

Paris, February 18, 2011

Euronext Paris: LG

## RESULTS AS OF DECEMBER 31, 2010

### VOLUMES RETURN TO GROWTH IN THE FOURTH QUARTER

### GROUP POSITIONED FOR 2011 EARNINGS GROWTH AND SUBSTANTIAL DELEVERAGING

#### FOURTH-QUARTER KEY FIGURES

<ul style="list-style-type: none"> <li>▪ Sales up 9% to €3,959m</li> <li>▪ Current operating income up 7% to €530m</li> </ul>	<ul style="list-style-type: none"> <li>▪ Net income Group share increased to €62m</li> <li>▪ Net earnings per share increased to €0.22</li> </ul>
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#### YEAR-TO-DATE KEY FIGURES

<ul style="list-style-type: none"> <li>▪ Sales up 2% to €16,169m</li> <li>▪ Current operating income down 1% to €2,441m</li> </ul>	<ul style="list-style-type: none"> <li>▪ Net income Group share increased 12% to €827m</li> <li>▪ Net earnings per share increased to €2.89</li> <li>▪ Dividend of €1 per share, subject to AGM approval</li> </ul>
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#### GROUP HIGHLIGHTS

- Sales increased for the full year and quarter, helped by improved cement and aggregates volume trends, favorable foreign exchange, and new capacities in Brazil.
- Structural cost savings exceeded target, reaching €220 million for the year, of which €50 million in the fourth quarter.
- Current operating income slightly down for the year but rose for the quarter as higher sales volumes, favorable foreign exchange and cost cutting offset higher energy costs.
- Secured over €500m of divestments, meeting target for the year.
- Significant cash flow generation in 2010 helped by strong results on working capital.
- Strong cash and liquidity position maintained.
- Lower cost base, new capacities, and actions to mitigate higher cost inflation are in place to drive earnings growth in 2011 as volumes recover.

#### BRUNO LAFONT, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF LAFARGE, SAID:

"While 2010 was a tough year for the cement sector as a whole, I am encouraged by the return to cement volume growth in the fourth quarter and the successful cash generation accomplishments of our operating teams in the last two years. The steps we have taken in 2010, ranging from structural cost savings to strategic investments in growing markets such as Brazil, will provide the foundation for further improvement and growth as we enter 2011. It will also allow the Group to accelerate deleveraging and reduce its debt by at least two billion euro in 2011. We will get the full benefits from volume growth thanks to our new cement capacities and the overall quality and strength of our portfolio of assets."



## OUTLOOK

The Group estimates cement demand in its markets to grow between 3 to 6 percent in 2011 versus 2010. Emerging markets continue to be the main driver of demand and Lafarge benefits from its well balanced geographic spread of high quality assets. For developed markets, the Group expects that demand will continue to slowly recover.

Overall pricing is expected to move higher for the year, although levels of pricing movements will vary by market.

## CONSOLIDATED ACCOUNTS

The Board of Directors of Lafarge, chaired by Bruno Lafont, met on February 17, 2011 and approved the accounts for the period ended December 31, 2010. The statutory auditors have completed their audit on the consolidated financial statements. Their report is in the process of being issued.

(€m)	FOURTH QUARTER				FULL YEAR			
	2009	2010	Variation		2009	2010	Variation	
			Gross	Like for like			Gross	Like for like
Sales	3,641	3,959	9%	0%	15,884	16,169	2%	-3%
Current operating income	494	530	7%	-4%	2,477	2,441	-1%	-8%
Operating margin (%)	13.6%	13.4%	-20bps		15.6%	15.1%	-50bps	
Net income Group share	(38)	62	na		736	827	12%	
Earnings per share (€) <sup>(1)</sup>	€(0.13)	€0.22	na		€2.77	€2.89	4%	
Free cash flow <sup>(2)</sup>	1,123	848	-24%		2,834	2,151	-24%	
Group net debt					13,795	13,993	1%	

<sup>(1)</sup>Basic average number of shares increased in April 2009 due to the rights issue completed by the Group. Basic average number of shares outstanding of 265.5m at end of December 2009 compared to 286.1m at the end of December 2010.

<sup>(2)</sup>Free cash flow for the full year excludes the €338m one-time payment for the Gypsum competition fine paid in the third quarter 2010.



## CURRENT OPERATING INCOME

(€m)	FOURTH QUARTER			FULL YEAR		
	2009	2010	Variation	2009	2010	Variation
Cement	507	503	-1%	2,343	2,230	-5%
Aggregates & Concrete	46	53	15%	193	216	12%
Gypsum	(4)	10		38	58	53%
Other	(55)	(36)		(97)	(63)	
<b>TOTAL</b>	<b>494</b>	<b>530</b>	<b>7%</b>	<b>2,477</b>	<b>2,441</b>	<b>-1%</b>

## HIGHLIGHTS BY BUSINESS

### CEMENT

- Sales were up 10% in the quarter and up 2% for the year, reflecting the impact of recovering volumes and foreign exchange.
- Volumes increased 2% in the quarter and were down 4% year-to-date, with volume growth in North America and Latin America helping to partially offset declines in other regions.
- Pricing remained resilient in the face of difficult market conditions.
- Costs in the fourth quarter benefited from the reversal of a regulatory fee on past purchases of raw materials in Egypt.
- Cost reduction program strongly benefited all regions.
- Current operating income down 1% in the quarter and down 5% year-to-date due to the inflationary impact of energy and other costs.

### AGGREGATES & CONCRETE

- Sales moved up 7% in the quarter and up 1% for the year due to volume growth for aggregates, slower rates of volume decline in the ready mix concrete business, and favorable foreign exchange.
- Operating income margins improved both year-to-date and in the quarter.
- Current operating income grew 15% in the quarter and 12% year-to-date, reflecting the impact of improved sales, favorable foreign exchange, and strong cost reduction measures.

### GYPSUM

- Sales were up 10% in the quarter and up 6% year-to-date as volume growth compensated for lower pricing.
- Current operating income was higher for the quarter and year-to-date as market activity improved.

## INVESTMENTS, DIVESTMENTS AND LIQUIDITY

- Investments totaled €1.4 billion for 2010, compared to €1.7 billion in 2009.
  - Sustaining capital expenditures decreased by 3% to €359 million in 2010.
  - Internal development capital expenditures were down 23% to €950 million in 2010.
  - Acquisitions were €84 million in 2010, down from last year.
- Lafarge received €364 million in cash for divestments in 2010 of the €550 million secured as of year-end.
- As of December 31, 2010, the Group had €3.8 billion in committed credit lines with an average maturity of around 3 years in addition to €3.3 billion of cash on hand. There are no financial covenants on debt at the Lafarge SA level.



## ADDITIONAL INFORMATION

### **Practical information:**

The press conference will be hosted by Bruno Lafont, Chairman and CEO and Jean-Jacques Gauthier, Chief Financial Officer.

### **Analyst meeting**

There will be an **analyst presentation at 9:00 CET** at the Pavillon Gabriel, 5 avenue Gabriel, 75008 Paris. The presentation will be made in English with simultaneous French translation based on slides that can be downloaded from the Lafarge website ([www.lafarge.com](http://www.lafarge.com)).

The presentation may be followed via a live web cast on the Lafarge website as well as via teleconference:

- Dial in (France): +33 (0)1 70 99 42 84
- Dial in (UK or International): +44 (0)20 7138 0829
- Dial in (US): +1 718 354 1152

Please note that in addition to the web cast replay, a conference call playback will be available until the 25<sup>th</sup> of February 2011 midnight at the following numbers:

- France playback number: +33 (0) 174 20 28 00 (pin code: 7205274#)
- UK or International playback number: +44 7111 1244 (pin code: 2453523#)
- US playback number: +1 347 366 9565 (code: 2453523#)

### **Press conference**

A **press conference will be held at 11:00 AM CET** at the Pavillon Gabriel, 5 avenue Gabriel, 75008 Paris.

The presentation will be made in French with simultaneous English translation, available on-site or by phone:

- From France: +33 (1) 70 99 42 99
- From UK: +44 (0) 20 7806 1968

In addition, a conference call playback will be available until the 25<sup>th</sup> of February 2011 midnight:

- France playback number: +33 (0)1 74 20 28 00 (pin code: 1416863#)
- UK playback number: +44 (0)20 7111 1244 (pin code: 2262241#)

**Lafarge's next financial publication – 1<sup>st</sup> Quarter 2011 results – will be on May 5, 2011 (before the Euronext stock market opens).**

## NOTES TO EDITORS

**Lafarge** is the world leader in building materials, with top-ranking positions in all of its businesses: Cement, Aggregates & Concrete and Gypsum. With 76,000 employees in 78 countries, Lafarge posted sales of Euros 16.2 billion in 2010.

Lafarge was ranked 6<sup>th</sup> in the "Carbon Disclosure Project" and entered the global "Dow Jones Sustainability Index" in 2010 in recognition of its sustainable development actions. With the world's leading building materials research facility, Lafarge places innovation at the heart of its priorities, working for sustainable construction and architectural creativity.

Additional information is available on the web site at [www.lafarge.com](http://www.lafarge.com)

*This release may contain forward-looking statements. Such forward-looking statements do not constitute forecasts regarding the Company's results or any other performance indicator, but rather trends or targets, as the case may be. These statements are by their nature subject to risks and uncertainties as described in the Company's annual report available on its Internet website ([www.lafarge.com](http://www.lafarge.com)). These statements do not reflect future performance of the Company, which may materially differ. The Company does not undertake to provide updates of these statements.*

*More comprehensive information about Lafarge may be obtained on its Internet website ([www.lafarge.com](http://www.lafarge.com)), under Regulated Information.*

*This document does not constitute an offer to sell, or a solicitation of an offer to buy Lafarge shares.*

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