 and June 30, 2011, i.e. 166,487.10 euros.*

We remind the Shareholders' Meeting that the dividends distributed in previous years were as follows:

YEAR	2010	2009	2008
Number of shares	286,453,779	286,453,316	195,236,534
Normal dividend per share	1.00	2.00	2.00
Loyalty dividend per share	1.10	2.20	2.20

Statement of income

(million euros)	NOTES	YEARS ENDED DECEMBER 31, 2011	2010
Production sold (services)		488	422
Provision reversals	3	19	23
Operating Revenue		**507**	**445**
Other purchases and external expenses		(413)	(386)
Duties and taxes		(4)	(2)
Employee expenses		(142)	(141)
Depreciation and amortization	3	(23)	(21)
Provision allowance	3	(22)	(21)
Operating expenses		**(604)**	**(571)**
OPERATING INCOME		**(97)**	**(126)**
Income from investments	4	911	791
Interest and similar income	5	70	51
Foreign currency exchange gains		17	19
Provision reversals	6	1	89
Financial Income		**999**	**950**
Interest and similar expenses	7	(806)	(815)
Foreign currency exchange losses		(17)	(9)
Provision allowance	6	(13)	(19)
Financial Expenses		**(836)**	**(843)**
NET FINANCIAL INCOME (EXPENSES)		**163**	**107**
CURRENT OPERATING INCOME (LOSS) BEFORE TAX		**66**	**(19)**
EXCEPTIONAL INCOME (LOSS)	8	**72**	**(8)**
Income tax credit/(expense)	9	68	76
NET INCOME		**206**	**49**

Balance sheet

ASSETS — AT DECEMBER 31,

(million euros)	NOTES	2011 GROSS AMOUNT	2011 DEPRECIATION, AMORTIZATION, IMPAIRMENT	2011 NET AMOUNT	2010 NET AMOUNT
NON-CURRENT ASSETS					
Intangible assets and property, plant and equipment	10	**199**	**105**	**94**	**104**
Financial assets*	11	**26,658**	**9**	**26,649**	**26,470**
Investments	28	25,467	5	25,462	24,849
Long-term receivables from investments	21	1,178	4	1,174	1,607
Other financial assets		13	-	13	14
		26,857	**114**	**26,743**	**26,574**
CURRENT ASSETS					
Other receivables	21	2,313	-	2,313	3,508
Marketable securities	12	17	-	17	26
Cash and cash equivalents		1,296	-	1,296	1,303
		3,626	**-**	**3,626**	**4,837**
Bond redemption premiums	14	45	-	45	58
Cumulative translation adjustments	14	450	-	450	421
TOTAL ASSETS		**30,978**	**114**	**30,864**	**31,890**
* *Of which less than one year*				*689*	*488*

EQUITY AND LIABILITIES (BEFORE APPROPRIATION)

(million euros)	NOTES	AT DECEMBER 31, 2011	2010
NET EQUITY	15		
Common stock		1,149	1,146
Additional paid-in capital		9,853	9,828
Revaluation reserves		3	88
Legal reserve		93	91
Other reserves		649	649
Retained earnings		1,701	1,942
Net income for the year		206	49
Tax-driven provisions		1	2
		13,655	**13,795**
PROVISIONS FOR LOSSES AND CONTINGENCIES	16	**125**	**104**
FINANCIAL DEBT	18		
Bond issues		10,201	11,347
Bank borrowings*		1,575	1,206
Other loans and commercial paper		1,055	1,760
		12,831	**14,313**
Tax and employee-related liabilities		46	48
Other liabilities	21	3,833	3,089
LIABILITIES**		**16,710**	**17,450**
Cumulative translation adjustments	14	374	541
TOTAL EQUITY AND LIABILITIES		**30,864**	**31,890**
* *Of which current bank overdrafts*		*169*	*56*
** *Of which less than one year*		*5,582*	*5,073*

Statement of cash flows

	YEARS ENDED DECEMBER 31,	
(million euros)	2011	2010
CASH FLOW FROM OPERATIONS*	**187**	**(235)**
Change in working capital	1,741	(132)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (I)	**1,928**	**(367)**
Capital expenditure	(44)	(28)
Investments	(1,164)	(1,255)
Repayment of investments	552	1,300
Net decrease in loans and miscellaneous	433	185
Disposals of assets	21	9
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES (II)	**(202)**	**211**
Proceeds from issuance of common stock	28	-
Dividends paid	(288)	(575)
NET CASH PROVIDED BY (USED IN) CAPITAL TRANSACTIONS (III)	**(260)**	**(575)**
INCREASE (DECREASE) IN NET DEBT (I+II+III)	**1,466**	**(731)**
NET DEBT AT END OF YEAR	**11,518**	**12,984**
Debt	12,831	14,313
Marketable securities	(17)	(26)
Cash and cash equivalents	(1,296)	(1,303)

* *Cash flow from operations mainly comprises net income (+206 million euros) before depreciation and amortization (+35 million euros), provisions (-63 million euros) and a gain on investment disposal (+9 million euros).*

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Note 1 Significant events of the period

Lafarge S.A. entered into three new services agreements with effect started January 1, 2011, supposed to retribute LAFARGE's brand, the transfert of expertise and intellectual property and some support functions for which Lafarge S.A. is in charge of. They currently replace the former Industrial Francheese agreements and their implementation will continue in 2012.

Lafarge S.A. brought to its wholly owned subsidiary Sofimo its investments in Lafarge Ciments and Lafarge Ciments Distribution at the net booked value.

Note 2 Accounting policies

The financial statements have been prepared in accordance with the provisions set forth in the French General Chart of Accounts ("*Plan comptable général*" – CRC regulation 99-03).

The accounting policies applied by the Company are described below:

2.1 Intangible assets

Intangible assets are recorded at acquisition cost and mainly include purchased software and related development costs.

These assets are amortized on a straight-line basis over five to seven years from the date of commissioning.

2.2 Property, plant and equipment

Property plant and equipment are recorded at historical cost, except for those items purchased before December 31, 1976 that have been recorded based on their revalued amounts (legal revaluation).

Depreciation is recorded using the straight-line method (except for computer hardware, which is depreciated using the declining balance method) over the estimated useful life of items of property, plant and equipment as follows:

- buildings: 25 years;
- equipment: 3 to 10 years;
- vehicles: 4 years.

Accelerated depreciation classified in the balance sheet under tax driven provisions is recorded when the fiscally authorized period is less than the estimated useful life or when the depreciation method is different.

2.3 Financial assets

Investments

The gross value of investments is equal to the purchase price excluding acquisition costs, after the 1976 revaluation adjustment for investments purchased before this date.

Acquisition costs are expensed in the fiscal year.

When the current value is less than the gross value, a provision for impairment is recognized in the amount of the difference. The current value is determined taking into account the share of net equity held, the earnings outlook or the quoted market price, if relevant.

The earnings outlook is determined using either an estimate cash flows approach or a market multiple approach (multiple of gross operating income). It is established based on currently available information and is in keeping with the current economic crisis or political instability affecting some of the Group's markets. The forecast does not reflect any possible breach of the economical or geopolitical environnement.

When the Company's share in the net equity of the investment is negative, a provision for contingencies is recorded, if justified.

Long-term receivables from investments

These are long-term loans granted to companies held directly or indirectly by Lafarge S.A. Long-term receivables from investments are recorded at their nominal value.

Long-term receivables from investments are distinguished from current accounts received or granted to subsidiaries, used for daily cash management.

An impairment loss is recognized in the event of risk of non-recovery.

Treasury shares

Lafarge S.A. treasury shares are classified as "Financial assets" in the balance sheet except when they are earmarked to cover purchase option plans and performance share plans.

2.4 Marketable securities

Shares are valued in accordance with CRC regulation 2008-15.

Lafarge S.A. treasury shares are classified as "Marketable securities" in the balance sheet when they are earmarked to cover purchase option plans and performance share plans.

When plans are likely to be exercised and a cash outflow is probable, a provision for contingencies is recorded for the corresponding shares, equal to the difference between the value of shares allocated to the plans and the exercise price of each of the plans. For Lafarge S.A. employees, this provision is spread out over the vesting period.

When plans are not likely to be exercised, an impairment loss is recognized for the corresponding shares if the market price of the shares is lower than the gross value.

2.5 Foreign currency – denominated transactions

Payables and receivables denominated in foreign currencies are translated into euros using the period end closing exchange rate. The resulting unrealized foreign currency exchange gains or losses are recorded in the translation adjustment accounts in the balance sheets.

Unrealized foreign currency exchange losses are provided in full, except when offset by unrealized foreign exchange gains on payables and receivables or on off-balance sheet commitments expressed in the same currency and with similar maturities.

2.6 Interest rate derivatives

Gains and losses on these contracts are calculated and recognized to match the recognition of income and expenses on the hedged debt.

2.7 Bond issue and redemption premiums

Bond issues to be redeemed with a premium are recognized in liabilities on the balance sheet for their total amount, including redemption premiums. An offsetting entry is then made for redemption premiums which are recognized in assets and amortized on a straight-line basis over the term of the bond issue. Other expenses and commission relating to these bonds are expensed in the fiscal year incurred.

2.8 Net equity

Expenses relating to capital increases are deducted from additional paid-in capital.

2.9 Provisions for losses and contingencies

A provision is recognized when an obligation which is probable or certain will result in an outflow of resources with no offsetting entry.

2.10 Income tax

Lafarge S.A., together with its French subsidiaries held directly or indirectly more than 95%, has elected to report income tax under the tax Group regime as defined in article 223A and following of the French General Tax Code (CGI).

The tax savings resulting from the difference between the income tax recorded separately for each of the consolidated entities and the income tax calculated based on the taxable results of the consolidated group is recorded at Lafarge S.A.

Lafarge S.A. is liable to the French Treasury for the full tax charge calculated based on the profits and losses of all tax Group companies.

2.11 Pension Benefit Obligation

Provisions are recognized to cover termination benefits and other post-retirement benefits. These provisions are based on periodic actuarial valuations performed using the projected unit credit method.

This method takes into account seniority, life expectancy and Company employee turnover, as well as salary increase and discounting assumptions.

Actuarial gains and losses resulting from a change in actuarial assumptions or experience adjustments are recognized when they exceed a corridor corresponding to 10% of the value of obligations. They are amortized over the average expected remaining service lives of the plans' beneficiaries.

Note 3 Depreciation and amortization, operating provision (allowance) reversal

3.1 Depreciation and amortization

(million euros)	2011	2010
DEPRECIATION AND AMORTIZATION		
Intangible assets	(20)	(17)
Property, plant and equipment	(3)	(4)
	(23)	**(21)**

3.2 Operating provision (allowance) reversal

	2011		2010	
(million euros)	ALLOWANCE	REVERSAL	ALLOWANCE	REVERSAL
Pensions obligations and termination benefits*	(22)	19	(21)	19
Other operating provisions	-	-	-	4
	(22)	**19**	**(21)**	**23**

* *See Note 17 "Retirement benefit obligations" for more information.*

Note 4 Financial income from investments

(million euros)	2011	2010
DIVIDENDS RECEIVED		
Dividends received from French subsidiaries	667	530
Dividends received from foreign subsidiaries	156	171
	823	**701**
INCOME ON LONG-TERM RECEIVABLES FROM INVESTMENTS	**88**	**90**
TOTAL FINANCIAL INCOME FROM INVESTMENTS	**911**	**791**

Note 5 Interest and similar income

Interest and similar income breaks down as follows:

(million euros)	2011	2010
INTEREST AND SIMILAR INCOME		
Revenue from current account advances to Group companies	54	38
Other	16	13
	70	**51**

Note 6 Financial provision (allowance) reversal

Financial provision (allowances) reversals break down as follows:

	2011		2010	
(million euros)	ALLOWANCE	REVERSAL	ALLOWANCE	REVERSAL
IMPAIRMENT OF ASSETS				
Investments	-	-	-	-
PROVISIONS FOR LOSSES AND CONTINGENCIES				
Accrued penalties	-	-	(6)	89
Treasury shares	-	-	-	-
Foreign currency exchange loss	-	1	-	-
Other	-	-	-	-
	-	**1**	**(6)**	**89**
REDEMPTION PREMIUMS	**(13)**	**-**	**(13)**	**-**
TOTAL	**(13)**	**1**	**(19)**	**89**

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Note 7 Interest and similar expenses

Interest and similar expenses break down as follows:

(million euros)	2011	2010
INTEREST AND OTHER EXPENSES ON INVESTMENTS		
Expenses on payables related to investments	(21)	(20)
Expenses on current account advances from Group companies	(41)	(26)
	(62)	**(46)**
OTHER INTEREST AND SIMILAR EXPENSES		
Interest on bond issues	(651)	(602)
Interest on bank borrowings	(42)	(21)
Interest on negotiable debt instruments	(45)	(53)
Other interest and financial expenses	(6)	(93)
	(744)	**(769)**
TOTAL INTEREST AND SIMILAR EXPENSES	**(806)**	**(815)**

In 2010, other interest and similar expenses included the payment of accrued interest (89 million euros) on the competition fine.

Note 8 Exceptional income (loss)

(million euros)	2011	2010
Net gains (losses) on disposals	5	-
Write-off of intangible asset	(13)	-
Risk related to performance share allotment plan	(4)	(7)
Reversal revaluation reserve 1976	85	-
Risk related to the competition litigation	-	250
Other net exceptional items	(1)	(251)
EXCEPTIONAL INCOME (LOSS)	**72**	**(8)**

In 2010, this item mainly included the payment of the competition fine for 249.6 million euros and the reversal of the corresponding provision.

In 2011, the exceptional income corresponds mainly to the reversal revaluation reserve (1976 revaluation) of its investments Lafarge Ciments and Lafarge Ciments Distribution, following the transfer of this investment to its subsidiary Sofimo.

Moreover, the 13 million euros correspond to software developments which are not needed anymore due to the disposal of the Gypsum activity by the Group.

Note 9 Income tax

(million euros)	2011	2010
INCOME TAX		
Gain or (loss) from tax Group regime	103	107
Income tax, withholding tax, other	(35)	(31)
	68	**76**

At December 31, 2011, tax loss carry forwards attributable to the Group totaled 1,932 million euros.

Note 10 Intangible assets and property, plant and equipment

The change in intangible assets and property, plant and equipment in the period breaks down as follows:

(million euros)	DECEMBER 31, 2010	INCREASE	DECREASE	DECEMBER 31, 2011
INTANGIBLE ASSETS				
Gross amount	144	38	22	160
Accumulated amortization	(69)	(20)	(10)	(79)
Net amount	**75**	**18**	**12**	**81**
PROPERTY, PLANT & EQUIPMENT				
Gross amount	63	5	29	39
Accumulated depreciation	(34)	(3)	(11)	(26)
Net amount	**29**	**2**	**18**	**13**
TOTAL	**104**	**20**	**30**	**94**

No impairment is recorded for intangible assets and property, plant and equipment.

Note 11 Financial assets

(million euros)	DECEMBER 31, 2010	INCREASE	DECREASE	DECEMBER 31, 2011
Investments(1)	**24,849**	**1,371**	**758**	**25,462**
Long-term receivables from investments	**1,607**	**63**	**496**	**1,174**
Other financial assets				
Other investment securities	10	-	-	10
Security deposit	4	-	1	3
	14	**-**	**1**	**13**
FINANCIAL ASSETS	**26,470**	**1,434**	**1,255**	**26,649**

(1) The list of subsidiaries and investments is presented in Note 28 –"Investments".

The increase in investments concerns our subsidiaries Lafarge North America Inc., Sofimo and Lafarge Centre de Recherche for respectively 1,144 million euros, 207 million euros and 20 million euros. The decrease in investments is explained by the capital decrease of Sabelfi snc for 551 million euros and the sale of Lafarge Ciments and Lafarge Ciments Distribution for 207 million euros.

Long-term receivables are composed of long-term loans granted to directly- or indirectly-held affiliated companies. In 2011, Lafarge Bulding Material Inc. (US) repaid its loan which had reached maturity for 459 million euros.

Note 12 Marketable securities

(million euros)	DECEMBER 31, 2010	INCREASE	DECREASE	DECEMBER 31, 2011
Lafarge S.A. treasury shares(1)	26	-	9	17
MARKETABLE SECURITIES	**26**	**-**	**9**	**17**

(1) See Note 13 "Lafarge S.A. treasury shares" for more information.

Note 13 Lafarge S.A. treasury shares

(number of shares)	DECEMBER 31, 2010	INCREASE	DECREASE	RECLASSI-FICATION	DECEMBER 31, 2011
LONG-TERM INVESTMENTS					
Share purchase option plan	-	-	-	-	-
Performance share plans	363,558	-	130,110	-	233,448
Shares available for allotment	-	-	-	-	-
MARKETABLE SECURITIES	**363,558**	-	**130,110**	-	**233,448**

(million euros)	DECEMBER 31, 2010	INCREASE	DECREASE	RECLASSI-FICATION	DECEMBER 31, 2011
LONG-TERM INVESTMENTS					
Share purchase option plan	-	-	-	-	-
Performance share plans	26	-	9	-	17
Shares available for allotment	-	-	-	-	-
MARKETABLE SECURITIES	**26**	-	**9**	-	**17**

The decrease of 130,110 treasury shares corresponds to the 2007 and 2009 performance stock which were rested and delivered to the employees.

The 233,448 Lafarge S.A. treasury shares earmarked to cover the performance share plans had a market value of 6 million euros as of December 31, 2011.

Note 14 Translation adjustments and bond redemption premiums

(million euros)	2011	2010
ASSETS		
Bond redemption premiums	45	58
Cumulative translation adjustments	450	421
	495	**479**
LIABILITIES		
Cumulative translation adjustments	374	541
	374	**541**

Bond redemption premiums total 45 million euros as of December 31, 2011 compared to 58 million euros as of December 31, 2010. The decrease may be explained by a 13 million euro amortization expense.

Cumulative translation adjustments result from the remeasurement of trade receivables, trade payables, loans and borrowings denominated in local currencies at the end of fiscal year 2011.

Note 15 Net equity

15.1 Share capital

On December 31, 2011, the Company’s share capital amounted to 1,148,990,072 euros, divided into 287,247,518 fully paid-up shares with a nominal value of four euros each. Taking into account double voting rights accruing to shares held in registered form for at least two years (112,769,432), the total number of voting rights attaching to the shares was 400,016,950 at December 31, 2011.

Changes in the share capital during the fiscal year ended December 31, 2011

The Company's share capital at December 31, 2010 amounted to 1,145,815,116 euros, divided into 286,453,779 shares with a nominal value of four euros each. Since December 31, 2011, the Company's share capital has increased by a total of 793,739 shares as a result of the following:

		AMOUNT OF SUBSCRIPTIONS OR DEDUCTIONS *(EUROS)*		
	NUMBER OF SHARES ISSUED	CAPITAL	SHARE PREMIUM	TOTAL
Share capital increase reserved for Group's employees (July 29, 2011)	793,739	3,174,956	24,351,386	27,526,342
TOTAL AT DECEMBER 31, 2011	**793,739**	**3,174,956**	**24,351,386**	**27,526,342**

Potential Share capital at December 31, 2011

The number of shares as at December 31, 2011 could be increased by a maximum of 8,511,063 shares in the hypothetical scenario that stock options granted to employees existing on that date were exercised. 5,402,651 out of these existing stock options could have been exercised at December 31, 2011. The remaining 3,108,412 stock options can only be exercised upon expiry of a period of four years after their grant and subject to the performance conditions attached to some of these stock options being fulfilled.

15.2 Change in net equity

(million euros)	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES	RETAINED EARNINGS	NET INCOME	TOTAL
NET EQUITY AT DECEMBER 31, 2010 (Before appropriation of 2010 income)	**1,146**	**9,828**	**830**	**1,942**	**49**	**13,795**
Appropriation of 2010 income	-	-	2	(241)	(49)	(288)
Share capital increase	3	25	-	-	-	28
Reversal revaluation reserve 1976	-	-	(85)	-	-	(85)
Net income for 2011	-	-	-	-	206	206
NET EQUITY AT DECEMBER 31, 2011 (Before appropriation of 2011 income)	**1,149**	**9,853**	**746**	**1,701**	**206**	**13,655**

Note 16 Provisions for losses and contingencies

Change in provisions for losses and contingencies break down as follows:

(million euros)	DECEMBER 31, 2010	ADDITION	UTILIZATION	REVERSAL	DECEMBER 31, 2011
Provisions for retirement benefit obligations*	**52**	22	19	-	**55**
Provision for share-based payment	**31**	5	9	-	**27**
Provision for tax	**14**	21	-	-	**35**
Other provisions for losses and contingencies	**7**	2	1	-	**8**
PROVISIONS FOR LOSSES AND CONTINGENCIES	**104**	**50**	**29**	**-**	**125**
Of which employee expenses		*1*	*1*	-	
Of which operating		*22*	*19*	-	
Of which financial		-	*1*	-	
Of which exceptional		*6*	*8*	-	
Of which tax		*21*	-	-	
		50	***29***	-	

* *See Note 17 "Pension benefit obligations" for more information.*

At December 31, 2011, Lafarge S.A. has covered its most reasonable estimate of the risk which may result from the tax audit in progress considering notably the technical merits of its positions.

In November 2008, the major European cement players, including Lafarge, were investigated by the European Commission for alleged anti-competitive practices. By a letter dated December 6, 2010, the Commission notified the parties of the opening of an official investigation (which do not however constitute a statement of objection), while reminding them that at that stage, it did not have conclusive evidence of anti-competitive practices. The alleged offences, which will be the subject of the detailed investigation, involve any possible restrictions of commercial trade in or upon entry to the EEA, market sharing, and coordination of prices on the cement and related markets (concrete, aggregates). In the case of Lafarge, seven (7) countries are quoted: France, the United Kingdom, Germany, Spain, the Czech Republic, Greece and Austria. The Commission's investigation is ongoing and Lafarge is answering to its various requests for information. In November 2011, further to the answer by Lafarge of the last questionnaire received, the Commission notified Lafarge an injunction to waive any reserve to the answer and provide any further information deemed necessary to complete its investigation, under the threat of a penalty. Lafarge promptly complied with this new request for information and lodged a lawsuit before the EU General Court with a view to obtaining the annulment of such injunction decision. The completion date of this investigation is unknown and no conclusion can be drawn at this stage.

Note 17 Pension benefit obligations

Lafarge S.A.'s pension benefit obligation comprises supplementary pension plans and termination benefits.

In 2007, the Company transferred its obligation relating to the supplementary defined benefit pension schemes of current retirees through an insurance contract with Cardif Assurance Vie. The premium paid amounted to 15 million euros in 2011, as in 2010. In accordance with French Regulations, the insurer guarantees pension indexation up to the amount of technical gains allocated to the contract, with any residual cost of pension indexation remaining with the Company.

Obligations for supplementary pension plans and termination benefits were valued using the projected unit credit method.

The main assumptions underlying these valuations are outlined below:

(million euros, unless otherwise indicated)	2011	2010
Discount rate	4.30%	4.00 - 4.75%
Salary increase rate	2 à 5.5%	2 à 5.5%
Long-term return expected on pension fund assets	-	-
Discounted value of the obligation	139	153
Fair value of pension fund assets	-	-
Actuarial gains (losses) and impact of plan modifications not recognized	(84)	(101)
PROVISION FOR PENSION BENEFIT OBLIGATIONS	**55**	**52**

Note 18 Financial debt

18.1 Financial debt by nature

(million euros)	AMOUNT OUTSTANDING AT DECEMBER 31, 2010	INCREASE	DECREASE	OTHER MOVEMENTS*	AMOUNT OUTSTANDING AT DECEMBER 31, 2011
BOND ISSUES					
Bond issues (excluding accrued interest)	11,066	-	1,199	79	9,946
Accrued interest on bond issues	281	255	281	-	255
	11,347	**255**	**1,480**	**79**	**10,201**
BANK BORROWINGS	**1,206**	**370**	**1**	**-**	**1,575**
OTHER FINANCIAL DEBT					
Other loans and commercial paper	1,361	-	658	-	703
Long-term payables from investments	399	-	47	-	352
	1,760	-	**705**	**-**	**1,055**
TOTAL FINANCIAL DEBT	**14,313**	**625**	**2,186**	**79**	**12,831**

* *Of which translation adjustments*

The decrease of bond issues corresponds to the repayment of two bond issues with a 2011 maturity date for respectively 449 million euros and 750 million euros *(see Note 18.2)*. The loans secured by Lafarge S.A. do not contain any clause requiring continuous compliance with certain financial ratios. However, the loans secured by some subsidiaries of the Group contain that type of clause. If we, or under certain conditions, our material subsidiaries, fail to comply with our or their covenants, then our lenders could declare default and accelerate a significant part of our indebtedness.

3,973 million euros of credit lines are fully undrawn at December 31, 2011.

18.2 Bond issues

(million euros)	CURRENCY	INITIAL AMOUNT	RATE	MATURITY	AMOUNT OUTSTANDING AT DECEMBER 31, 2011	AMOUNT OUTSTANDING AT DECEMBER 31, 2010
2001 bond	GBP	538	6.875%	11 years	419	407
2002 bond	GBP	307	6.625%	15 years	239	232
2003 bond	EUR	500	5.448%	10 years	500	500
2004 bond	EUR	612	5.000%	10 years	612	612
2005 bond	EUR	500	4.250%	11 years	500	500
2005 bond	EUR	500	4.750%	15 years	500	500
2006 bond	USD	444	6.150%	5 years	-	449
2006 bond	USD	444	7.125%	30 years	464	449
2006 bond	USD	592	6.500%	10 years	618	599
2007 bond	EUR	500	5.375%	10 years	500	500
2008 bond	EUR	750	5.750%	3 years	-	750
2008 bond	EUR	750	6.125%	7 years	750	750
2009 bond	EUR	1000	8.875%*	5 years	1,000	1,000
2009 bond	GBP	411	10.000%*	8 years	419	406
2009 bond	EUR	750	6.750%*	10 years	750	750
2009 bond	EUR	750	8.875%*	7 years	750	750
2010 bond	USD	412	6.200%*	5 years	425	412
2010 bond	EUR	500	6.250%*	8 years	500	500
2010 bond	EUR	1000	6.625%*	8 years	1,000	1,000
					9,946	**11,066**
Accrued interest on bond issues					255	281
BOND ISSUES					**10,201**	**11,347**

* *In 2011, interest rate mentioned takes into account step up clauses related to these bonds further to the degradation of our long term credit rating by the rating agencies. Additional interests of 21 million euros have been recorded due to this degradation.*

18.3 Bank borrowings

As of December 31, 2011, bank borrowings amount to 1,575 million euros and include draw-downs of 768 million euros, maturing in 2012, on the credit facility set-up to finance the OBMHE acquisition, amount unchanged since 2010.

Note 19 Derivatives

19.1 Currency risk

Lafarge S.A. uses forward purchases and sales of currencies and currency swaps to:

- refinance loans and borrowings granted to subsidiaries in a currency other than the euro;
- hedge the currency risk incurred by the Group's subsidiaries (firm commitments and highly probable transactions), bearing in mind that contracts negotiated with subsidiaries are hedged in exactly the same manner in the interbank market and do not give rise to a currency position for Lafarge S.A.

At December 31, 2011, most forward exchange contracts had a maturity date of less than one year.

The nominal and fair values of derivatives at the reporting date date were as follows:

(million euros)	AT DECEMBER 31, 2011 NOTIONAL	AT DECEMBER 31, 2011 FAIR VALUE*	AT DECEMBER 31, 2010 NOTIONAL	AT DECEMBER 31, 2010 FAIR VALUE*
FORWARD PURCHASES AND CURRENCY SWAPS				
US dollar (USD)	1,039	17	205	1
Pound sterling (GBP)	1,040	17	887	(16)
Other currencies	194	-	79	1
	2,273	**34**	**1,171**	**(14)**
FORWARD SALES AND CURRENCY SWAPS				
US dollar (USD)	355	(10)	699	6
Pound sterling (GBP)	55	-	44	1
Other currencies	138	2	131	(1)
	548	**(8)**	**874**	**6**

* *The fair value of currency derivatives was calculated using market prices that Lafarge S.A. would pay or receive to unwind these positions.*

19.2 Interest-rate risk

Lafarge S.A.'s exposure to interest rate fluctuations comprises two types of risk:

- a fair value risk arising from fixed-rate financial assets and liabilities: interest-rate fluctuations have an influence on their market value;
- a cash flow risk arising from floating-rate financial assets and liabilities: fluctuations in interest rates have a direct impact on the Company's future earnings.

As part of its general policy, Lafarge S.A. manages these two risk categories using, if necessary, interest-rate swaps.

The notional and fair values of interest rate derivatives at the reporting date date were as follows:

AT DECEMBER 31, 2011 — NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE*

(million euros, unless otherwise indicated)	AVERAGE INTEREST RATE	2012	2013	2014	2015	2016	> 5 YEARS	TOTAL	FAIR VALUE**
INTEREST RATE SWAP									
Fixed-rate payer	4.5%	70	58	42	-	-	-	**170**	(8)
Fixed-rate receiver	1.7%	1,200	300	-	-	-	-	**1,500**	3
Other interest-rate derivatives	-	-	-	-	-	-	-	**-**	-

AT DECEMBER 31, 2010 — NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE*

(million euros, unless otherwise indicated)	AVERAGE INTEREST RATE	2011	2012	2013	2014	2015	> 5 YEARS	TOTAL	FAIR VALUE **
INTEREST RATE SWAP									
Fixed-rate payer	4.5%	-	70	58	42	-	-	**170**	(11)
Fixed-rate receiver	1.2%	-	1,200	300	-	-	-	**1,500**	2
Other interest-rate derivatives	-	-	-	-	-	-	-	**-**	-

* *The notional value of derivatives represents the nominal value of financial instruments traded with counterparties.*
** *The fair value of interest-rate swaps was calculated using market prices that Lafarge S.A. would have to pay or receive to unwind the positions.*

Note 20 Financial commitments

Commitments given for 1,618 million euros include financial guarantees given for 1,429 million euros and vendor warranties given in connection with asset sales for 189 million euros. As of December 31, 2011, there are no securities or assets pledged.

Note 21 Maturity of receivables and liabilities at the reporting date

	NET AMOUNT AT DECEMBER 31, 2011	FALLING DUE IN		
		LESS THAN ONE YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
RECEIVABLES				
Non-current receivables				
Long-term receivables from investments	1,174	689	23	462
Other financial assets	13	-	-	13
	1,187	**689**	**23**	**475**
Current receivables				
Loans and current accounts granted to subsidiaries	2,275	2,275	-	-
Other	38	38	-	-
	2,313	**2,313**	**-**	**-**
	3,500	**3,002**	**23**	**475**
LIABILITIES				
Financial Debt				
Bond issues	10,201	674	5,155	4,372
Bank borrowings	1,575	1,015	560	-
Negotiable debt instruments	703	14	289	400
Long-term payables owed to investments	352	-	352	-
	12,831	**1,703**	**6,356**	**4,772**
TAX AND EMPLOYEE-RELATED LIABILITIES	**46**	**46**	-	-
OTHER LIABILITIES				
Borrowings and current accounts received from Group companies	3,736	3,736	-	-
Other*	97	97	-	-
	3,833	**3,833**	**-**	**-**
	16,710	**5,582**	**6,356**	**4,772**

* *Settlement periods: Law no. 2008-776 of August 4, 2008 on the modernization of the economy, known as the LME, and Decree no. 2008-1492 of December 30, 2008 rendered for the application of article L. 144-6-1 of the French Commercial Code.*

The 97 million euros of other liabilities include trade payables for an amount of 45 million euros as of December 31, 2011 (French and foreign suppliers).

The following schedule presents trade payables from the invoice date:

(million euros)	DEBT DUE AT YEAR END	30 DAYS FROM INVOICE DATE	BETWEEN 31 AND 60 DAYS FROM INVOICE DATE	> 61 DAYS FROM INVOICE DATE	TOTAL AT DECEMBER 31, 2011
Trade payables (including debt to suppliers of fixed assets)	1.3	4.5	24.1	15.1	45.0

(million euros)	DEBT DUE AT YEAR END	30 DAYS FROM INVOICE DATE	BETWEEN 31 AND 60 DAYS FROM INVOICE DATE	> 61 DAYS FROM INVOICE DATE	TOTAL AT DECEMBER 31, 2010
Trade payables (including debt to suppliers of fixed assets)	-	4.0	18.5	3.6	26.1

Note 22 Related parties

(million euros)	NET AMOUNT	OF WHICH RELATED PARTIES	OF WHICH OTHER INVESTMENTS
FINANCIAL ASSETS			
Investments	25,462	25,462	-
Long-term receivables from investments	1,174	1,174	-
FINANCIAL DEBT			
Other loans and commercial paper	1,055	352	-
OTHER RECEIVABLES			
Loans and current accounts	2,275	2,271	4
Other receivables	38	26	-
OTHER LIABILITIES			
Borrowings and current accounts	3,736	3,733	3
Other	97	21	-
NET INCOME FROM INVESTMENTS	**911**	**911**	-
INTEREST AND SIMILAR INCOME	**70**	**54**	-
INTEREST AND SIMILAR EXPENSES	**(806)**	**(62)**	-

Pursuant to the regulations of the ANC, the French standard-setting body, and article R. 123-198 11 of the French Commercial Code, on related parties, Lafarge S.A. hereby reports that it did not enter into any significant transaction considered not to be arms length business during 2011.

Note 23 Compensation of the Board of Directors and executive management

(million euros)	2011	2010
Board of Directors	**0.61**	0.61
Executive management*	**8.95**	10.01

* *Executive Management comprises 10 members, including the Chief Executive Officer, as of December 31, 2011.*

Note 24 Average number of employees during the year

	2011	2010
Management	**382**	356
Supervisors and technicians	**126**	124
Other employees	**21**	22
TOTAL EMPLOYEES	**529**	**502**

Note 25 Individual rights to training

In compliance with recommendation 2004F issued by the Urgent Issues Task Force of the French National Accounting Council (CNC) concerning accounting for individual rights to training, Lafarge did not record any provisions for training rights in the financial statements for the year ended December 31, 2011. Rights acquired at year-end 2011 are estimated at 36,704 hours.

Note 26 Deferred tax position - tax basis (holding company only)

(million euros)	2011	2010
DEFERRED TAX LIABILITIES		
Tax-driven provisions	**1**	2
Capital gains rolled over - Long term	**1,849**	1,764
DEFERRED TAX ASSETS		
Provision for pensions	**55**	52
Other provisions	**7**	4
Temporarily non-deductible expenses	**12**	26
TAX LOSSES CARRIED FORWARD		
Tax Group losses	**1,932**	1,425
Revaluation account (1976) - tax free	**3**	88

The tax audit in progress could induce a reduction of the tax losses carried forward of the French tax group.

Note 27 Events after the reporting period

As part of its new country-based organization project, Lafarge announced on February 2, 2012, a proposed reorganization of its Corporate functions.

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Note 28 Investments

Subsidiaries and investments at December 31, 2011

(million of currency unit)	CURRENCY	COMMON STOCK(A)	RESERVES AND RETAINED EARNINGS(A)	SHARE OF CAPITAL HELD % (A) (B)	BOOK VALUE OF SHARES HELD(C) GROSS	BOOK VALUE OF SHARES HELD(C) NET	LOANS AND ADVANCES GRANTED AND NOT REPAID(C)	GUARANTEES & ENDOR-SEMENTS GIVEN BY THE COMPANY(C)	NET REVENUES EXCLUDING TAX AT CLOSING(A)	NET INCOME (PROFIT OR LOSS) AT CLOSING(A)	DIVIDENDS RECEIVED BY THE COMPANY OVER THE YEAR(C)
A. DETAILED INFORMATION ON SUBSIDIARIES (1) AND INVESTMENTS (2) ET (3) BELOW											
1. SUBSIDIARIES (OVER 50% OF CAPITAL HELD BY THE COMPANY):											
Sofimo	EUR	1,055	16,576	100.00	16,676	16,676	376	-	-	1,604	521
Lafarge Gypsum International	EUR	798	76	99.99	934	934	-	-	-	495	-
Lafarge Centre de Recherche	EUR	23	1	100.00	23	23	-	-	-	2	2
Sabelfi	EUR	2,721	1	99.99	2,728	2,728	-	-	-	132	132
Cimento Portland Lacim	BRL	1,232	40	56.43	341	341	-	-	1,098	95	21
Lafarge North America Inc.	USD		6,557	87.53	4,709	4,709	245	-	4,581	(27)	-
2. INVESTMENTS (10 TO 50% OF CAPITAL HELD BY THE COMPANY)											
Ciments du Cameroun	CFA	5,600	24,600	43.65	15	15	-	-	92,981	4,073	3
Lafarge Zement gmbh	EUR	26	52	10.00	29	25	-	-	-	9	-
3. INVESTMENTS (LESS THAN 10% OF CAPITAL HELD BY THE COMPANY)											
B. GENERAL INFORMATION CONCERNING OTHER SUBSIDIARIES AND INVESTMENTS											
1. SUDSIDIARIES NOT INCLUDED UNDER A.1)											
French (total)					5	5	-				4
Foreign (total)					6	6	-				-
2. INVESTMENTS NOT INCLUDED UNDER A.2) AND A.3)											
French (total)					-	-	-				-
Foreign (total)					1	-	-				-
TOTAL					**25,467**	**25,462**	**621**				**683**

(A) In local currency for foreign subsidiaries.
(B) Before appropriation of net income and interim dividend.
(C) In million euros.

Change in the financial income of the Company during the last five years (articles R. 225-81, R. 225-83, R. 225-102 of the French Commercial Code)

	2011	2010	2009	2008	2007
1. CAPITAL STOCK					
Capital stock *(euros)*	**1,148,990,072**	1,145,815,116	1,145,813,264	780,946,136	690,258,300
Number of existing shares of common stock	**287,247,518**	286,453,779	286,453,316	195,236,534	172,564,575
Maximum number of future shares to be created	**8,511,063**	9,099,072	8,060,756	7,033,553	6,502,420
through conversion of bonds					
through exercise of stock options	**8,511,063**	9,099,072	8,060,756	7,033,553	6,502,420
2. TRANSACTIONS FOR THE YEAR *(thousand euros)*					
a) Gross sales revenues[(1)]	**1,536,243**	1,322,722	1,625,520	1,878,341	1,634,956
b) Income before taxes, profit-sharing and amortization and provisions	**88,208**	(320,834)	213,495	709,856	492,565
c) Income taxes	**68,352**	76,060	118,439	151,900	159,648
d) Employee profit-sharing owed for the year					
e) Income after taxes, profit sharing and amortization and provisions	**205,507**	49,032	254,309	780,352	668,817
f) Income distributed	**144,559**	287,903	575,207	392,654	784,026
including 10% increase[(2)]	**1,052**	1,683	3,028	2,942	5,524
Earnings per share *(euros)*					
a) Income after taxes, employee profit-sharing but before amortization and provisions	**0.84**	(0.85)	1.16	4.41	3.78
b) Income after taxes, employee profit-sharing and amortization and provisions	**0.72**	0.17	0.89	4.00	3.88
c) Net dividend	**0.500**	1.000	2.000	2.000	4.000
Net loyalty dividend	**0.550**	1.100	2.200	2.200	4.400
3. PERSONNEL					
Number of employees at December 31	**528**	510	485	448	435
Payroll *(thousand euros)*[(3)]	**94,773**	92,799	78,315	87,421	91,934
Social benefits *(thousand euros)*[(4)]	**47,369**	48,098	35,088	33,261	37,383
Bonuses and profit-sharing paid *(thousand euros)*	**1,732**	2,142	1,592	3,382	2,806

(1) Gross sales revenues represent the revenues from ordinary activities, which include the sold production (services) and financial income. For 2008, only income and expenses on interest rate financial instruments are net. On the same basis, gross sales revenues for the previous years would have been as follows 1,856,807 in 2007.
(2) Increase in the dividend for registered shares held for more than two years.
(3) Including retirement indemnities, provision for performance shares grants.
(4) Social organizations, charitable projects and other employee expenses for impatriates, etc.

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Special Report of the statutory auditors on Related-Party Agreements and Commitments

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2011

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related-party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (Code de Commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (Code de Commerce) concerning the implementation of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the General Meeting of Shareholders

Agreements and commitments authorized during the year

In accordance with Article L. 225-40 of the French Commercial Code (Code de Commerce), we have been advised of certain related-party agreements and commitments which received prior authorization from your Board of Directors.

With Mr Bruno Lafont, Chairman and Chief Executive Officer of your company

Change and preservation of Mr. Bruno Lafont's employment contract, Chairman and Chief Executive Officer

At its meeting on July 27, 2011, the Board of Directors, upon the recommendation of the Committee of the corporate governance, decided to maintain Mr. Bruno Lafont's employment contract and to modify it in the effect to delete the clause of commitment of presence by which Mr. Bruno Lafont was committed not to leave the Company before June 30, 2011, in return of which the notice of termination could run until the same date.

As a consequence, the Board of Directors decided to adopt in all its capacities the new complete and amended version of this contract and confirmed its suspension, from January 1, 2006, when Mr. Bruno Lafont was named as Chief Executive Officer.

The Board of Directors considers that the 29 years seniority of Mr. Bruno Lafont within Lafarge Group together with the impact of this seniority on the internal promotion policy, which enables to promote experienced senior executives as corporate officers, justifies its decision to maintain the employment contract of Mr. Bruno Lafont.

These decisions do not modify Mr. Bruno Lafont situation relating especially to the potential benefits of its pension plan or severance indemnity.

Agreements and commitments authorized after closing

We have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors after closing.

With NNS Holding Sàrl, Orascom Construction Industries SAE, M. Nassef Sawiris and other parties

Board members concerned

Mr. Nassef Sawiris, a Director of your company, is also the Chairman and CEO of Orascom Construction Industries SAE and a Director of NNS Holding Sàrl.

Mr. Jérôme Guiraud, a Director of your company, is also a Director of Orascom Construction Industries SAE.

Amendment to the Shareholders' Agreement dated December 9, 2007

The Shareholders' Agreement contains various commitments concerning in particular the 22.5 million shares issued for the benefit of NNS Holding Sàrl through a reserved capital increase in 2008, among which some obligations of preservation of the shares and limitation of acquisition of shares which expire on March 27th, 2012.

The amendment authorized by the Board of Directors of March 15th, 2012 aims at:

- maintain until March 27th, 2015 and only on the 22.5 million shares initially subscribed by NNS Holding Sàrl, the preliminary disclosure obligation by NNS Holding Sàrl to Lafarge SA in case of potential disposal of its shares,
- pre-approve a list of main financial institutions as intermediaries accepted in order to, where necessary, implement such disposals,
- maintain until the term of the Shareholders' Agreement and only on the 22.5 million shares initially subscribed by NNS Holding Sàrl, the ban for NNS Holding Sàrl to dispose its shares to Lafarge competitors,
- align disclosure obligations after transactions on shares on the existing legal and statutory obligations.

The Board of Directors considers that this amendment is not going against the social interest of your company as it aims to update the Shareholders' Agreement, without any financial impact, and does not offer any additional specific right to NNS Holding Sàrl compared to other shareholders of your company.

Agreements and commitments already approved by the General Meeting of Shareholders

Agreements and commitments approved in prior years whose implementation continued during the year

In accordance with Article R. 225-30 of the French Commercial Code (*Code de Commerce),* we have been advised that the following agreements and commitments, already approved in prior years by the Shareholders' Meeting, remained effective during this financial year.

With BNP Paribas

Board members concerned

Ms. Hélène Ploix, Director of your company, is a Director of BNP Paribas, and Mr. Baudouin Prot, Director of your company, is Chairman of the Board of Directors of BNP Paribas.

a. Domiciliation agent agreement

At its meeting on May 24, 2006, the Board of Directors authorized the domiciliation agent agreement between your company and BNP Paribas concerning the commercial paper program.

The amounts paid by your company in 2011 in respect of this agreement totaled 3,615 euros.

b. Loan of 2.4 billion euros guaranteed by BNP Paribas for the acquisition of Orascom Building Materials Holding

At its meeting on December 9, 2007, the Board of Directors authorized a loan agreement totaling 7.2 billion euros between your company and BNP Paribas and two other financial institutions to finance the acquisition of the share capital of the Egyptian company Orascom Building Materials Holding.

BNP Paribas had originally guaranteed to finance an amount of 2.4 billion euros. Under this agreement, the costs relating to the set-up of this line of credit correspond to the 13.8 million euros in commissions paid by your company to BNP Paribas in 2007.

As a result of this commitment, a 78 million euros debt payable to BNP Paribas was recorded in your company's balance sheet as at December 31, 2011 (unchanged compared to 2010).

c. Transfer of retirement plans for French executives, senior executives and members of the Executive Committee to Cardif Assurance Vie, a subsidiary of BNP Paribas

The Board of Directors authorized the conclusion of insurance contracts between your company and Cardif Assurance Vie, a subsidiary of BNP Paribas, the purpose of which was to transfer defined-benefit retirement plans. These agreements were authorized by the Board of Directors at its Meetings of August 1, 2007 and November 6, 2008 and approved by the Shareholders' Meetings of May 7, 2008 and of May 6, 2009.

As these agreements remained in effect in 2011, the total amount of contributions (allocated to retirement capital, expenses and other taxes) paid by your company in respect of the two current contracts with Cardif Assurance Vie amounted to 14.8 million euros for the financial year ended December 31, 2011.

d. Agreement covering the management of its investments department with BNP Paribas Securities Services, a subsidiary of BNP Paribas

At its meeting on September 8, 2004, the Board of Directors authorized an agreement covering the management of its investments department, shareholders' meetings, employee shareholding plans and stock option plans with BNP Paribas Securities Services, a wholly owned subsidiary of BNP Paribas.

The amounts paid by your company in 2011 in respect of this agreement totaled 4.2 million euros.

Agreements and commitments approved in prior years which were not implemented during the year

In addition, we have been advised that the following agreements and commitments which were approved by the General Meeting of Shareholders in prior years were not implemented during the year.

F

1. With Mr. Bruno Lafont, Chairman and Chief Executive Officer of your company

Supplementary pension plan of Mr. Bruno Lafont

At its meeting on December 16, 2005, the Board of Directors authorized an amendment to Mr. Bruno Lafont's employment contract, whereby he would benefit from a supplementary pension plan guaranteeing a pension based on his salary as a Director. The employment contract was suspended as from January 1, 2006, the date of Mr. Bruno Lafont's appointment as Chief Executive Officer. However, as a Director, he will continue to benefit from the supplementary retirement benefit.

Moreover, at its meeting on November 6, 2008, the Board of Directors authorized the amendment of two supplementary benefit plans. One of these amendments consists in including the company's Directors as potential beneficiaries of these benefit plans, which would provide, under certain conditions, a retirement payment based on the last salaries received, irrespective of any other legal retirement benefits received by the retired individual. The Shareholders' Meeting of May 6, 2009 approved this agreement.

Mr. Bruno Lafont's suspended employment contract and severance indemnity

At its meeting on February 19, 2009, the Board of Directors authorized the amendment to Mr. Bruno Lafont's employment contract, for the purpose of adapting the severance indemnity to the Afep Medef recommendations regarding the compensation of Executive Directors.

Mr. Bruno Lafont's employment contract thus specifies (i) the conditions under which he would benefit from a contractual severance indemnity (change of control or a change in strategy on the part of your company and performance conditions based on three criteria), in the event he were to benefit from his employment contract at the end of his term as Chairman and Chief Executive Officer, and upon a dismissal and (ii) the calculation methodology and the maximum amount of this potential severance indemnity (limited to a maximum of two years of the total gross remuneration received).

2. With Orascom Construction Industries SAE

Board members concerned

Mr. Nassef Sawiris, a Director of your company, is also the Chairman and CEO of Orascom Construction Industries SAE.

Mr. Jérôme Guiraud, a Director of your company, is also a Director of Orascom Construction Industries SAE.

Amendment to the Agreement for the sale and purchase of the share capital of Orascom Building Materials Holding SAE reached between Lafarge and Orascom Construction Industries SAE on December 9, 2007

At its meeting on February 18, 2010, the Board of Directors authorized the signature of this amendment dated February 22, 2010.

Under the agreement dated December 9, 2007, your company acquired 50% of a joint venture in Saudi Arabia (Alsafwa Cement Company). The agreement also stipulated that Orascom Construction Industries SAE would transfer various licenses and authorizations, as well as shares and rights on land and tangible assets, as required for the company's activity, to the company. Your company also benefited from a guarantee, pursuant to which a claim has been filed.

The purpose of the amendment, dated February 22, 2010, is (i) to set the general framework for the steps that your company has to implement to further develop the company and (ii) stipulates that these steps will be implemented without prejudice to the rights and claims of each party to the Agreement, which are preserved and maintained.

Neuilly-sur-Seine and Paris-La Défense, March 16, 2012

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES		ERNST & YOUNG Audit	
Arnaud de Planta	Frédéric Gourd	Christian Mouillon	Nicolas Macé

Cross-reference tables

EC Regulation 809/2004 Cross-reference table

In order to facilitate the reading of the present document as the form of the Registration Document, the cross-reference table below is used to identify the corresponding Sections.

	Items of Annex I to EC Regulation 809/2004		Location in this Report		Page
11	**RESEARCH & DEVELOPMENT, PATENTS AND LICENCES**		3.3	Innovation	**29**
12	**TREND INFORMATION**		4.1.2	Trend information and 2012 perspectives	**48**
13	**PROFIT FORECASTS OR ESTIMATES**		Not applicable		-
14	**ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT**				
	14.1	Information on the members of administrative and management bodies	5.1.2 5.3	Information on Directors Executive Officers	70 94
	14.2	Conflicts of interests	5.1.3 5.3	Independent Directors – Parity within the Board Executive Officers	83 94
15	**REMUNERATION AND BENEFITS**				
	15.1	Remuneration and benefits granted	5.4 Note 31	Compensation and benefits (Employees' costs and Directors' and Executive Officers' compensation for services)	95 F67
	15.2	Retirement plans	5.4 Note 31	Compensation and benefits (Employees' costs and Directors' and Executive Officers' compensation for services)	95 F67
16	**BOARD PRACTICES**				
	16.1	Term of office of the Directors	5.1.2	Information on Directors	70
	16.2	Service contracts providing for the grant of future benefits	5.1.3	Independent Directors – Parity within the Board	83
	16.3	The Committees	5.2.2	Board of Directors' Committees	87
	16.4	Declaration in terms of corporate governance	Declaration in terms of corporate governance - Governance Code of reference		68
			5.7	Implementation of the Principle « Comply or explain » of the Afep-Medef Code	106
17	**EMPLOYEES**				
	17.1	Number of employees	7.3.1	Headcount	119
	17.2	Shareholdings and stock-options	5.5.2 5.5.3 5.6.1	Stock-option plans Performance share plans Directors, Chairman and Chief Executive Officer and Executive Officers share ownership	101 104 106
			5.5	Long-term incentives (stock-options and performance shares plans)	99
	17.3	Employees' share ownership in the issuer's capital	6.4	Employee share ownership	111
18	**MAJOR SHAREHOLDERS**				
	18.1	Share capital distribution	6.1 6.3	Major shareholders and share capital distribution Threshold notifications imposed by law and declarations of intent	108 110
	18.2	Voting rights	6.1 8.5.3	Major shareholders and share capital distribution Rights, preferences and restrictions attached to shares	108 149
			6.2	Shareholders' agreement with the Sawiris family and NNS Holding Sàrl	109
	18.3	Information on the control of share capital	6.3	Threshold notifications imposed by law and declarations of intent	110
	18.4	Change of control	8.6	Change of control	151

	Items of Annex I to EC Regulation 809/2004		Location in this Report		Page
19	**RELATED PARTY TRANSACTIONS**		Note 30	(Related parties)	**F67**
20	**FINANCIAL INFORMATION**				
	20.1	Historical financial information	Consolidated financial statements		F4
	20.2	Pro forma financial information	Not applicable		-
	20.3	Financial statements	Consolidated financial statements		F4
	20.4	Auditing of historical annual financial information	Consolidated financial statements - statutory auditors' report		F3
	20.5	Age of latest financial information	Consolidated financial statements		F4
	20.6	Interim and other financial information	Not applicable		-
	20.7	Dividend policy	Note 20	(Equity)	F41
	20.8	Legal and arbitration proceedings	Note 29	(Legal and arbitration proceedings)	F65
	20.9	Significant change in the issuer's financial or trading position	Note 34	(Events after the reporting Period)	F69
21	**ADDITIONAL INFORMATION**				
	21.1	Share capital			
		■ Share capital	8.1	Share capital	144
		■ Securities not representing capital	8.3	Securities non representative of share capital - Bonds	146
		■ Shares owned by the Company	8.2	Shares owned by the Company	145
		■ History of the capital	8.1	Share capital	144
	21.2	Memorandum and articles of association	8.5	Articles of Association *(statuts)*	148
		■ Corporate purpose	8.5.1	Corporate purpose	148
		■ Statutory provisions or other with respect to the members of administrative and management bodies	8.5.2	Board of Directors	148
		■ Rights, preferences and restrictions attached to the shares	8.5.3	Rights, preferences and restrictions attached to the shares	149
		■ Changes to shareholder rights	8.5.4	Changes to Shareholder' rights	150
		■ Convocation and admission to the Shareholders' General Meetings	8.5.5	Convocation and admission to the Shareholders' General Meetings	150
		■ Change of control	8.6	Change of control	151
		■ The crossing of thresholds	8.5.6	Disclosure of holdings exceeding certain thresholds	150
22	**MATERIAL CONTRACTS**		8.7	Material contracts	**151**
23	**THIRD-PARTY INFORMATION, AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**		Not applicable		**-**
24	**DOCUMENTS ON DISPLAY**		8.8	Documents on display	**152**
25	**INFORMATION ON HOLDINGS**		3.5	Intra-group Relationships	**44**

Annual financial report cross-reference table

The table below identifies the sections of the Annual financial report (Article 451-1-2 of the Monetary and Financial Code and article 222-3 of the General Regulations of the AMF) incorporated in the present Registration Document.

Item	Section of this report or Page
Lafarge S.A. statutory accounts	F74 - F92
Consolidated financial statements	F4 - F72
Management report (see cross-reference table below)	N/A
Certification	165
Statutory auditors' report on Lafarge S.A. financial statements	F73
Statutory auditors' report on the consolidated financial statements	F3
Auditors' fees and services	10.2
Report of the Chairman of the Board on internal control procedures and on corporate governance (article L.225-37 of the French Commercial Code)	Preamble to Chapter 5 2.2, 5.1, 5.2, 5.4, 5.7, 8.5.5, 9.1
Statutory auditors' report on the Chairman's report (article L.225-235 of the French Commercial Code)	9.2

Management report cross-reference table

This Registration Document contains all the items of the Management report in accordance with the provisions of the French Commercial Code.

Item	Section of this report or Page
Activity and financial situation	1, 3.2, 3.4, 4.3, 4.4, F74
Recent events, trend information and perspectives	4.1
Research and Development	3.3
Principal risks, risk management and coverage (including use of derivative instruments)	2, Note 26 (Consolidated financial statements)
Social and environmental data	7
Corporate officers (mandataires sociaux) and Executive Officers (appointments, compensation, transactions on shares)	5
Share capital and employee share ownership	8.1, 6
Treasury shares	8.2
Elements that could have an incidence in the event of a tender offer	8.6
Subsidiaries and affiliates	3.5, Note 35 (Consolidated financial statements)
Authorizations granted by the General Meeting	8.4
Table of the financial income during the last five years	F93
Additional information (accounting policies, dividends, settlement periods)	4.2, F74, Note 21 (Statutory accounts)

Incorporation by reference

In accordance with article 28 of Commission rule (EC) n° 809/2004, the following information has been incorporated by reference in this Registration Document:

- section 3.2 (Our businesses) pages 25 to 37, chapter 4 (Operating and financial review and prospects) pages 44 to 64, as well as the statutory and consolidated financial statements for the financial year ending December 31, 2010, including the notes to the financial statements and the reports of the statutory auditors, set out on pages F3 to F73 and F75 to F92 of the 2010 Registration Document filed with the Autorité des marchés financiers on March 22, 2011 under number D.11.0163;
- section 3.3 (Business Description) pages 26 to 37, chapter 4 (Operating and financial review and prospects) pages 50 to 88 as well as the statutory and consolidated financial statements for the financial year ending December 31, 2009, including the notes to the financial statements and the reports of the statutory auditors, set out on pages F3 to F79 and F81 to F99 of the 2009 Registration Document filed with the Autorité des marchés financiers on March 10, 2010 under number D.10.0104.

The sections of the Registration Document 2010 and 2009 which have not been incorporated by reference are either not significant for the investor or already covered in another section of the present Registration Document.

Glossary

In this document, the following terms have the meanings indicated below:

"DIVISIONS": the organizations by activity that are being replaced in 2012 by a country-based organization.

"REGISTRATION DOCUMENT" or "ANNUAL REPORT": the present document which is a free translation of the Document de Référence filed with the Autorité des marchés financiers of France.

"GROUP" or **"LAFARGE"**: Lafarge S.A. and its consolidated subsidiaries.

"COMPANY" or **"LAFARGE S.A."**: our parent company Lafarge S.A., a *société anonyme* organized under French law.

"BUSINESS UNIT": a management organization in one designated geographic area, generally one country.

"EMERGING MARKETS or COUNTRIES": all markets or countries outside Western Europe and North America, except Japan, Australia and New Zealand.

"EXCELLENCE" program: detailed strategic plan of the Group, which includes in particular a cost reduction program.

"PRINCIPLES OF ACTION": means the Group's Principles of Action, which set out the Group's commitments to customers, employees, local community institutions and shareholders, and explain the "Lafarge Way", *i.e.* the Group's management philosophy.

"Tonne" or **"TONS"**: always refer all to metric tons

"Dollars" or **"US dollars"**: unless otherwise specified, dollars of the United States of America.

"Pure Aggregates": core aggregates activities such as crushed stone, gravel and sand.

GRI: Global Reporting Initiative.

WBCSD - CSI: World Business Council for Sustainable Development - Cement Sustainability Initiative.

KPI: Key Performance Indicators.

"Corporate Officer": under French law, the Chairman and Chief Executive Officer and the Board of Directors members are the "Corporate Officers" of Lafarge S.A.

NB. Due to rounding of amounts and percentages, the addition of data in text or charts may not be totally consistent. Indeed, totals include decimals.

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