

ANNUAL

REPORT

REGISTRATION DOCUMENT

2010



bringing materials to *life*™

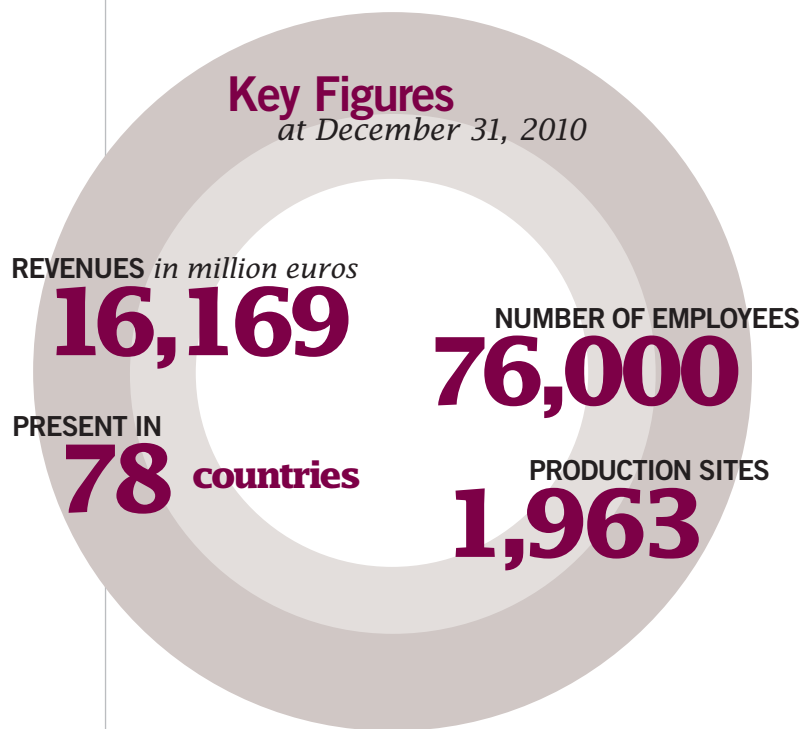
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Lafarge

World leader in building materials, Lafarge holds top-ranking positions in each of its business lines. With a diversified and balanced geographic portfolio and 76,000 employees in 78 countries, Lafarge is at the heart of global growth supporting developing economies and responding to the tremendous need for housing and infrastructure in emerging countries.



in an environment that proved to be challenging for the building materials sector, Lafarge teams focused on reinforcing the solidity of the Group.

We continued to implement our capacity increase program in emerging countries with 12 million tonnes started up in Africa, Middle East and Asia.

We also pursued our non-strategic assets divestment program, securing 550 million euros of disposals during the year, exceeding the original target of 500 million euros. Meanwhile, we managed to strengthen our asset base in some growing markets, such as Central Europe and Brazil, through no cash operations such as partnerships and asset swap.

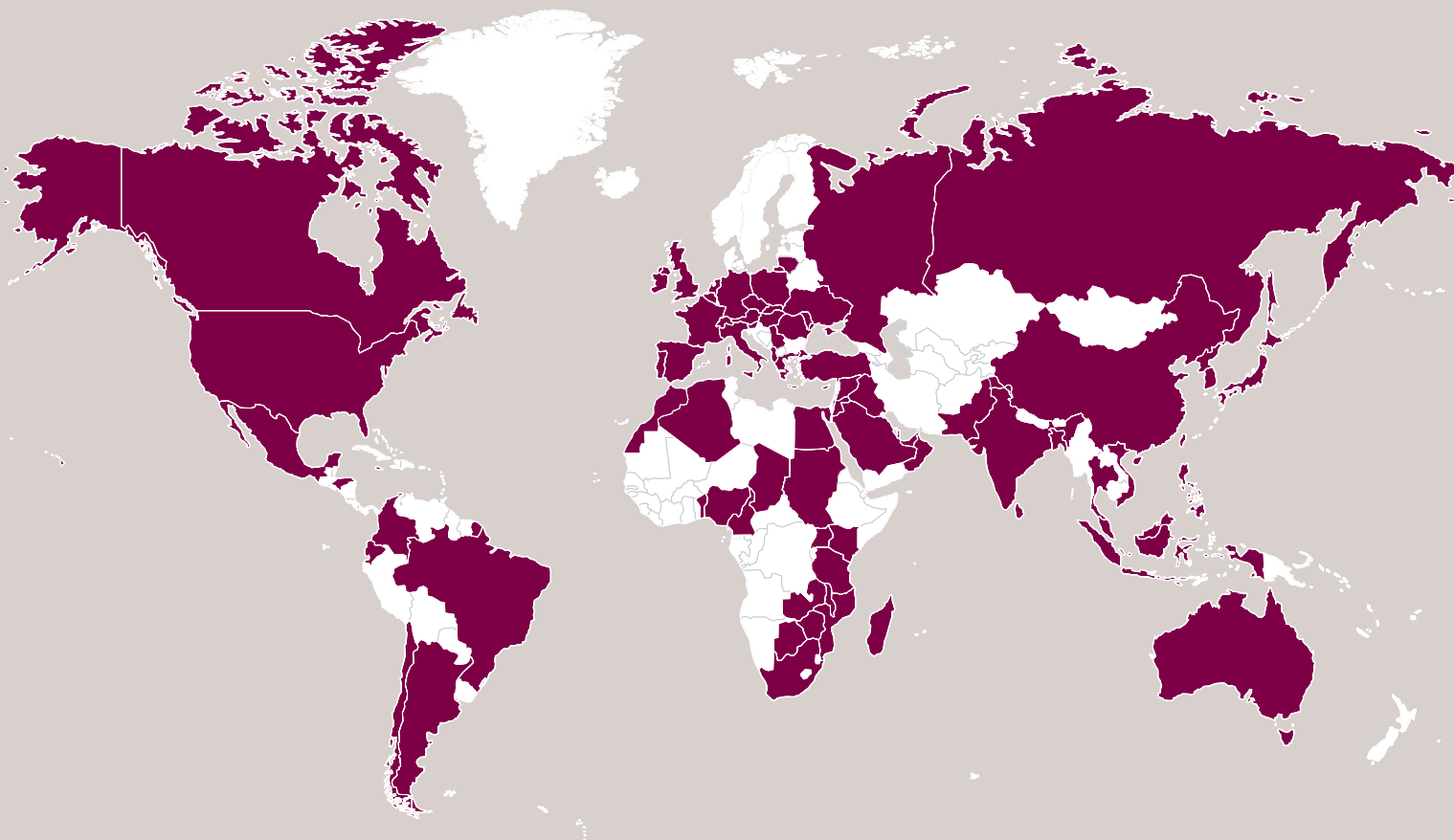
Finally, we proved our ability to reduce our costs and limit our investments.

The steps that we took in 2010 favorably position the Group to benefit from growth in 2011.

We also remained focused on our safety and performance objectives. We were ranked sixth in the “Carbon Disclosure Project” and entered the global “Dow Jones Sustainability” in 2010 in recognition of our sustainable development action.

With first signs of recovery materializing at the end of the year, we enter 2011 with more optimism. For the first time since 2008, volumes increased in the last quarter of 2010, providing a strong indication for our business.

Lafarge | Worldwide

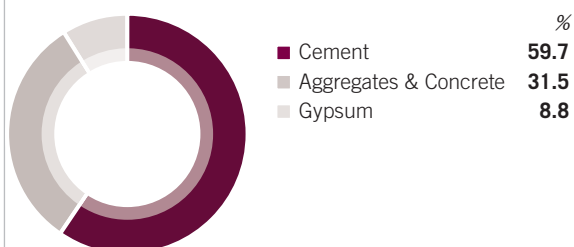


World map of Lafarge's presence as at December 31, 2010 (plants and sales offices).

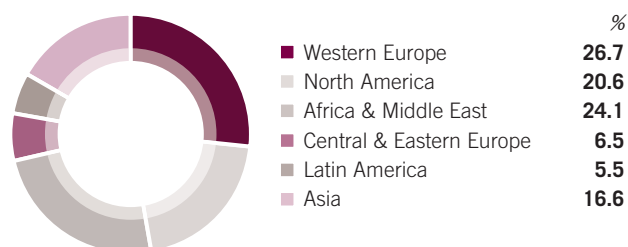
Key figures | by Division and Geographic Area

Employee, site and country information includes 100% of fully or proportionally consolidated companies and excludes associates at December 31, 2010.

GROUP REVENUES BY DIVISION



GROUP REVENUES BY GEOGRAPHIC AREA



GROUP PROFILE

Cement | World Leader

REVENUES *in million euros*

9,656

NUMBER OF PLANTS

168

NUMBER OF EMPLOYEES

44,253

PRESENT IN

50 countries

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

Aggregates & Concrete | No. 2 & No. 3 Worldwide

REVENUES *in million euros*

5,088

NUMBER OF PLANTS

1,718

NUMBER OF EMPLOYEES

23,438

PRESENT IN

36 countries

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

Gypsum | No. 3 Worldwide

REVENUES *in million euros*

1,422

NUMBER OF PLANTS

77

NUMBER OF EMPLOYEES

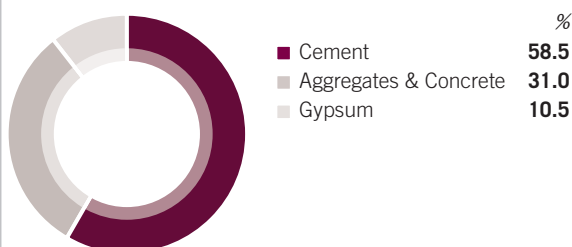
7,986

PRESENT IN

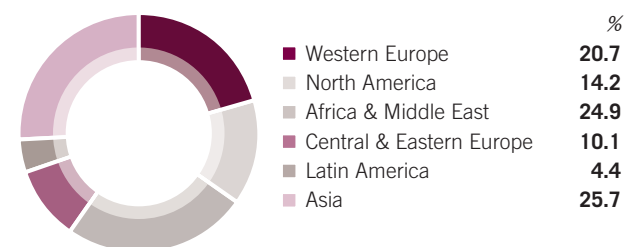
30 countries

Plasterboard systems and gypsum-based interior solutions for new construction and renovation.

GROUP EMPLOYEES BY DIVISION



GROUP EMPLOYEES BY GEOGRAPHIC AREA



Lafarge | In Figures

REVENUES

in million euros

2010		16,169	2% improvement in sales, supported by improved cement and aggregates volume trends, favourable exchange rates and new capacities in Brazil
2009		15,884	
2008		19,033	

EBITDA ⁽¹⁾

in million euros

2010		3,614	Stable EBITDA, as strict cost control and exchange rates mitigated the impact of higher production costs
2009		3,600	
2008		4,618	

OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER ⁽¹⁾

in million euros

2010		2,441	Resilient Group operating margin, amounts to 15.1% for the year
2009		2,477	
2008		3,542	

FREE CASH FLOW ⁽¹⁾

in million euros

2010		2,151⁽²⁾	Solid cash flow generation, supported by reduction in costs and optimization of working capital
2009		2,834	
2008		2,113	

GROUP NET DEBT ⁽¹⁾

in million euros

2010		13,993	Net debt affected by a negative currency impact of 490 million euros and an exceptional payment of 338 million euros
2009		13,795	
2008		16,884	

NET INCOME GROUP SHARE

in million euros

2010		827	12% improvement including the capital gain of 161 million euros on the sale of Cimpor shares
2009		736	
2008		1,598	

NET EARNINGS PER SHARE

in euros

2010		2.89	Net earnings per share increases by 4%
2009		2.77	
2008		7.19 ⁽³⁾	

DIVIDEND PER SHARE

in euros

2010		1.00⁽⁴⁾	A proposed dividend of 1 euro per share
2009		2.00	
2008		2.00	

The selected financial information is derived from our consolidated financial statements for the year ended December 31, 2010.

(1) See section 4.2 (Accounting Policies and Definitions).

(2) Before non-recurring payment in 2010 of the Gypsum competition fine.

(3) 2008 period has been restated further to the April 2009 capital increase since it includes bonus elements for existing shareholders.

(4) Proposed dividend to be decided at the General Meeting of shareholders on May 12, 2011.

Lafarge | Board of Directors



Back row: Michel Bon, Thierry de Rudder, Nassef Sawiris, Jérôme Guiraud, Bertrand Collomb, Juan Gallardo, Gérald Frère, Paul Desmarais, Jr., Colette Lewiner, Pierre de Lafarge. Front row: Philippe Dauman, Oscar Fanjul, Hélène Ploix, Bruno Lafont, Michel Pébereau, Michel Rollier, Véronique Weill. (Absent: Philippe Charrier).

Lafarge | Executive Committee



From left to right: Guillaume Roux, Jean-Carlos Angulo, Jean-Jacques Gauthier, Isidoro Miranda, Eric Olsen, Bruno Lafont, Gérard Kuperfarb, Christian Herrault, Jean Desazars de Montgailhard, Thomas Farell.

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, 2010 in accordance with the International Financial

Reporting Standards ("IFRS") adopted by the European Union at December 31, 2010.

The tables below show selected consolidated financial data under IFRS on and for the years December 31, 2010, 2009, and 2008. 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 on and for the years December 31, 2010 and 2009 appear in part F at the end of this report.

KEY FIGURES FOR THE GROUP

<i>(million euros, unless otherwise indicated)</i>	2010	2009	2008
CONSOLIDATED STATEMENTS OF INCOME			
Revenues	16,169	15,884	19,033
EBITDA ⁽¹⁾	3,614	3,600	4,618
Operating income before capital gains, impairment, restructuring and other	2,441	2,477	3,542
Operating income	2,169	2,250	3,362
Net income	1,114	1,046	1,939
<i>Out of which part attributable to:</i>			
Owners of the parent of the Group	827	736	1,598
Non-controlling interests	287	310	341
Earnings per share - attributable to the owners of the parent company:			
Basic earnings per share <i>(euros)</i>	2.89	2.77	7.19
Diluted earnings per share <i>(euros)</i>	2.89	2.77	7.16
Basic average number of shares outstanding <i>(thousands)</i>	286,087	265,547	222,350

(1) See Section 4.2.4 (Reconciliation of non GAAP financial measures) for the definition of these indicators.

<i>(million euros)</i>	2010	2009	2008
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
ASSETS			
Non-current assets	34,752	32,857	32,928
Current assets	7,742	6,640	7,680
TOTAL ASSETS	42,494	39,497	40,608
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent company	16,144	14,977	12,910
Non-controlling interests	2,080	1,823	1,725
Non-current liabilities	16,765	16,652	17,043
Current liabilities	7,505	6,045	8,930
TOTAL EQUITY AND LIABILITIES	42,494	39,497	40,608

<i>(million euros)</i>	2010	2009	2008
CONSOLIDATED STATEMENTS OF CASH FLOWS			
Net cash provided by operating activities	2,172	3,206	3,001
Net cash used in investing activities	(1,244)	(1,074)	(8,771)
Net cash provided by/(used in) financing activities	38	(1,489)	6,030
Increase in cash and cash equivalents	966	643	260

<i>(million euros, unless otherwise indicated)</i>	2010	2009	8930
ADDITIONAL FINANCIAL INDICATORS ⁽¹⁾			
Free Cash-Flow	2,151 ⁽²⁾	2,834	2,113
Return on capital employed after tax (%)	5.8	6.0	8,8
Group Net Debt	13,993	13,795	16,884

(1) See Section 4.2.4 (Reconciliation of non GAAP financial measures) for the definition of these indicators.
 (2) Excluding the 338 million euros one-time payment for the Gypsum competition fine.

<i>(euros, unless otherwise indicated)</i>	2010 ⁽¹⁾	2009	2008
DIVIDENDS			
Total dividend <i>(million euros)</i>	288 ⁽³⁾	575	393
Basic dividend per share	1.00	2.00	2.00
Loyalty dividend per share ⁽²⁾	1.10	2.20	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 286,090,221 shares eligible for dividends.

1

SELECTED FINANCIAL DATA

2 RISK FACTORS

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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 our 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 Annual Report. 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 cyclicity 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.

Emerging markets

Approximately 50% of our revenues are derived from emerging markets, defined as countries outside Western Europe and North America other than Japan, Australia and New Zealand. In 2008, before the impact of the economic crisis in the developed markets, emerging markets represented approximately

60% of the Group's Current Operating Income. Our growth strategy focuses on development opportunities in emerging markets, and we expect that an increasing portion of our total revenues and earnings will continue to flow from these markets.

Our increased presence in emerging markets exposes us to risks such as gross domestic product 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. 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.

See Section 2.2.2 (Management of the Group's assets portfolio) page 19 and Section 3.3.2 (Recent acquisitions, partnerships, and divestitures) on page 38 for an example related to the nationalization of our activity in Venezuela and Note 34 (Subsequent events) page F69 to illustrate a country risk.

Climate and natural disasters

Our presence in 78 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. We have put in place a specific process relating to natural events to identify the sites most at risk and classify potential losses depending on their financial impact by event, country or financial year as well as the probability of occurrence. The current outcome of this process 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, Jordan, Morocco, the Philippines and Syria. These countries represent approximately 18% 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 19 and Section 2.3 (Insurance and risk coverage) on page 22 for more information on risk management by the Group.

Seasonality and weather

Construction activity, and thus demand for our products, decreases during periods of 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 similar 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 market, this has had, and may continue to have, a negative impact on product demand as well as our business and operational results.

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 3.1 (Our Strategy) on page 24 and 4.1.2 (Trend information and 2011 perspectives on page 44). We estimate that cement demand in our markets will grow between 3% to 6% in 2011 versus 2010. 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. For developed markets, the Group expects that demand will continue to slowly recover. Overall

pricing is expected to increase over the year, although levels of pricing movements will vary by market.

We estimate that the measures we have taken, notably since the end of 2008, ranging from structural cost savings, selected disposals, or optimisation of our working capital to strategic investments in growing markets such as Brazil, will provide the foundation for earnings growth in 2011, as volumes recover.

However, if economic conditions worsen or market recovery is postponed or slower than expected, it might continue to negatively affect our business operations and financial results.

c) Energy costs

Our operations consume significant amounts of energy (electricity, coal, petcoke, natural gas, fuel, diesel) the cost of which can fluctuate significantly in many parts of the world. The price of energy has varied significantly in the past several years, and may vary significantly in the future, largely as a result of market conditions and other factors beyond our control.

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 result 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 fuels price increases.

While these measures are useful, they may not fully protect us from exposure to energy price volatility. As a result, in spite of these

measures, 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 15 and 3.2 (Our businesses) on page 25 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.

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.

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 Section 3.2 (Our Businesses) on page 25 and Section 2.2.2 (Risk management systems) on page 19 for more information on how the Group manages this risk.

e) Competition - Competition Law Investigations

Each of our three Divisions operates in markets where competition is strong. 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. The factors affecting our competitive environment include barriers to entering our markets (including investment costs and local regulations), price adjustments to the cost variation, the financial strength of competitors and proximity to natural resources.

Given the worldwide presence of our three Divisions 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 investigations, 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 3.2 (Our Businesses) on page 25 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. See Section 2.2.2 (Risk management systems) on page 19 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, plasterboard, 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 under discussion at the federal level, but stricter limits 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 Oxide (SO₂) and Nitrogen Oxide (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 7.3 (Environment) on page 144 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 19 for more information on how the Group manages these risks.

See also Notes 2.3 (Use of estimates and judgments) on page F11 and 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 19 for more information on how the Group manages these risks and Note 22 (taxes) to the consolidated financial statements on page F45.

Acquisition-related accounting issues

As a result of significant acquisitions, many of our tangible and intangible assets are recorded in our consolidated balance sheet at amounts based on their fair value as of the acquisition date. We have also recorded significant goodwill (we had 14.3 billion euros of goodwill on our consolidated balance sheet as of December 31, 2010).

In accordance with IFRS, we are required to test long-lived assets, including goodwill, for impairment, as described in Note 2.12 (Impairment of long-lived 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. 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.

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 inability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively.

See Section 3.3.3 (Organizational Structure) on page 39 for further information on our relationship with minority shareholders within our subsidiaries and Section 2.2.2 (Risk management systems) on page 19 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, 2010, our net debt (which includes put options on shares of subsidiaries and derivative instruments) amounted to 13,993 million euros, and our gross debt amounted to 17,421 million euros. 3,268 million euros of our gross debt as of December 31, 2010 was due in one year or less. As part of our strict financial policies, we are implementing actions to manage our debt and improve our financial structure. 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 2010, these agreements represented approximately 8% 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 default and accelerate 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 specific to us, or due to a prolonged cyclical downturn in the construction sector. On the filing date of this Annual Report, our long-term corporate credit rating is Baa3 (negative outlook) according to the rating agency Moody's. It is BB+ (stable outlook) according to Standard & Poor's Rating Services, further to a downgrading on March 17, 2011. The impact of such downgrading will be an increase in our interests costs by approximately 20 million euros in 2011 on the basis of our existing debt at December 31, 2010. This impact would reach 65 million euros on a full-year basis starting from 2012 if our rating is maintained.

Any new decline in our ratings below these levels 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 61 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 61 and Note 26 (g) 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 significantly higher than currently estimated amounts. If so, these funding requirements could have a material adverse effect on our business, financial condition, results of operations or prospects.

See Section 4.2 (Accounting policies and definitions) on page 45 and Note 23 (Pension plans, end of service benefits and other post retirement 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 19 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.

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 operating currencies.

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 for managing the foreign exchange positions arising as a result of commercial and financial transactions performed in currencies other than its domestic currency. Exposures are centralized and hedged with the corporate Treasury department using foreign currency derivative instruments when local regulations allow it. Otherwise, our exposures are hedged with local banks. The corporate Treasury department covers its position in the market, and attempts to reduce our overall exposure by netting purchases and sales in each currency on a global basis, where feasible.

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 cash surpluses are invested, wherever possible, in US dollars or in euros. A major 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 financial statements are presented in euros. Therefore, when we prepare the Group's financial statements, we must 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 systems) on page 19.

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 2010, we generated approximately 78% of our sales in currencies other than the euro, with approximately 23% 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 365 million euros.

In addition, on December 31, 2010, before currency swaps, 18% of our total debt was denominated in US dollars and 9% in British pounds. After taking into account the swaps, our US dollar denominated debt amounted to 24% 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 +/- 229 million euros on our debt exposed to these two foreign currencies as of December 31, 2010.

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, 2010

(million euros)	2011	2012	2013	2014	2015	> 5 YEARS	TOTAL	FAIR VALUE
DEBT IN FOREIGN CURRENCIES*								
US dollar	875	121	435	31	458	1,147	3,067	3,137
British pound	81	646	178	-	-	639	1,544	1,652
Other currencies	855	208	218	148	68	69	1,566	1,559
TOTAL	1,811	975	831	179	526	1,855	6,177	6,348
FOREIGN EXCHANGE DERIVATIVES**								
Forward contract purchases and currency swaps								
US dollar	600	-	-	-	-	-	600	(8)
British pound	888	-	-	-	-	-	888	(15)
Other currencies	307	-	-	-	-	-	307	5
TOTAL	1,795	-	-	-	-	-	1,795	(18)
Forward contract sales and currency swaps								
US dollar	1,480	23	23	-	-	-	1,526	20
British pound	62	-	-	-	-	-	62	1
Other currencies	334	-	-	-	-	-	334	(6)
TOTAL	1,876	23	23	-	-	-	1,922	15

* 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, 2010, a +/-5% shift in exchange rates would have an estimated maximum impact of respectively +/-1 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 systems) on page 19.

INTEREST RATE SENSITIVITY

Before taking into account interest rate swaps, on December 31, 2010, 74% of our total debt carried a fixed rate. After taking into account these swaps, the portion of fixed-rate debt amounted to 66%.

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 2010 pre-tax consolidated income of +/-24 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, 2010

(million euros)	AVERAGE RATE (%)	2011 H1	2011 H2	2012	2013	2014	2015	> 5 YEARS	TOTAL	FAIR VALUE
DEBT ⁽¹⁾										
Long-term debt ⁽²⁾	5.5	913	1,031	1,831	1,579	2,090	1,807	6,726	15,977	16,428
Fixed-rate portion	6.1	806	488	731	935	1,711	1,271	6,616	12,558	13,019
Floating-rate portion	3.3	107	543	1,100	644	379	536	110	3,419	3,409
Short-term debt	3.7	965	71						1,036	1,036
INTEREST-RATE DERIVATIVES ⁽³⁾										
Pay Fixed										
Euro	4.5	-	-	70	58	42	-	-	170	(11)
Other currencies	5.4	48	72	31	71	108	7	-	337	(35)
Pay Floating										
Euro	1.2	-	-	1,200	300	-	-	-	1,500	3
Other currencies	1.5	-	-	-	75	232	-	-	307	6
Other interest-rate derivatives										
Euro	-	-	-	-	-	-	-	-	-	-
Other currencies	2.0	-	218	20	331	-	-	-	569	(38)

(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, 2010, a +/-100 basis point shift in yield curves would have an estimated maximum impact of respectively +/-12 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 +/- 2 million euros in income. Fair values are calculated with internal models that rely on observable market data (currency rate 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, 2010, a +/-20% change in the commodity indexes against which Lafarge is hedged, *i.e.* mainly 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...).

See Note 26 (e) 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 we have no material concentration of risk with any counterparty. We do not anticipate any third-party default that might have a significant impact on our financial condition and operational results.

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 Sections 2.3 (Insurance and risk coverage) on page 22.

Listed shares risk

QUOTED EQUITY

After to the disposal of all of our investment in Cimentos de Portugal (Cimpor) 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 Note 3 (Significant events) to our consolidated financial statements on page F23 and Section 3.3.2 (Recent acquisitions, partnerships and divestitures) on page 38 for further details on the disposal of our participation in Cimpor in February 2010.

TREASURY SHARES

On December 31, 2010 the Group held 363,558 treasury shares. These shares are assigned to cover stock-option or performance shares grants. The risk exposure regarding our self-owned shares considered not significant by the Group.

2.2 Risk management

In order to ensure the sustainability of its business development and to meet the targets defined by its Executive Committee, 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 follow-up of the main risks

selected by the Group Executive Committee on the basis of the Group risk mapping, which was updated in 2009, has been conducted in 2010 and submitted to the Audit Committee. An in-depth analysis has been performed on the main risk areas identified and action plans have been developed and are progressively implemented.

As part of the Group's management cycle, strategic reviews of all Group operational units are conducted periodically by the heads of the operational 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 (business unit, Division, Group), the different factors in the management cycle, and key principles for improving performance.

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 operational 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 of these rules have been gradually gathered 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, which was initiated in 2008, was largely completed in 2009. This training programme, which is based on concrete case studies drawn from business examples, was reviewed by Transparency International and the International Chamber of Commerce in 2008, as well as a complete presentation to the Group Stakeholders' Panel. The Group continued in 2010 the roll-out of this programme and plans in 2011 to sustain this action by implementing of awareness and 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 (fixed assets, 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 operational 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 operational 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, in 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;

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 & 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.

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 programs to improve its performance in terms

of the health and safety of persons who work on its sites. This is being accomplished by defining and deploying specific rules and standards, as well as through systematic analyses of the causes of serious incidents, and by disseminating information on lessons learned and good practices throughout the sites. All Group operational units have been mobilized to implement these standards, which are gradually reducing accident risks. The main existing standards apply to working at heights, wearing protective equipment, reporting and analyzing incidents and accidents, and overseeing the safety of work outsourced to subcontractors.

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 2010, the Group Competition Team deployed worldwide the new training tool called "operational business cases", which consists of various practical business situations that need to be analysed and resolved from a competition law perspective. "Train the trainers" sessions were held for the local lawyers in each of the regions of the world where Lafarge is present and several workshops were subsequently conducted at the business unit level using this tool. In addition, to the foregoing, several Group guidelines were issued and disseminated worldwide 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 2010.

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. The Group's Executive Committee determines a set of strict policies and procedures to cover these risks and defines 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 2010, the total cost of the Group's insurance programs, including the risks self-insured via the captives, amounted to about 4 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 30,700 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 has been subscribed for this plant in 2010.

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...) 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 captives 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 captives 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.

2

RISK FACTORS

3 INFORMATION ON LAFARGE

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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, ready mix, asphalt, concrete, gypsum wallboard, and related products – 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 aggregates producer, the third largest concrete producer and the third largest gypsum wallboard manufacturer worldwide.

Our reporting currency is the euro (€). In 2010, the Group generated 16,169 million euros in sales, and posted a current operating income (as defined in Section 4.2 (Accounting policies and definitions)) of 2,441 million euros and net income, Group share of 827 million

euros. At year-end 2010, its assets totalled 42,494 million euros and the Group employed approximately 76,000 people in 78 countries.

Lafarge shares have been traded on the Paris Stock Exchange Nyse Euronext 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 market capitalization totalled 13.4 billion euros at December 31, 2010.

3.1 Our strategy

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.

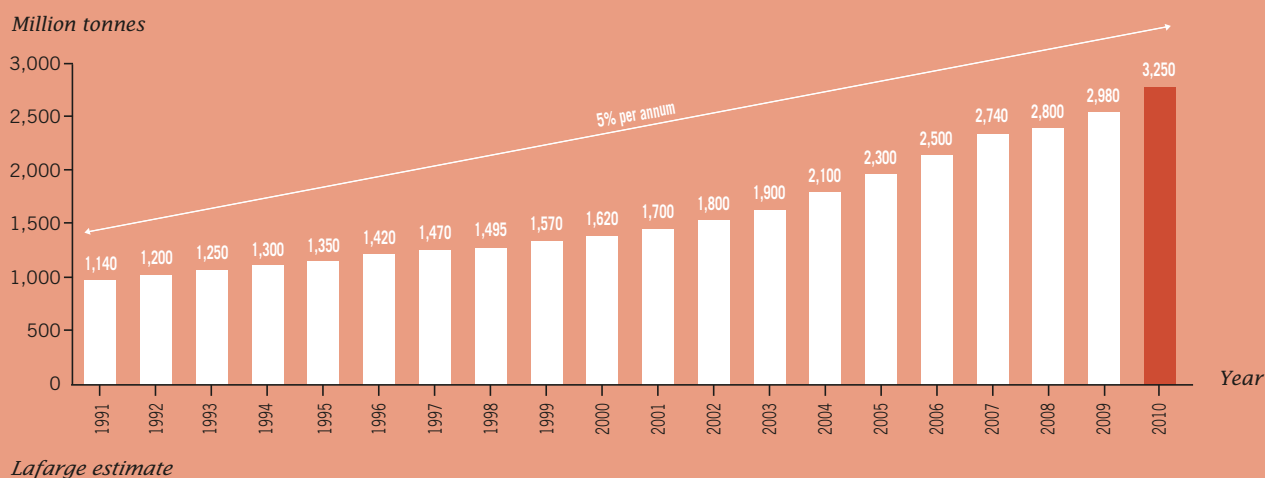
Over the past twenty years, world cement consumption has significantly increased with

an average rate of growth above 5% per year. Despite the economic and financial crisis, global cement demand grew by approximately 9% in 2010, 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 and urbanization drive the needs for housing and infrastructure. Emerging markets account for 74% of Group’s current operating income (77% for the Cement Division) in 2010.

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.

The Group will seize the opportunities to participate in the consolidation of the cement market, including when necessary, by intensification of the aggregates and concrete vertical integration.

EVOLUTION OF THE CEMENT WORLD MARKET





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 and testing 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 CO₂ – 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 2010 (based on our 2007 business scope), we managed to reduce by 36% the number of workplace accidents resulting in sick leave,

demonstrating our commitment to deliver in this area;

See Section 7.1 (Health and Safety) for more information.

- the Group's second operational priority is cost-cutting. This was reflected in the resilience of our operating margin permitted by 220 million euros structural cost savings in 2010, as we continued to optimize our industrial processes and organization;
- 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 Our businesses

Overview

The 2010 contribution to the Group's consolidated sales by Division and by region was as follows compared with 2009:

SALES BY DIVISION*

	2010		2009	
	(million euros)	(%)	(million euros)	(%)
Cement	9,656	59.7	9,477	59.7
Aggregates & Concrete	5,088	31.5	5,064	31.9
Gypsum	1,422	8.8	1,334	8.4
Other	3	NS	9	NS
TOTAL	16,169	100.0	15,884	100.0

* After elimination of inter-Division sales.

SALES BY GEOGRAPHIC AREA*

	2010		2009	
	(million euros)	(%)	(million euros)	(%)
Western Europe	4,313	26.7	4,657	29.3
North America	3,336	20.6	3,028	19.1
Middle East & Africa	3,903	24.1	4,018	25.3
Central & Eastern Europe	1,043	6.5	1,053	6.6
Latin America	894	5.5	791	5.0
Asia	2,680	16.6	2,337	14.7
TOTAL	16,169	100.0	15,884	100.0

* By destination.

For each of the three Divisions, the following schedule presents the contribution made to current operating income in years ending December 31, 2010 and 2009:

CONTRIBUTION TO GROUP'S CURRENT OPERATING INCOME*

(in %)	2010	2009
Cement	91.4	94.6
Aggregates & Concrete	8.8	7.8
Gypsum	2.4	1.5
Other	(2.6)	(3.9)
TOTAL	100.0	100.0

* As defined in Section 4.2 (Accounting Policies and Definitions).

In the following pages of this Section 3.2:

- 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).

3.2.1 Cement

Cement is a fine powder which 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 50 countries in which our Cement Division has production facilities. 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 2010, the Group's consolidated businesses operated 125 cement, 37 clinker grinding and 6 slag grinding plants, with an annual production capacity of 217 million tonnes (total capacity of entities controlled by Lafarge). Consolidated sales for 2010 reached approximately 136 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 pozzolana, 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 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. A breakdown of the production cost of cement (before distribution and administrative costs) is approximately: energy 30%, raw materials and consumables 29%, labor, maintenance and other production costs 28%, and depreciation 13%.

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.

Where technically available and economically viable, we may 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 CO₂ emissions. We measure improvement by the cement over clinker ratio which reached 1.30 in 2010 compared to 1.29 in 2009.

ENERGY OPTIMIZATION

Energy is the largest expense item among the Group’s production costs (30% 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 2010, fuel waste materials accounted for close to 13% 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, which employ over 600 engineers and technicians worldwide. 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 has been fragmented, with most markets served by local producers. Beginning in Europe in the 1970s, then continuing in the United States during the 1980s and later in Asia (outside China), the cement industry underwent significant worldwide consolidation. Today, there are just a limited number of international cement companies, including Lafarge and our major worldwide competitors, i.e. Buzzi (Italy), Cemex (Mexico), Cimentos de Portugal SGPS, S.A. (Cimpor, Portugal), HeidelbergCement (Germany), Holcim (Switzerland), Italcementi (Italy), Taiheiyo (Japan), and Votorantim (Brazil). These companies compete against one another and also against local producers in the various markets around the world. Cement production is capital intensive. Construction of a new dry process cement line represents a significant amount of capital expenditure, depending on the location.

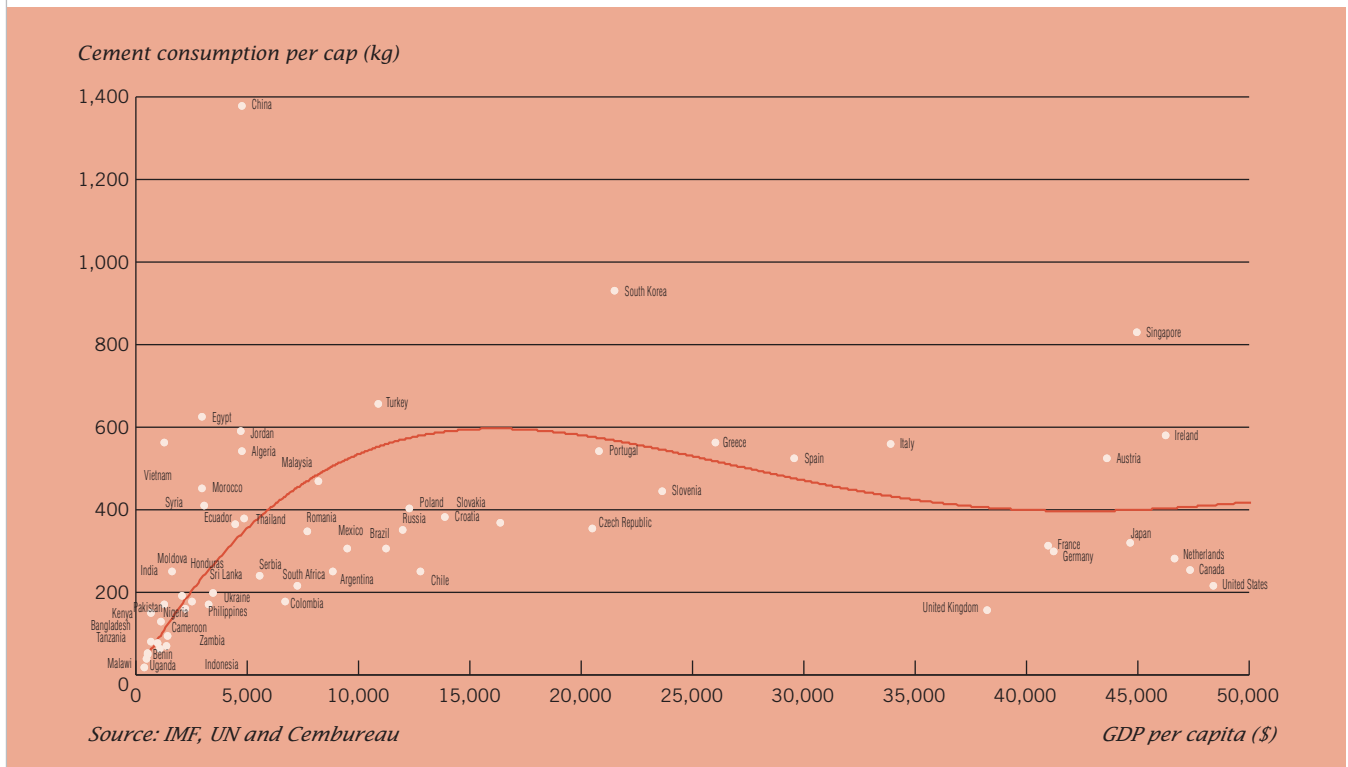
The cement industry is highly competitive in our major markets. Some countries or regions are more exposed during certain periods than others due to factors such as the strength of demand, market access, and raw material reserves.

CEMENT 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.

CEMENT CONSUMPTION PER CAPITA IN 2010



LOCATION OF OUR CEMENT PLANTS AND MARKETS

Cement is a product that is 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 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, and ultimately our profitability.

CEMENT QUALITY AND SERVICES

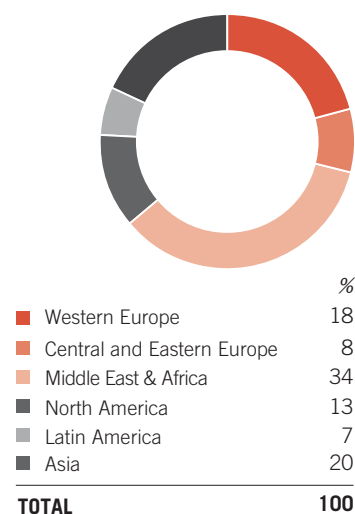
The reliability of a producer's deliveries and the quality of our cement and support services are also factors influencing a cement producer's competitiveness. Accordingly, the Group strives to deliver consistent cement quality over time, to maintain a high standard and quality of support service and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

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 2010 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, 2010.

SALES BY DESTINATION 2010



In the following section, stated production capacities are reported on the basis of 100% of operating plants controlled by Lafarge in the indicated countries. 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 2011 (the "Jefferies Report") and internal estimates.

Comparable information for the year 2009 is available in the Annual Report 2009.



WESTERN EUROPE (18% OF THE DIVISION'S 2010 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
	CEMENT PLANTS	GRINDING PLANTS		
			<i>(million tonnes)</i>	<i>(%)</i>
France	10	4	9.5	34
United Kingdom	5	-	5.1	40
Greece	3	-	9.8	50
Spain	3	2	6.8	10
Germany	3	-	3.4	10
Austria	2	-	2.0	32
TOTAL WESTERN EUROPE	26	6	36.6	

In 2010, all the countries of the region except the United Kingdom registered volume declines, reflecting lower markets due to

the economic environment. The region as a whole consumed close to 154 million tonnes of cement in 2010, according to the Jefferies

Report. We sold 20.3 million tonnes of cement in Western Europe in 2010 and 22.6 million tonnes in 2009.

NORTH AMERICA (13% OF THE DIVISION'S 2010 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
	CEMENT PLANTS	GRINDING PLANTS		
			<i>(million tonnes)</i>	<i>(%)</i>
United States	12	3	14.8	12
Canada	7	2	6.4	33
TOTAL NORTH AMERICA	19	5	21.2	

The progressive improvement of the economic situation had a positive impact on our markets in 2010.

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 region as a whole consumed close to 79 million tonnes of cement in 2010, according to the Jefferies

Report. We sold 13.6 million tonnes of cement in North America in 2010 and 12.7 million tonnes in 2009.

CENTRAL AND EASTERN EUROPE (8% OF THE DIVISION'S 2010 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
	CEMENT PLANTS	GRINDING PLANTS		
			<i>(million tonnes)</i>	<i>(%)</i>
Poland	3	-	5.2	20
Romania	2	1	4.9	31
Russia	2	-	4.1	7
Moldavia	1	-	1.4	62
Ukraine	1	-	1.3	12
Serbia	1	-	2.0	45
Slovenia	1	-	0.6	38
Czech Republic	1	-	1.2	9
TOTAL CENTRAL AND EASTERN EUROPE	12	1	20.7	

In 2009 and 2010 Central and Eastern Europe has been severely impacted by the residential market contraction due to the economic crisis. However since the second half of 2010

volumes have stabilized. The region as a whole consumed 106 million tonnes of cement in 2010, according to the Jefferies Report. We sold 11.1 million tonnes of cement in Central

and Eastern Europe in 2010 and 11.9 million tonnes in 2009.

MIDDLE EAST AND AFRICA (34% OF THE DIVISION'S 2010 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY (million tonnes)	APPROXIMATE MARKET SHARE (%)
	CEMENT PLANTS	GRINDING PLANTS		
Morocco	3	1	6.8	43
Nigeria	3	-	3.5	32
Algeria	2	-	8.6	36
Iraq	2	-	4.8	21
Jordan	2	-	4.8	51
Zambia	2	-	1.3	75
Egypt	1	-	10.0	20
United Arab Emirates	1	-	3.0	6
Syria	1	-	2.6	NS
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
Malawi	-	1	0.2	76
TOTAL MIDDLE EAST AND AFRICA	23	6	54.7	

In this region, which consumed close to 319 million tonnes of cement in 2010 (according to the Jefferies Report), we have sold 40.2 million tonnes of cement in 2010, compared to 44.1 million tonnes of cement in 2009. Sustained demographic

growth and significant needs for housing and infrastructures support the strong potential of this region.

In addition, we hold a 76.4% interest in Circle Cement in Zimbabwe, which operates one plant with a capacity of 400,000 tonnes.

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.

LATIN AMERICA (7% OF THE DIVISION'S 2010 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY (million tonnes)	APPROXIMATE MARKET SHARE (%)
	CEMENT PLANTS	GRINDING PLANTS		
Brazil	5	3	7.0	7
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	11.5	

Latin America as a whole consumed 144 million tonnes of cement in 2010, according to the Jefferies Report. Thanks

to a buoyant market in Brazil and Ecuador and also to the newly integrated assets in the North East region, we sold 8.4 million

tonnes of cement in Latin America in 2010, compared to 7.6 million tonnes in 2009.



ASIA (20% OF THE DIVISION'S 2010 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY (million tonnes)	APPROXIMATE MARKET SHARE (%)
	CEMENT PLANTS	GRINDING PLANTS		
China	22	12	30.5	6-22 ⁽²⁾
Philippines	5	-	6.0	33
Malaysia	3	1	12.5	37
South Korea	1	2	9.6	13
India	2	2	7.4	20 ⁽³⁾
Pakistan	1	-	2.1	6
Indonesia	1	-	1.6 ⁽¹⁾	4
Bangladesh ⁽⁴⁾	1	-	1.6	7
Vietnam	-	1	0.5	1
TOTAL ASIA	36	18	71.8	

(1) The Banda Aceh plant in Indonesia was reconstructed after tsunami damage in 2004.
 (2) Depending on region where Lafarge is operating.
 (3) For the North East region.
 (4) See Note 29 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. The region as a whole consumed close to 2,300 million tonnes of cement in 2010, according to the Jefferies Report. We sold 42.1 million tonnes of cement in the region in 2010 and 42.3 million tonnes in 2009.

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

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

Furthermore, in Japan, we hold a 39% indirect interest in Lafarge Aso Cement (accounted for by the equity method and therefore not included in the table above), which operates two plants with a combined capacity of 3 million tonnes.

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.

3.2.2 Aggregates & Concrete

Aggregates and concrete, like cement, are key components of the building industry. Based on internal and external analysis, in 2010 Lafarge was the world's third largest producer of aggregates and the world's second largest producer of ready-mix concrete. On December 31, 2010, we had production facilities and sales offices in 36 countries. In the year ending December 31, 2010, our consolidated businesses operated 579 aggregates quarries, which sold approximately 193 million tonnes of aggregates, and 1,139 concrete plants, which sold approximately 34 million cubic meters of concrete. We also produce pre-cast concrete products and asphalt and asphalt contracting and surfacing services .

We are vertically integrated to varying degrees with our Cement Division which supplies substantial volumes of cement 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, LRC) 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 3.3.4 (Innovation) for more information on the R&D in the Group.

CONCRETE

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

when buying concrete. From the very basic to the cutting edge, we offer a broad range of concrete mixes.

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 two 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. We believe our strong Research & Development program gives us a distinct advantage over our competitors.

See Section 3.3.4 (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®, line of specialty product line, 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 requires screening to different sizes. The production of aggregates involves intensive use of heavy equipment and regular use of loaders, haul trucks, crushers and other heavy 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, and 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 business. 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. We are also very active in developing our reserve portfolio in new markets. On December 31, 2010, we estimate that we had in excess of 40 years of permitted reserves at current levels of production. We control significant additional aggregates deposits, for which we have either not yet received or requested extraction permits.

CONCRETE

Ready mixed 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, delivery logistics are key to ensure the cost efficiency and 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. Markets are local because of the high cost of transporting these products over land and because most of these products are delivered in trucks. However, where our quarries have access to shipping lanes or railroads, we may ship aggregates over significant distances.

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 enthusiasts. 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.

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® and the new Thermedia® 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 increased our use of mobile plants in a number of markets to increase our flexibility in realigning 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

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. 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 and, 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.

Our Aggregates & Concrete operations are located in countries where the nature and enforcement of applicable regulations provide a balanced playing field. We usually avoid markets where small local operators are not obliged to follow appropriate environmental and labor standards, because they either do not exist locally or are not enforced. Consequently, we are very careful in choosing the growing markets in which we wish to conduct our Aggregates & Concrete operations, selecting only those where the appropriate standards are in place.

PORTFOLIO MANAGEMENT

In line with the Group's strategy, this year we continued our selective divestment policy with the sale of the Aggregates & Concrete activity in Switzerland and in the Alsace region of France at the end of 2010. At the end of December we also announced the sale of our

activity in Portugal which still requires approval of the Portuguese competition authorities.

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 sites we operated on December 31, 2010

and the volume of aggregates and concrete our consolidated operations sold in 2010.

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

Region/country	NUMBER OF INDUSTRIAL SITES		VOLUMES SOLD	
	AGGREGATES	CONCRETE	AGGREGATES <i>(million tonnes)</i>	CONCRETE <i>(million cubic meters)</i>
WESTERN EUROPE				
France	127	260	38.3	6.9
United Kingdom	48	111	14.0	1.7
Spain	12	104	5.0	2.3
Greece	10	24	2.9	0.8
Portugal	4	29	1.6	0.9
Other	1	13	0.5	0.5
NORTH AMERICA				
Canada	234	139	49.5	4.1
United States	68	95	48.1	3.0
CENTRAL & EASTERN EUROPE				
Poland	14	35	9.5	0.7
Romania	13	14	2.7	0.3
Ukraine	3	-	3.2	-
MIDDLE EAST & AFRICA				
South Africa	23	56	4.8	1.2
Egypt	5	21	3.1	1.7
Algeria	3	6	0.2	0.5
Morocco	1	22	0.3	0.4
Qatar	1	15	1.5	0.7
Oman	-	12	-	0.2
Saudi Arabia	-	3	-	0.2
United Arab Emirates	-	3	-	0.2
Jordan	-	8	-	0.6
OTHER				
Malaysia/Singapore	5	35	2.1	1.4
Brazil	3	41	2.1	0.8
India	-	68	0.4	3.4
Others	4	25	3.7	1.7
TOTAL	579	1,139	193.2	34.0

In 2010, our asphalt operations produced and sold a total of 4.7 million tonnes in the United States, Canada and the United Kingdom.

3.2.3 Gypsum

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 we are 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

Our principal gypsum product is wallboard. We produce wallboard in a number of standard lengths, widths and thicknesses and with a variety of characteristics depending on the intended use of the board. We offer 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.

We regularly seek to expand and improve the range of our wallboard products. Following the launch of Synia® wallboard, with all four edges tapered which considerably facilitates the work of installers in many areas leading to high quality finishing, we launched in 2008 an exclusive and very high performance wet area board (WAB) which met success in 2009 and 2010 with distributors and installers. This product has been and is presently launched in other subsidiaries.

In 2010, more than 15% of our sales were from new products, launched over the past 5 years.

OTHER PRODUCTS

We also produce 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 Division sales in 2010. Production and Facilities Information.

Production and facilities information

Gypsum wallboard exploits 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 drying, the slurry rehydrates into gypsum crystals which interlock with each other and “grow” into the liner paper, giving the board its strength. We use both naturally occurring gypsum and synthetic gypsum to produce

wallboard. Synthetic gypsum is produced as a by-product of certain chemical manufacturing and electrical thermic production operations.

At the end of 2010, our consolidated businesses operate and own 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 our wallboard production costs, respectively. We produce less than half of our wallboard paper requirements at our own mills in France and at one mill in the United States operated through a joint venture. All of our paper production is based on recycled waste paper fibers. In 2010, we closed our paper mill in Orebro, Sweden.

Customers

We sell our gypsum wallboard products mostly 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. Our marketing efforts are focused not only on actual purchasers, but also on those who may indirectly determine which materials are used.

Markets

DESCRIPTION OF MARKETS AND OF OUR POSITION IN THESE MARKETS

We believe we share 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, BNBK). These companies operate gypsum wallboard plants and usually own the gypsum reserves they use to produce their wallboard.

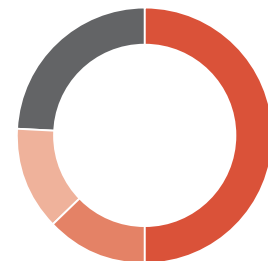
In the gypsum wallboard market, companies compete, on a regional basis, on price, product quality, product range, solution design, efficiency, flexibility, and customer service. Our largest competitors in Western Europe are Knauf and Saint-Gobain, and in the United States National Gypsum, Saint-Gobain,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

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

BREAKDOWN BY REGION

The following presentation shows the percentage contribution made by each of these regions to our 2010 Gypsum Division sales in euros.

SALES BY DESTINATION 2010



	%
Western Europe	50
North America	13
Asia	13
Other	24
TOTAL	100

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 2009, based on our estimates. We sold over 250 million square meters of wallboard in Western Europe in 2010. Additionally, we have a minority interest in Yesos Ibericos (Grupo Uralita) in Spain.

In 2009, we closed our Frampton (UK) facility and a new metal studs facility was opened in Cavaillon (France).

North America

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

At the beginning of 2009, we opened a new joint compounds facility at Silver Grove, Kentucky.

Asia

In Asia, the world's second largest regional wallboard market, we conduct 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. In 2010, the joint venture started a new wallboard plant in Shanghai, a new metal studs facility has been opened in Saraburi (Thailand), and a new wallboard line has doubled the wallboard capacity of Saraburi. The ceiling tiles capacity has been doubled in South Korea. Also, a new metal studs facility started in the Philippines, and Vietnam's metal studs capacity was doubled.

Other countries

We also conduct wallboard and related operations in other markets, and operate:

- in Romania, a wallboard plant and a joint compounds plant;

- in Ukraine, a wallboard plant;
- in Poland, a wallboard plant, a metal studs facility, and a joint compounds plant;
- in Turkey, a wallboard plant and a construction plaster plant near Ankara through a joint venture with Dalsan Insaat. Together, we own a wallboard plant in Istanbul, which was completed at the end of 2008;
- in South Africa, a plasterboard plant, as well as manufacturing lines for gypsum components;
- in Morocco, one plaster plant;
- in Algeria, one plaster plant;
- in Australia two wallboard plants, a plaster plant and a joint compound plant;

in Saudi Arabia, Lafarge has a minority interest in a plaster plant;

in Latin America, through companies we control jointly with the Etex group, we operate three wallboard plants (Argentina, Brazil and Chile) and two plaster plants (Brazil and Chile). A new wallboard plant in Colombia started its operations in 2009. In Mexico,

Lafarge operates a wallboard plant through a joint venture with a majority partner, the Comex group.

Our wallboard and related products sales in emerging markets, including Asia and excluding Australia, amount to over 400 million euros in 2010. These sales accounted for approximately 30% of our total wallboard and related product sales.

3.2.4 Summary of our capital expenditures in 2010 and 2009

The following table presents the Group's capital expenditures for each of the two years ending December 31, 2010 and 2009. 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 euro)	SUSTAINING AND INTERNAL DEVELOPMENT EXPENDITURES		EXTERNAL DEVELOPMENT EXPENDITURES	
	2010	2009	2010	2009
Western Europe	234	341	26	46
North America	166	253	5	8
Middle East & Africa	433	551	24	25
Central & Eastern Europe	151	139	31	7
Latin America	37	42	(26)	3
Asia	289	280	10	24
TOTAL	1,310	1,606	70	113

See Section 4.4 (Liquidity and Capital Resources) for more information on 2010 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;

- concerning the Gypsum activity, we own the quarries and secure long-term supply of synthetic or natural gypsum.

3.2.5 Capital expenditures planned for 2011

Capital expenditures for 2011 are expected to be approximately:

- 0.5 billion euros for sustaining capital expenditure;

- 0.5 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.



3.3 The Group

3.3.1 History and Development of the Group

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*).

We began operating around 1833 when Auguste Pavin de Lafarge set up a lime operation in France. Through 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. Our international expansion continued in the 20th century when we set up operations in North Africa and the United Kingdom, and later when we

began doing business in Brazil and Canada. Through our 1981 acquisition of General Portland Inc., we became one of the largest cement manufacturers in North America. We conduct these operations principally through Lafarge North America Inc., now a wholly owned subsidiary following our acquisition in May 2006 of the interests previously held by minority shareholders. We further expanded internationally through the purchase of the British cement company Blue Circle Industries plc (“Blue Circle”) in 2001 and further acquisitions, mainly around the Mediterranean Basin, in Central Europe, and in Asia. 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.

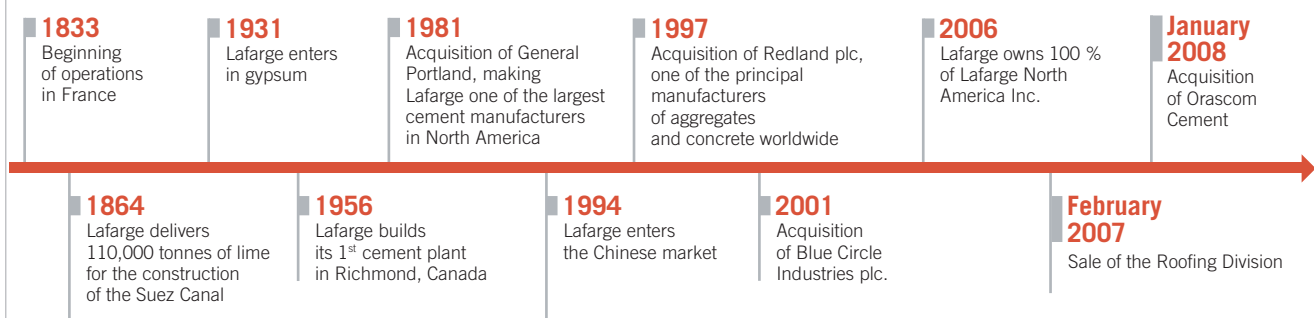
We are the world leader in the cement industry, with sites in 50 countries.

We have also broadened our other product lines of aggregates, concrete and gypsum plasterboard. Our aggregates and concrete business, now operating in 36 countries, 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 concrete worldwide at the time, and to a lesser extent through our acquisition of Blue Circle in 2001. We first entered the market for gypsum products in 1931, with the production of powdered plaster. Since then, we have become the world’s third largest wallboard producer, offering a full range of gypsum-based building solutions, with operations in 30 countries.

In February 2007, we sold our Roofing Division, which we acquired through our 1997 acquisition of Redland plc.

We have an organizational structure based on our three Divisions, with decentralized local operations and strong corporate expert departments, which are involved in strategic decisions. We also draw on a shared culture and shared ambitions with all our employees, as expressed in our Principles of Action.

KEY DATES



3.3.2 Recent acquisitions, partnerships and divestitures

Significant recent acquisitions

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

Brazil. In February 2010 the Group sold its 17.28% stake in Cimentos de Portugal (Cimpor) to Votorantim 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. As a result of this transaction, the Group became the third largest cement producer in Brazil.

In addition, over the past two years, we have acquired small-to-medium sized businesses. Acquisitions during the last two years had an overall positive effect on our revenues of 178 million euros in 2010 compared with 2009.

Significant recent partnerships

See Notes 3, 5 et 34 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 Europe. On May 25, 2010, Lafarge and STRABAG announced their agreement to combine their cement activities in several Central European countries. Lafarge will bring its cement plants in Mannersdorf and Retznei in Austria, Cízkovice in Czech Republic and Trbovlje in Slovenia, while STRABAG will contribute the plant it is currently building in Pécs in Hungary. Lafarge will hold a 70% interest in the joint-venture, and STRABAG will hold 30%. The closing of this transaction is subject to meeting a few conditions precedent including the approval by the competition authorities which was obtained in February of 2011.

Significant recent divestitures

See Notes 3, 5 and 32 to our consolidated financial statements for more information on these transactions.

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 and 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. The closing of this transaction is subject to approval by the competition authorities.

Malaysia. Lafarge sold, on July 16, 2010, a 11.2% interest in Lafarge Malayan Cement Berhad ("LMCB") by way of placement done on Bursa Malaysia Securities Berhad. The net proceeds of this operation amount to 141 million euros. 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*.

Turkey. On December 30, 2009, we sold our Turkish subsidiaries, Lafarge Aslan Cimento and Lafarge Beton to Oyak Cement group, the leading Turkish company in the cement sector. Following this divestment the Group will continue to own a grinding station in Karadeniz Ereğli-Zonguldak and also remains present with its Gypsum activities through a joint venture with Dalsan and with a minority shareholding in Baticim in the Aegean region. The cement plant located in the Eastern region of the country was sold on September 7, 2009 to Askale Cimento.

Venezuela. Following the announcement in April 2008 by the Venezuelan government of the nationalization of CA Fabrica Nacional de Cementos SACA and CA de Cementos Tachira, the Group sold on September 23, 2009 all its shares in these two Venezuelan companies to the Corporacion Socialista del Cemento. The assets sold included 2 cement plants and 13 concrete plants.

Chile. On August 28, 2009, Lafarge sold its 84% shareholding in its Chilean Cement and Aggregates & Concrete business to the Peruvian Brescia group. These assets include a cement plant located around 100 kilometers from Santiago, a grinding station in southern Chile and a second one currently being built in Ventanas, 54 ready-mix concrete units, five aggregates quarries as well as an import terminal and a mortar production unit. The Group retains its minority participation in its Chilean Gypsum activities.

In addition, during 2009, we carried out several small-to-medium sized divestments, such as the divestment of part of our Aggregates & Concrete activities in Switzerland, of our Asphalt and Paving activities in East Canada and some Concrete assets in North America.

In total, divestitures during the last two years reduced the Group's sales by 349 million euros in 2010 compared to 2009.



3.3.3 Organizational Structure

See Note 35 to our consolidated financial statements for more information on our principal subsidiaries, including their full legal name and country of incorporation.

Lafarge S.A. is a holding company. We conduct our operations through more than 1,000 subsidiaries, out of which 82% 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 78 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 pooling of cash generated by subsidiaries, where possible, and the transfer of dividends from subsidiaries.

On December 31, 2010, Lafarge S.A. held approximately 79% 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, 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 on page 61 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 regional Technical Centers located in Lyon, Vienna, Montreal, Atlanta, Beijing, Cairo, and Kuala Lumpur.

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

See Section 3.3.4 on page 39 for more information on Innovation and Research and Development.

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 shareholders are required by local law or regulations (e.g. in the case of a partial privatization). 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.

Some 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 agreements relating to our Cement operations in Morocco, as well as the shareholder agreement concluded with our joint venture partner Boral in Asia for Gypsum activities, contain provisions that enable our partners to buy back our shareholding in these businesses in the event of a change in control of Lafarge S.A.

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

3.3.4 Innovation

a) Innovation, Research and Development (R&D)

Innovation remains 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 added value 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 CO₂ emissions.

In 2010, the overall Group expenditure for product innovation and industrial process improvement was 153 million euros, compared to 152 million euros in 2009 .

High level research teams and international network

The Group's Research investments are mainly based at the Lafarge Research Center (LCR), located near Lyon, France. Today, this research center is made up of approximately 240 talented men and women: engineers and technicians, (approximately 70 have a PhD level degree) 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 with two axes, scientific competencies and project portfolio.

Scientific skills were strengthened in 2010 in the fields of building energy and industrial processes.

2010 was also the year when LCR's expertise and scientific management team was structured and our international partnerships were significantly increased, notably in emerging markets such as China and India.

Two events fostering exchanges on breakthrough scientific subjects were organized:

- a Lafarge-CNRS seminar gathering the 10 main laboratories that are involved in research work for us, helped to reveal how coherent and far-reaching our collaboration is. It also enabled us to pave the way for new partnerships with leading scientists who until that time, had not been identified by us;
- the Lafarge International Workshop brought together 20 leading scientific experts (from USA, Europe, India, China, Brazil) specialized in our domains, in order to explore scientific breakthroughs and anticipated trends up to the year 2020.

After MIT in 2007, Berkeley in 2008, and Georgia Tech in 2009, the Lafarge Chair for research and teaching (Ecole des Ponts et Chaussées/Ecole Polytechnique) on Construction Materials for Sustainable Construction took its 2010 students in its Master program to Delft University. This confirms the interest of foreign universities in a doctorate program, which, for the time being, does not exist anywhere else.

Well-established innovation dynamics

Members of the Group's Executive Committee come to LCR regularly to air their expectations and challenge researchers in terms of "the field of possibilities" and the results obtained within the research project programs undertaken and financed by the Divisions.

The dynamics for boosting our project portfolio was sustained by the impetus of a Creativity team composed of volunteering engineers and technicians. They have the green light to stimulate the emergence of new ideas in line with our strategic goals and in liaison with our marketing teams.

Two international competitions have also been helping to widen our sources of innovation:

- the IdeaFactory, a groupwide initiative aiming at collecting ideas in three directions (products, industrial processes and client service) has put the spotlight on the creative potential at all levels in our business units: more than 1,700 ideas were submitted; Best ideas are being analyzed for implementation;
- the "Lafarge Invention Awards 2010", open to European construction scientists and inventors, rewarded three projects (French, Polish and Serbian) selected out of 100 submissions. This competition was also an opportunity to broaden our scientific network, especially in Eastern and Central Europe, and to establish contacts with new research teams.

Innovating research axes

Our research work for the Business Divisions in 2010 was directed as follows:

CEMENT

We pursued our programs aiming to differentiate our products for certain segments of the construction clientele. Priority was given to the pre-cast segment as well as that of cement in bags for masonry.

A major priority for the Cement research program remained the reduction of our carbon footprint in our cement applications. We successfully performed an industrial trial for producing Aether™ cement, the chemical composition of which allows a 25% reduction of carbon emissions per tonne of clinker. It also allows a 15% reduction in the energy needed for clinkering. This was achieved in a conventional cement plant, without any significant expenditure. The European Union has also lent us its support as part of the Life+ program to further develop this product for launch into the marketplace.

Our research has further focused on the increase of mineral additives in our cements in order to reduce our environmental impact. This work is more specifically based on the fundamental research outcomes achieved in the Nanocem European research network.

Finally, we have supported the Novacem start-up with the objective of producing a magnesium silicate binder (an alternative to limestone and clay with which our cements are manufactured) via a process with potentially low carbon emissions.

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

Aside from providing strong support to operations by deploying a genuinely safety-oriented culture of reducing the environmental footprint of our plants, the Technical Centers notably support the rapid deployment of the performance programs launched by the Group and the Division, such as Excellence 2010. By focusing on the principal levers of industrial performance, including reducing consumption of power and heat, increasing the use of cheap alternative fuels and cement additives, and cutting fixed costs, this program focuses the Cement Division'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.

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

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

AGGREGATES & CONCRETE

Research on aggregates was pursued in 2010: 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, launched at the end of 2008 focused its efforts on road material recycling. The aim is to reduce energy



production costs and the carbon footprint of asphalts.

The 2010 priority was to widen the Thermedia® concrete range with thermal and mechanical properties resulting in improved building thermal efficiency. We have also completed our research work on new concretes with high-performance environmental characteristics such as pervious concrete and low carbon concrete which help to better manage storm and rain water runoffs (Sustainable Urban Draining System).

World-scale transfers of recent concrete innovations (Extensia® large slabs without joints, Chronolia® the rapid concrete, Agilia® the self-levelling concrete, the Artevia® architectonic concretes) were pursued at a rapid pace thanks to dedicated engineers and technicians and sustained by the equipment in the technological building inaugurated in 2008.

We are pursuing the development of our new material Ductal®, belonging to the family of UHPFRC (UltraHigh Performance Fiber reinforced Concrete). Jobs are in progress in numerous places.

GYPSUM

Our Gypsum research team worked more particularly on improving fundamental knowledge of water and humidity resistance of gypsum board based systems. 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 Prégylab® products (gypsum boards for moisture-laden rooms and light façades) and Prégymax® (which includes a layer of thermal-acoustic insulation allowing optimal thermal performance).

Thanks to the improved performances of our products and systems, we can now make a contribution to the major stakes of sustainable construction.

We have pursued the development of new finishing coatings to meet local market requirements and also anticipate user expectations in terms of new functionalities. Finally, our research work continues to find ways to continuously improve gypsum production processes, thus respecting our commitments to industrial performance and reducing the environmental impact from gypsum board production.

b) 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 increased during 2010, with new civil and criminal actions launched against local counterfeiters in respect to cement and gypsum products. In particular, a lawsuit was initiated after the seizure in China of 100,000 counterfeited cement bags

bearing the Lafarge name and logo. Further investigations, on behalf of the Gypsum Division, resulted in the discovery during a raid in a bag manufacturing factory, and resulting seizure of 31,000 counterfeit joint compound bags, again bearing the Lafarge name and logo. Criminal and civil actions have been initiated in both cases.

In line with the Group's focus on sustainable construction, global trademark protection has been sought for the new slogans "Efficient Building with Lafarge™" and "Pro Eco Efficient Building avec Lafarge™". Trademark protection has also been sought for potential new recycled aggregate products with AGGEOS™, AGGNEO™ and AGGENIUS™.

The use of, and access to, Lafarge's Intellectual Property rights are governed by the terms of industrial franchise agreements. The agreements provide for an industrial franchise, granted by Lafarge S.A. to its subsidiaries, and include 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). New agreements are being implemented, where appropriate, for existing and new business units and for joint ventures, in particular in the major Middle Eastern countries.

The Lafarge patent portfolio continues to grow considerably, with a further increase in the submission of patent applications during 2010, arising notably from the Group Research Center and also from the Business Units, thereby reflecting Lafarge's commitment to innovation; in particular, the patent portfolio relating to the cement, aggregates and concrete businesses has grown steadily in the last six years as presented in the figure below.

TOTAL NUMBER OF PATENT APPLICATIONS FOR CEMENT AND AGGREGATES & CONCRETE BUSINESSES



3

INFORMATION ON LAFARGE

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4.1 Overview

4.1.1 Summary of our 2010 results

While 2010 was a challenging year for the cement sector as a whole, 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 are encouraging.

- Sales increased for the full year and more particularly in the fourth 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 euros for the year.
- Current operating income was slightly down for the year as higher sales volumes in the fourth quarter, favorable foreign exchange and cost cutting mitigated volume decline in the first part of the year and higher energy costs in the second half-year.
- The Group secured 550 million euros of divestments, meeting target for the year.
- Significant cash flow generation in 2010 was helped by strong results on working capital.
- Strong cash and liquidity position were maintained.

4.1.2 Trend information and 2011 perspectives

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.

The steps the Group has 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 entering 2011. It will also allow us to accelerate deleveraging and reduce debt by at least two billion euros in 2011.

We will get the full benefit from volume growth thanks to our new cement capacities and the overall quality and strength of our portfolio of assets.

Lower cost base, new capacities, and actions to mitigate higher cost inflation are in place to drive earnings growth in 2011 as volumes recover.

The above trends and targets do not constitute forecasts. They are by nature subject to risks and uncertainties (see Section 2 (Risk factors)). 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.

4.1.3 Recent events

On February 18, 2011, Lafarge SA and Anglo American announced a joint venture for their cement, aggregates, concrete and asphalt activities in the United Kingdom.

See Note 3.3.2 (Recent partnerships) for details on this partnership.

4.2 Accounting policies and definitions

4.2.1 Critical accounting policies

See Note 2 to the consolidated financial statements for more information on the significant accounting policies we apply under IFRS.

Impairment of goodwill

In accordance with IAS 36 – Impairment of assets, the net book value of goodwill is tested for impairment at least annually and beyond, when there are some indications that an impairment loss may have occurred. This test, whose purpose is to take into consideration events or changes that could have affected the recoverable amount of these assets, is performed during the last quarter of the year.

For testing purposes, the Group's net assets are allocated to Cash Generating Units ("CGUs") or groups of CGUs. CGUs generally represent one of our three Divisions in a particular country. A CGU is the smallest identifiable group of assets generating cash flow independently and represents the level used by the Group to organize and present its activities and results in its internal reporting. 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 business segment.

In our goodwill impairment test, we compare in a first step the carrying value of our CGUs/groups of CGUs with a multiple of their EBITDA. For CGUs/groups of CGUs presenting an impairment risk according to the first step approach, we then determine the fair value or the value in use of the related CGUs/groups of CGUs. Fair value is estimated based either on a market multiple or on discounted expected future cash flows over a 10-year period. If the carrying value of the CGUs / group of CGUs exceeds its recoverable amount, defined as the higher of fair value less costs to sell or the value in use of the related assets and liabilities, we recognize impairment in goodwill (under "Other operating expenses").

Evaluations used for impairment testing are significantly affected by estimates of future prices for our products, trends in expenses, economic developments in the local and international construction sector, expectations concerning the long-term development of emerging markets and other factors. The

results of these evaluations also depend on the discount rates and perpetual growth rates used. We have defined country specific discount rates for each of our CGUs or group of CGUs based on their weighted average cost of capital.

In some cases, we may use a third-party valuation as part of our goodwill impairment testing.

See Note 10 to the consolidated financial statements for more information on goodwill.

Pension plans and other postretirement benefits

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

The main defined benefit pension plans and other postretirement 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, 2010 represent 55% and 34%, respectively, of the Group's total obligations in respect of pension plans, end of service indemnities 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, end of service indemnities and other post employment benefits.

Our pension and other postretirement benefit obligations are impacted by the 2010 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, 2010 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 675 million euros.

In 2007, the Group has adopted the IAS19 option which consists in the recognition of actuarial gains and losses through equity.

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 on the Statement of Financial Position). 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.

Site restoration

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

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

Income taxes

In accordance with IAS 12 – Income taxes, deferred income taxes are accounted for by applying the liability method to temporary differences between the tax base of assets and liabilities and their carrying amounts on the balance sheet (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 on the balance sheet if the entity has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxing authority.

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 taxes) to our consolidated financial statements.

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, together with changes in how we account for our business units, such as a change from proportionate to full consolidation, 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 converting 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” in our other shareholder and investor communications; “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. This ratio is calculated by dividing the sum of “Operating income before capital gains, impairment, restructuring and other”, after tax and income from 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 resource allocations, and c) assess the performance of management personnel. However, because this measure has the limitations outlined below, the Group restricts the use of this measure to these purposes.

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, 2010 and 2009) for the value of these ratios in 2010 and 2009.

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)	2010	2009
Long-term debt	14,096	13,712
Short-term debt and current portion of long-term debt	3,184	2,265
Derivative instruments, liabilities – non-current	57	45
Derivative instruments, liabilities – current	84	60
Cash and cash equivalents	(3,294)	(2,220)
Derivative instruments, assets – non-current	(78)	(43)
Derivative instruments, assets – current	(56)	(24)
NET DEBT	13,993	13,795

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 statement of financial position.

We calculate the **cash flow from operations to net debt ratio** by dividing our cash flow from operations by our net debt as computed above. Cash flow from 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)	2010	2009
Net operating cash generated by operations*	2,172	3,206
Changes in operating working capital items, excluding financial expenses and income taxes	(354)	(1,029)
Exceptional payment	338	-
CASH FLOW FROM OPERATIONS	2,156	2,177

* Excluding 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 after tax

One of the key profitability measures used by our Group and Division management for each Division is the “return on capital employed after tax”. This non-GAAP measure is calculated by dividing the sum of “current operating income after tax” and “income from associates” by the average of “capital employed” at the end of the current and prior year.

See Note 4 to the consolidated financial statements for more information on current operating income, the share of “income from associates” and “capital employed by Division”.

In 2010, return on capital employed after tax is determined using the effective consolidated tax rate of 21.9%.

4

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.2 Accounting policies and definitions

For 2010 and 2009, return on capital employed after tax for each Division and the Group was calculated as follows:

2010

	CURRENT OPERATING INCOME	CURRENT OPERATING INCOME AFTER TAX	INCOME FROM ASSOCIATES	CURRENT OPERATING INCOME AFTER TAX WITH INCOME FROM ASSOCIATES	CAPITAL EMPLOYED AT DECEMBER 31, 2010	CAPITAL EMPLOYED AT DECEMBER 31, 2009	AVERAGE CAPITAL EMPLOYED	RETURN ON CAPITAL EMPLOYED AFTER TAX (%)
<i>(million euros)</i>	(A)	(B) = (A) X(1-21.9%)	(C)	(D) = (B) + (C)	(E)	(F)	(G) = ((E) + (F))/2	(H) = (D)/(G)
Cement	2,230	1,742	(26)	1,716	26,780	24,924	25,851	6.6
Aggregates & Concrete	216	169	5	174	5,198	5,102	5,150	3.4
Gypsum	58	45	5	50	1,511	1,437	1,474	3.4
Other	(63)	(48)	-	(48)	271	373	322	N/A
TOTAL FOR OPERATIONS	2,441	1,907	(16)	1,891	33,760	31,836	32,798	5.8

2009

	CURRENT OPERATING INCOME	CURRENT OPERATING INCOME AFTER TAX	INCOME FROM ASSOCIATES	CURRENT OPERATING INCOME AFTER TAX WITH INCOME FROM ASSOCIATES	CAPITAL EMPLOYED AT DECEMBER 31, 2009	CAPITAL EMPLOYED AT DECEMBER 31, 2008	AVERAGE CAPITAL EMPLOYED	RETURN ON CAPITAL EMPLOYED AFTER TAX (%)
<i>(million euros)</i>	(A)	(B) = (A) X(1-19.9%)	(C)	(D) = (B) + (C)	(E)	(F)	(G) = ((E) + (F))/2	(H) = (D)/(G)
Cement	2,343	1,877	(27)	1,850	24,924	25,547	25,235	7.3
Aggregates & Concrete	193	155	2	157	5,102	5,503	5,303	3.0
Gypsum	38	30	5	35	1,437	1,484	1,461	2.4
Other	(97)	(78)	2	(76)	373	731	552	N/A
TOTAL FOR OPERATIONS	2,477	1,984	(18)	1,966	31,836	33,265	32,551	6.0

4.3 Results of operations for the fiscal years ended December 31, 2010 and 2009

All data presented in the discussions below and elsewhere in Chapter 4 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.

Consolidated sales and current operating income

Sales

Consolidated sales increased by 2% to 16,169 million euros from 15,884 million euros in 2009. At constant scope of consolidation and exchange rates, sales dropped by 3% for the full year, but showed progressive improvement when comparing quarterly trends over the course of the year (-8% in the first quarter, -2% in the second quarter, -2% in the third quarter and stable sales in the fourth quarter). In mature markets, our sales were bolstered by a steady volumes growth in North America and in the UK, while Spain and Greece continued to be impacted by the economic environment. In emerging markets, activities were contrasted, with favourable demand trends overall but lower volumes experienced in some markets.

Net changes in the scope of consolidation had a negative impact on our sales of 171 million euros or -1% (-3% in the first quarter, -3% in the second quarter, 0% in the third quarter and +2% in the fourth quarter), reflecting the disposal of our Chilean and Turkish operations (respectively in August and December 2009) and the divestiture of Aggregates & Concrete assets in North America (mostly in June 2009) while we began to benefit from the effect of the consolidation of our new assets in Brazil from the end of July 2010. Currency fluctuations were favourable at +899 million euros or +6% (+1% in the first quarter, +6% in the second quarter, +8% in the third quarter and +7% in the fourth quarter), reflecting the impact of the depreciation of the euro against most major currencies. The most significant currency impacts were due to the appreciation of the Canadian dollar, the US dollar, the South African rand, the Brazilian real, the Korean won, Malaysian ringit, and Indian rupee.

Contribution to our sales by Division (before elimination of inter-Division sales) for the years ended December 31, 2010 and 2009, and the related percentage changes between the two periods were as follows:

SALES

	2010	VARIATION 2010/2009	2009
	(million euros)	(%)	(million euros)
Cement	10,280	1.7	10,105
Aggregates & Concrete	5,093	0.5	5,067
Gypsum	1,441	6.3	1,355
Other	3	(66.7)	9
Elimination of inter-Division sales	(648)	(0.6)	(652)
TOTAL	16,169	1.8	15,884

Contribution to our consolidated sales by Division (after elimination of inter-Division sales) for the years ended December 31, 2010 and 2009, and the related percentage changes between the two periods were as follows:

SALES

	2010		VARIATION 2010/2009	2009	
	(million euros)	(%)	(%)	(million euros)	(%)
Cement	9,656	59.7	1.9	9,477	59.7
Aggregates & Concrete	5,088	31.5	0.5	5,064	31.9
Gypsum	1,422	8.8	6.6	1,334	8.4
Other	3	0.0	(66.7)	9	0.1
TOTAL	16,169	100.0	1.8	15,884	100.0

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.3 Results of operations for the fiscal years ended December 31, 2010 and 2009

At constant scope and exchange rates, the changes in sales by Division between the years ended December 31, 2010 and 2009 were as follows:

(million euros)	2010			2009					VARIATION 2010/2009	
	ACTUAL	SCOPE EFFECT OF ACQUISITIONS	ON A COMPARABLE BASIS	ACTUAL	SCOPE EFFECT OF DISPOSALS	AT CONSTANT SCOPE	CURRENCY FLUCTUATION EFFECTS	ON A COMPARABLE BASIS	% GROSS CHANGE ACTUAL	% CHANGE AT CONSTANT SCOPE AND EXCHANGE RATES
	(A)	(B)	(C) = (A)-(B)	(D)	(E)	(F) = (D)+(E)	(G)	(H) = (F)+(G)	(I) = (A-D)/(D)	(J) = (C-H)/(H)
Cement	10,280	113	10,167	10,105	(162)	9,943	550	10,493	1.7	(3.1)
Aggregates & Concrete	5,093	69	5,024	5,067	(228)	4,839	320	5,159	0.5	(2.6)
Gypsum	1,441	-	1,441	1,355	(2)	1,353	67	1,420	6.3	1.5
Other	3	-	3	9	(7)	2	-	2	(66.7)	50.0
Elimination of inter-Divisionsales	(648)	(4)	(644)	(652)	50	(602)	(38)	(640)	(0.6)	0.6
TOTAL	16,169	178	15,991	15,884	(349)	15,535	899	16,434	1.8	(2.7)

Current operating income

Current Operating Income was slightly down in 2010 versus 2009, at 2,441 million euros from 2,477 million euros in 2009.

Scope effects and currency fluctuations increased Current Operating Income by 44 million euros and 141 million euros, respectively, on a full year basis.

At constant scope and exchange rates, current operating income decreased by 8% for the full year, mostly due to lower volumes, higher input costs and lower prices in a few countries that were partially offset by strong cost reductions across the Divisions. However, on a like for like basis, the current operating

income decline eased to 4% in the fourth quarter, reflecting improved volume trends for our 3 divisions.

Our Cement Division and our Aggregates and Concrete Division benefited from infrastructure spending in North America and in the UK along with a stabilization in residential housing trends. Our cement operations in emerging markets showed contrasted trends, with noticeable improvement in Latin America offset by lower trends in Middle East Africa and Asia. Our Gypsum Division saw its Current Operating Income progressing on the back of particularly positive market trends in Asia and stabilization in most of the mature countries.

As a percentage of sales, current operating income margin was 15.1% in 2010, compared to 15.6% in 2009, reflecting overall lower level of volumes, higher input costs and lower prices in a few countries.

Group return on capital employed after tax (using the effective tax rate) is 5.8% compared to 6.0% in 2009, reflecting a higher tax rate (21.9% versus 19.6% in 2009) and slightly lower earnings.

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

Contribution to our current operating income by Division for the years ended December 31, 2010 and 2009, and the related percentage changes between the periods were as follows:

CURRENT OPERATING INCOME

	2010		VARIATION 2010/2009 (%)	2009	
	(million euros)	(%)		(million euros)	(%)
Cement	2,230	91.4	(4.8)	2,343	94.6
Aggregates & Concrete	216	8.8	11.9	193	7.8
Gypsum	58	2.4	52.6	38	1.5
Other	(63)	(2.6)	(35.1)	(97)	(3.9)
TOTAL	2,441	100.0	(1.5)	2,477	100.0

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.3 Results of operations for the fiscal years ended December 31, 2010 and 2009

At constant scope and exchange rates, the changes in consolidated current operating income by Division between the years ended December 31, 2010 and 2009 were as follows:

(million euros)	2010			2009					VARIATION 2010/2009	
	ACTUAL	SCOPE EFFECT OF ACQUISITIONS	ON A COMPARABLE BASIS	ACTUAL	SCOPE EFFECT OF DISPOSALS	AT CONSTANT SCOPE	CURRENCY FLUCTUATION EFFECTS	ON A COMPARABLE BASIS	% GROSS CHANGE ACTUAL	% CHANGE AT CONSTANT SCOPE AND EXCHANGE RATES
	(A)	(B)	(C) = (A)-(B)	(D)	(E)	(F) = (D)+(E)	(G)	(H) = (F)+(G)	(I) = (A-D)/(D)	(J) = (C-H)/(H)
Cement	2,230	18	2,212	2,343	5	2,348	116	2,464	(4.8)	(10.2)
Aggregates & Concrete	216	2	214	193	17	210	23	233	11.9	(8.3)
Gypsum	58	-	58	38	2	40	1	41	52.6	42.3
Other	(63)	-	(63)	(97)	-	(97)	1	(96)	(35.1)	(34.4)
TOTAL	2,441	20	2,421	2,477	24	2,501	141	2,642	(1.5)	(8.4)

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.

Cement

SALES AND CURRENT OPERATING INCOME

	2010	2009	VARIATION 2010/2009	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	(million euros)	(%)	(%)
SALES	10,280	10,105	1.7	(3.1)
CURRENT OPERATING INCOME	2,230	2,343	(4.8)	(10.2)

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.3 Results of operations for the fiscal years ended December 31, 2010 and 2009

Sales

Contribution to our sales by geographic origin of sale for the years ended December 31, 2010 and 2009, and the related percentage change between the two periods were as follows:

SALES

	2010		VARIATION 2010/2009	2009	
	(million euros)	(%)		(%)	(million euros)
Western Europe	1,892	18.4	(10.1)	2,104	20.8
North America	1,333	13.0	12.1	1,189	11.8
Middle East & Africa	3,530	34.3	(1.0)	3,566	35.3
Central & Eastern Europe	757	7.4	(4.8)	795	7.9
Latin America	722	7.0	17.6	614	6.1
Asia	2,046	19.9	11.4	1,837	18.1
SUB-TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	10,280	100.0	1.7	10,105	100.0

Sales of the Cement Division increased by 2% to 10,280 million euros in 2010. Currency fluctuations had a positive impact of 550 million euros (or 5.4%) on sales. Changes in the scope of consolidation had a net negative impact of 49 million euros (or -0.6%), reflecting the disposal of our Chilean and Turkish operations, and the benefit of the new Brazilian assets for 5 months in 2010.

The total volume sold in 2010 was 135.7 million tonnes, representing a decrease

versus 2009 of 3% at constant scope, with trends improving over the course of the year. For the first time since the fourth quarter 2008, total cement volumes sales returned to growth and increased by 1% to 34.4 million tonnes in the fourth quarter.

At constant scope and exchange rates, our sales dropped by 3% for the year but increased by 1% for the fourth quarter. In mature countries, positive volume trends continued in North America and in the UK.

By contrast, Spain, and more significantly Greece, continued to be negatively impacted by difficult economic conditions. Market demand continued to post growth in most of the emerging markets, but our volumes in some countries were hindered by the entrance of new capacities and lower production levels. In a challenging environment, prices remained resilient overall, although several markets did show 2010 average prices lower than 2009 levels.

Current operating income

Contribution to our current operating income by region for the years ended December 31, 2010 and 2009, and the related percentage change between the periods were as follows:

CURRENT OPERATING INCOME

	2010		VARIATION 2010/2009	2009	
	(million euros)	(%)		(%)	(million euros)
Western Europe	427	19.1	(15.8)	507	21.6
North America	79	3.5	229.2	24	1.0
Middle East & Africa	1,000	44.8	(4.6)	1,048	44.7
Central & Eastern Europe	193	8.7	(26.3)	262	11.2
Latin America	193	8.7	37.9	140	6.0
Asia	338	15.2	(6.6)	362	15.5
SUB-TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	2,230	100.0	(4.8)	2,343	100.0

Current operating income decreased by 5% to 2,230 million euros in 2010, compared to 2,343 million euros in 2009.

Currency fluctuations had a positive impact of 5% or 116 million euros. Net changes in the scope of consolidation are negligible.

At constant scope and exchange rates, current operating income decreased by 10% for the year. As a percentage of the Division's sales, current operating income margin declined to 21.7% in 2010, from 23.2% in 2009, impacted by higher production costs that were not fully compensated by significant cost-cutting measures.

Return on capital employed after tax was 6.6% in 2010 compared to 7.3% in 2009.

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

Western Europe

SALES

In Western Europe, sales decreased by 10% to 1,892 million euros compared to 2009. Overall the rate of volume decline slowed as compared to 2009 trends.

At constant scope and exchange rates, domestic sales decreased by 11%, reflecting the particularly adverse market conditions in Greece and Spain. Elsewhere, some stabilization signs were witnessed, although the fourth quarter was impacted by poor weather. Volumes sold in Western Europe by destination, at 20.3 million tonnes, were down 10% compared with 2009.

- In France, domestic sales were down 7%, reflecting lower volumes, partly due to a delay in phasing of certain road building projects in our regions and strikes in the country in the fourth quarter, while prices were solid.
- In the United Kingdom, domestic sales stabilized, combining positive volume trends on the back of some transport projects with prices slightly down.
- In Spain, domestic sales experienced a drop of 26% due to lower volumes and pricing in the context of a significant decline in the Spanish construction sector.
- In Germany, domestic sales stabilized despite a small volume decline.
- In Greece, the overall economic and social situation continued to significantly deteriorate in 2010 and impacted the construction market. As a consequence, domestic volumes were down 26%.

CURRENT OPERATING INCOME

Current operating income in Western Europe declined by 16%, to 427 million euros compared to 507 million euros in 2009.

At constant scope and exchange rates, current operating income decreased by 16% in 2010, as the impact of foreign exchange fluctuations and scope variations were negligible. For the year 2010, improved performance in reducing CO₂ emissions combined with lower volumes allowed the Group to sell 113 million euros of carbon credit, compared with 99 million euros in 2009.

In France, cost reduction actions helped mitigate the decline in volumes.

- In the United Kingdom, higher volumes and cost reduction measures more than offset the effect of lower prices.
- In Spain, optimization of the distribution network and other continuing cost reduction

efforts partially mitigated the impact of the challenging market conditions.

- In Germany, stabilized sales and optimized fixed costs helped improving the current operating income.
- In Greece, increased operational performance and restructuring only partially offset the impact of the steep drop in sales and the increase in bad debt reserves booked in the context of difficult market conditions.

North America

SALES

Sales increased by 12% to 1,333 million euros compared to 1,189 million euros in 2009, and by 25% in the fourth quarter, driven by a significant improvement in volumes that increased three quarters in a row and benefiting from the appreciation of the US and Canadian dollars against the euro (impact of +102 million euros for the full year).

Domestic sales, at constant scope and exchange rates, increased by 3% for the full year. Volumes in North America experienced a significant increase of 7%, to 13.6 million tonnes. Domestic volumes increased by 6% and 10% in the United States and Canada respectively, driven by higher infrastructure spending and the stabilization of the residential market. Higher prices in Canada partly mitigated the price decline in the United States.

CURRENT OPERATING INCOME

Current operating income in North America increased to 79 million euros compared to 24 million euros in 2009. At constant exchange rates, current operating income for the year more than doubled, reflecting the volume recovery and continued cost cutting measures.

Emerging markets

SALES

Sales in emerging markets increased by 4% to 7,055 million euros in 2010 from 6,812 million euros in 2009. The depreciation of euro versus most currencies of these countries had a positive impact on sales of 434 million euros, while the net effect of changes in scope negatively impacted the sales by 49 million euros. Activities in emerging markets generally had favorable market demand trends. In some cases our sales were lower as we readjusted to the entrance of new capacities or experienced lower production levels in some of our plants.

In the Middle East and Africa region, our sales slightly decreased by 1%, to 3,530 million euros, against 3,566 million Euros in 2009.

At constant scope and exchange rates, domestic sales decreased by 5% for the full year, but increased by 4% in the fourth quarter. Volumes sold in Middle East and Africa by destination were 40.2 million tonnes, against 44.1 million tonnes in 2009.

- In Egypt, our domestic sales decreased by 6% after a significant increase of 36% in 2009. The decline in sales was most significant in the second quarter due to lower volumes. Since then, volumes have returned to growth in the third and fourth quarters with prices slightly lower than last year.
- In Algeria, market trends continued to be solid but work stoppages and lower industrial performance led domestic sales to decrease by 5%.
- In Morocco, domestic sales slightly decreased by 2% with prices remaining solid.
- In Iraq, domestic sales increased by 14%, on the back of strong market demand and favorable prices.
- In Jordan, our volumes dropped by 46%, as new entrants significantly increased capacity in the country. Prices remained well-oriented, driven by increasing fuel costs.
- In Nigeria, our domestic volumes were stable due to a slowdown of government construction projects early in the year that has since recovered, with lower prices.
- In Kenya, our domestic sales contracted by 12% as new capacities entered the market, but our volume trends improved throughout the year.
- In South Africa, an expanded footprint led to a 12% increase in domestic sales.
- Lastly, two new plants started in 2010, in Uganda and Syria, and began to contribute to our sales from the second quarter and fourth quarter, respectively.

Our sales **in Central and Eastern Europe** dropped by 5% in 2010 to 757 million euros from 795 million euros in 2009. Appreciation of Eastern Europe currencies against the euro had a positive impact of 26 million euros.

At constant scope and exchange rates, domestic sales decreased by 9% but stabilized in the fourth quarter helped by improved market situation in Russia and Poland and despite poor weather. Volumes sold in Central and Eastern Europe by destination were

11.1 million tonnes year-to-date, still below 2009 level.

- In Poland, domestic volumes significantly improved in the second half of the year and consequently increased by 3% year-to-date, on the back of infrastructure projects, while prices were lower.
- In Russia, our domestic sales increased by 2% year-to-date, with double digit volume growth and favorable prices in the third and fourth quarters, thus fully absorbing the decrease in sales in the first semester.
- In Romania, the economic environment remained depressed, with domestic sales dropping by 20%.
- In Serbia, the increase in input costs led pricing gains, offsetting the drop in volumes.

In Latin America, our sales jumped by 18% to 722 million euros, from 614 million euros in 2009, benefiting from well-oriented markets and favourable currency fluctuations (impact of +62 million euros). Scope variations were neutral as the impact of the integration of our new Brazilian assets for 5 months fully offset the impact of the disposal of our Chilean operations in August 2009.

At constant scope and exchange rates, full year domestic sales increased by 7%. Volumes sold in Latin America by destination increased to 8.4 million tonnes from 7.6 million tonnes in 2009.

- In Brazil, domestic volumes of our historical assets rose 7%, bolstered by a buoyant market, while prices increased by 2%. Additionally, the new Brazilian assets integrated from the end of July 2010 and located in the dynamic north-east region of this country contributed to further benefit from the market growth.
- In Ecuador, domestic sales increased 12% with good market conditions and solid prices.

- Honduras sales declined slightly due to the economic and political environment.

Our sales **in Asia** grew by 11%, to 2,046 million euros, benefiting from the appreciation of most of the Asian currencies against the euro (impact of +200 million euros).

At constant scope and exchange rates, domestic sales were stable compared with 2009. Volumes sold in Asia by destination were almost stable versus last year at 42.1 million tonnes.

- In China, the positive effect of higher prices and volumes in Yunnan was more than offset by lower volumes and prices in Chongqing and Sichuan due to increased competitor capacities in these regions, resulting in a drop of domestic sales by 5%. The start-up of our new capacities began to benefit our volumes in the end of the fourth quarter.
- In India, domestic sales grew 15% driven by solid market growth in the Northeast Region on the back of robust rural demand and sustained infrastructure works. The new production line at Sonadih and our grinding station in Mejia started in the second half of 2009 allowed us to fully benefit in 2010 from this market growth. Year-to-date, 2010 average prices were higher than in 2009, but were lower in the fourth quarter.
- In the Philippines, domestic sales increased by 4%, mostly due to favorable prices. The market remained solid, although it slowed down in the fourth quarter due to delays in governmental infrastructure spending.
- The South Korean market environment remained challenging, and our domestic sales decreased by 19%, impacted by a decline in both volumes and prices.
- In Malaysia, domestic sales increased by 3%, driven by a price hike advanced in the second quarter, while domestic volumes slightly decreased.

- In Indonesia, the new Aceh plant started its grinding activity in the second quarter, allowing us to better capture market growth through local manufacturing.

CURRENT OPERATING INCOME

Current operating income in emerging markets decreased by 5% in 2010 to 1,724 million euros compared to 1,812 million euros in 2009, representing 77% of the Cement Division's current operating income. Currency fluctuations had a positive impact of 105 million euros on current operating income.

At constant scope and exchange rates, current operating income decreased by 11%.

In Middle East and Africa, current operating income in 2010 decreased by 5% to 1,000 million euros compared to 1,048 million euros in 2009.

At constant scope and exchange rates, current operating income decreased by 9%, mostly due to lower volumes. In the last quarter, current operating income increased by 16%, benefiting from the reversal of a regulatory fee on past purchases of raw materials in Egypt for 67 million euros.

- In Egypt, aggressive cost cutting measures mitigated the impact of lower sales and enabled us to maintain solid operating margins.
- In Algeria, additional clinker purchases to continue to fulfill the market's needs in a context of lower production levels reduced our results.
- In Morocco, higher petcoke cost and slightly lower sales negatively impacted the earnings.
- In Nigeria, strong improvements were achieved in energy costs, fully offsetting the impact of slightly lower prices.
- In Iraq, higher sales combined with cost-cutting measures translated into a strong increase in current operating income.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.3 Results of operations for the fiscal years ended December 31, 2010 and 2009

- In Jordan, our results were hampered by the impact of lower volumes and higher fuel costs. Significant cost cutting measures, including temporary kiln shutdowns were also implemented to limit this impact.
- In Kenya, the impact of lower clinker purchases and other cost cutting measures fully offset the decrease in domestic sales.
- In South Africa, the earnings improvement was driven by higher volumes and cost reductions.

In Central and Eastern Europe, current operating income decreased by 26% to 193 million euros compared to 262 million euros in 2009.

At constant scope and exchange rates, current operating income decreased by 27% in 2010. For the full year 2010, we sold 44 million euros of carbon credit, compared with 43 million euros in 2009.

- In Poland, the impact of lower prices was the primary driver for earnings decrease.
- In Russia, the strong improvement of both volumes and prices experienced in the second half of the year fully offset the impact of lower volumes in the first half of the year.

- In Romania, difficult market conditions drove the lower current operating income.
- In Serbia, increased prices helped to offset lower volumes and increased input costs.

In Latin America, current operating income increased by 38% to 193 million euros from 140 million euros in 2009, reflecting the positive market trends in the region, the impact of favourable currency fluctuations, and the integration of our new assets in Brazil for the last five months in 2010 partly offset by the impact of the deconsolidation of our Chilean operations sold in August 2009.

At constant scope and exchange rates, current operating income increased by 12%.

- Brazil continued to strongly improve through higher volumes and prices that more than offset the increase in input costs.
- In Ecuador, higher volumes drove the current operating income improvement.
- In Honduras, earnings slightly increased due to price improvement.

In Asia, current operating income decreased by 7% to 338 million euros in 2010 from 362 million euros in 2009.

At constant scope and exchange rates, current operating income decreased by 15% for the year and by 25% for the last quarter, mostly reflecting higher variable costs.

- In Malaysia, well-oriented domestic prices and contained costs assisted to offset the impact of the drop in export sales.
- In the Philippines, logistics optimization, favorable prices and volumes drove the improvement in current operating income.
- In India, good market conditions in the northeast and higher prices helped to absorb higher transportation costs and other input costs. Price pressure in the fourth quarter impacted moderately our earnings.
- In China, the significant increase in energy costs combined with the decrease of prices lowered our operating results.
- In South Korea, lower energy costs were not sufficient to offset the impact of lower prices in a declining market.
- In Indonesia, the substitution of traded cement sales by sales of locally grinded clinker improved the profitability.

Aggregates & Concrete

SALES AND CURRENT OPERATING INCOME

	2010	2009	VARIATION 2010/2009	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	(million euros)	(%)	(%)
SALES	5,093	5,067	0.5	(2.6)
CURRENT OPERATING INCOME	216	193	11.9	(8.3)

4

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.3 Results of operations for the fiscal years ended December 31, 2010 and 2009

Sales

Contribution to our sales by activity and geographic origin for the years ended December 31, 2010 and 2009, and the related percentage change between the two periods were as follows:

SALES

	2010		VARIATION 2010/2009	2009	
	(million euros)	(%)	(%)	(million euros)	(%)
AGGREGATES & RELATED PRODUCTS	2,511		5.6	2,377	
Of which pure aggregates:					
<i>Western Europe</i>	807	39.6	(2.8)	830	43.5
<i>North America</i>	913	44.8	18.0	774	40.6
<i>Emerging markets</i>	316	15.5	4.3	303	15.9
TOTAL PURE AGGREGATES	2,036	100	6.8	1,907	100.0
READY MIX CONCRETE & CONCRETE PRODUCTS	2,946		(2.8)	3,032	
Of which ready-mix:					
<i>Western Europe</i>	1,181	41.6	(7.0)	1,270	43.5
<i>North America</i>	793	27.9	13.0	702	24.0
<i>Emerging markets</i>	864	30.4	(8.9)	948	32.5
TOTAL READY MIX CONCRETE	2,838	100	(2.8)	2,920	100.0
Eliminations of intra Aggregates & Concrete sales	(364)		(6.4)	(342)	
TOTAL AGGREGATES & CONCRETE BEFORE ELIMINATION OF INTER-DIVISION SALES	5,093		0.5	5,067	

Sales of the Aggregates & Concrete Division increased by 1% to 5,093 million euros in 2010 compared to 5,067 million euros in 2009.

The 2009 divestiture of our Chilean activities and some operations in North America had a negative impact on sales of 159 million euros or -3%, but this effect was more than offset by a positive effect of currency fluctuations (320 million euros for the year).

At constant scope and exchange rates, sales declined by 3% year-on-year, benefiting from improved volumes in North America and in

the UK, with contrasted trends in the other regions.

Sales of **pure aggregates** increased by 7% to 2,036 million euros in 2010 compared with 1,907 million euros in 2009. Currency fluctuations had a positive impact on sales of 126 million euros, partially offset by the net impact of scope changes of 30 million euros. At constant scope and exchange rates, sales increased by 2%. Aggregates sales volumes in 2010 decreased by 1% to 193.2 million tonnes; at constant scope, sales volumes increased by 1%.

Sales of **ready-mix concrete** decreased by 3% to 2,838 million euros in 2010 compared with 2,920 million euros in 2009. Currency fluctuations had a positive impact on sales of 166 million euros while changes in scope of consolidation had a negative impact of 62 million euros. At constant scope and exchange rates, sales declined by 6% year-to date. Sales volumes of ready-mix concrete decreased 8% to 34.0 million cubic meters; at constant scope, sales volumes decreased by 5%.

Current operating income

Contribution to our current operating income by activity and by region for the years ended December 31, 2010 and 2009, and the related percentage change between the periods were as follows:

CURRENT OPERATING INCOME

	2010		VARIATION 2010/2009	2009	
	(million euros)	(%)	(%)	(million euros)	(%)
Aggregates & related products	175	81.0	56.3	112	58.0
Ready-mix concrete & concrete products	41	19.0	(49.4)	81	42.0
TOTAL BY ACTIVITY	216	100	11.9	193	100.0
Western Europe	62	28.7	(34.0)	94	48.7
North America	96	44.4	433.3	18	9.3
Other regions	58	26.9	(28.4)	81	42.0
TOTAL BY REGION	216	100.0	11.9	193	100.0

Current operating income of the Aggregates & Concrete Division increased by 12% to 216 million euros in 2010 from 193 million euros in 2009. Changes in scope and currency fluctuations had a positive impact of 19 million euros and 23 million euros, respectively. At constant scope and exchange rates, current operating income declined by 8%.

As a percentage of the Division's sales, current operating income margin improved to 4.2% in 2010, compared to 3.8% in 2009.

Current operating income for **aggregates & related products** increased by 56% to 175 million euros in 2010 from 112 million euros in 2009, mostly due to better volume trends in North America and in the UK, and the effect of cost cutting measures.

Current operating income for **ready-mix concrete & concrete products** was down 49% in the year, at 41 million euros in 2010, from 81 million euros in 2009, reflecting the impact of lower volumes and some price declines, mitigated by the increasing value generated by innovative products and strict cost management.

Return on capital employed after tax increased to 3.4% from 2.9% in 2009.

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

Western Europe

SALES

Pure aggregates sales in Western Europe decreased by 3% to 807 million euros compared with 830 million euros in 2009. The UK market improved all through the year on the back of major infrastructure projects, but the end of large projects and bad weather translated in lower volumes in the fourth quarter. In France, volume trends were positive in the second and third quarters, but the fourth quarter was impacted by adverse weather conditions and strikes in the country. Spain and Greece suffered from difficult economic conditions with reduced public spending. Overall, prices were solid.

Asphalt and paving sales increased, bolstered by several infrastructure projects in the UK.

Ready-mix concrete sales decreased by 7% to 1,181 million euros compared with 1,270 million euros in 2009. At constant scope and exchange rates, sales were down 9%. Ready-mix concrete volumes continued to grow in the UK driven by large projects and are stabilizing in France. In other parts of Western Europe, and noticeably in Greece and Spain, still depressed market conditions drove volume declines. Prices slightly decreased, notably in Spain.

CURRENT OPERATING INCOME

Current operating income in Western Europe was down 34% to 62 million euros in 2010, mostly reflecting the impact of lower volumes and prices in the ready mix concrete activity.

North America

SALES

Pure aggregates sales and ready-mix concrete sales increased 18% to 913 million euros and 13% to 793 million euros in 2010 respectively, benefiting from higher infrastructure spending in the United States and Canada and from a gradual improvement of the residential housing construction. Prices were solid for aggregates, and were 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 several projects in Canada and United States, and experienced Asphalt double digit volume growth in the West of Canada and in the East of United States with stable prices.

CURRENT OPERATING INCOME

In North America, current operating income strongly increased to 96 million euros in 2010 from 18 million euros in 2009. Currency variations and scope variations had a positive impact of 13 million euros each. At constant scope and exchange rates, the increase in current operating income reflected the progressive improvement of market conditions in North America, with higher volumes for our 3 activities (Pure aggregates, Asphalt and Ready-Mix concrete) and the strict cost control.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.3 Results of operations for the fiscal years ended December 31, 2010 and 2009

Emerging Markets

SALES

In emerging markets, pure aggregates sales increased by 4%, while ready-mix concrete sales decreased by 9%.

At constant scope and exchange rates, pure aggregates decreased by 4% year-to-date,

while ready mix concrete sales dropped by -9%, reflecting the completion of major projects in the Durban area in South Africa end of 2009.

Pure aggregates sales improved by 2% in the fourth quarter, confirming the marked improved volumes trends in Poland all along the year, supported by national and local road

projects. The ready mix concrete sales decline slowed down to 6% in the fourth quarter, benefiting from an improved situation in Poland, Brazil or India.

CURRENT OPERATING INCOME

Current operating income decreased by 28% to 58 million euros in 2010, reflecting volumes declines.

Gypsum

SALES AND CURRENT OPERATING INCOME

	2010	2009	VARIATION 2010/2009	VARIATION À PÉRIMÈTRE ET TAUX DE CHANGE CONSTANTS
	(million euros)	(million euros)	(%)	(%)
SALES	1,441	1,355	6.3	1.5
CURRENT OPERATING INCOME	58	38	52.6	42.3

Sales

Contribution to our sales by origin for the years ended December 31, 2010 and 2009 and the related percentage change between the two periods were as follows:

SALES

	2010		VARIATION 2010/2009	2009	
	(million euros)	(%)	(%)	(million euros)	(%)
Western Europe	753	52.3	(1.2)	762	56.2
North America	184	12.8	2.2	180	13.3
Other regions	504	35.0	22.0	413	30.5
TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	1,441	100.0	6.3	1,355	100.0

At constant scope and exchange rates, sales increased 2% year-to-date, and 4% in the last quarter, mostly driven by higher volumes, while average 2010 prices were slightly down.

In 2010, sales volumes of wallboards grew by 3% to 690 million square meters, and by 5% in the fourth quarter.

In Western Europe, our sales decreased by 1% to 753 million euros, combining positive market trends in the UK and more challenging market conditions in France.

In North America, our sales increased by 2% to 184 million euros, benefiting from the favourable fluctuations of the Canadian and

the US dollar versus the euro, but the level of activity remained low with depressed prices.

In the other regions, the sales increased by 22% to 504 million euros, mostly reflecting positive market trends in Asia and Latin America.

Current operating income

Contribution to our current operating income by region, for the years ended December 31, 2010 and 2009, and the related percentage change between the periods were as follows:

CURRENT OPERATING INCOME

	2010		VARIATION 2010/2009	2009	
	(million euros)	(%)	(%)	(million euros)	(%)
Western Europe	58	100.0	20.8	48	126.3
North America	(46)	(79.3)	(7.0)	(43)	(113.1)
Other regions	46	79.3	39.4	33	86.8
TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	58	100.0	52.6	38	100.0

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.3 Results of operations for the fiscal years ended December 31, 2010 and 2009

Current operating income increased by 53% to 58 million in 2010 from 38 million in 2009. Currency fluctuations and net scope changes were negligible.

At constant scope and exchange rates, current operating income improved due to an increase in volumes and tight cost control, and despite

the lower selling prices compared with 2009. The increase in paper costs was fully offset by contained energy costs.

As a percentage of the Division's sales, current operating income margin increased to 4.0% in 2010, from 2.8% in 2009.

Return on capital employed after tax increased to 3.4% in 2010 from 2.5% in 2009.

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

Other (including holdings)

Sales

Sales of our other operations decreased to 3 million euros in 2010 compared to 9 million euros in 2009.

Current operating income (loss)

Current operating loss of our other operations, which includes central unallocated costs, reached 63 million euros in 2010 compared to a loss of 97 million euros in 2009, benefiting from a change in the pension indexation in the UK.

Operating income and net income

The table below shows our operating income and net income for the years ended December 31, 2010 and 2009:

	2010	VARIATION 2010/2009	2009
	(million euros)	(%)	(million euros)
CURRENT OPERATING INCOME	2,441	(1.5)	2,477
Gains on disposals, net	45	(56.3)	103
Other operating income (expenses)	(317)	3.9	(330)
OPERATING INCOME	2,169	(3.6)	2,250
Finance (costs) income	(723)	21.9	(926)
Of which:			
Finance costs	(1,069)	5.9	(1,136)
Finance income	346	64.8	210
Income from associates	(16)	11.1	(18)
INCOME BEFORE INCOME TAX	1,430	9.5	1,306
Income tax	(316)	(21.5)	(260)
NET INCOME	1,114	6.5	1,046
Out of which part attributable to:			
Owners of the parent of the Group	827	12.4	736
Non-controlling interests	287	(7.4)	310

Gains on disposals, net, were 45 million euros in 2010 compared to 103 million euros in 2009.

Other operating expenses were 317 million euros versus 330 million euros in 2009, and mainly comprise closure and impairment costs of a paper plant in Sweden, the impairment of assets located in Western Europe and South Korea due to the impact of the economic environment, and restructuring costs primarily in Western Europe.

Operating income decreased by 4% to 2,169 million euros, from 2,250 million euros in 2009.

Finance costs, comprised of financial expenses on net debt, foreign exchange results and other financial income and expenses, improved by 22% to 723 million euros from 926 million euros in 2009.

The financial expenses on net debt slightly increased by 2% from 760 to 773 million euros, reflecting the higher average cost of debt. The average interest rate on our gross debt was 5.3% in 2010, as compared to 5.1% in 2009.

Foreign exchange resulted in a loss of 26 million euros in 2010 compared with a loss of 37 million euros in 2009, mostly relating to

loans and debts denominated in currencies for which no hedging market is available.

Other finance income and expenses include the gain of the disposal of Cimpor shares for 161 million euros. Excluding this one-off item, other financial costs were almost halved to 85 million euros, compared to 129 million euros in 2009, partly due to the negative impact in 2009 of the accelerated amortization of syndication costs on the Orascom Cement 2008 acquisition credit line following early reimbursement of tranches A1 and A2.

The contribution from our associates represented in 2010 a net loss of 16 million

4

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.3 Results of operations for the fiscal years ended December 31, 2010 and 2009

euros, versus a loss of 18 million euros in 2009.

Income tax increased to 316 million euros in 2010 from 260 million euros in 2009. The effective tax rate for 2010 increased to 21.9% from 19.6% in 2009, mostly reflecting the progressive withdrawal of temporary tax holidays, partly offset by the non taxable gain on the disposal of Cimpor shares.

Net income Group Share⁽¹⁾ grew by 12% to 827 million euros in 2010 from 736 million euros in 2009.

2010 and 2009 were impacted by significant one-off items. They included the reversal of the German competition litigation provision, the settlement of USG litigation, and the impairment loss on cement assets located in Western Europe in 2009, whereas in 2010, they comprised the gain on the disposal of Cimpor shares for 161 million euros.

Non controlling interests decreased 7% to 287 million euros, from 310 million euros in 2009, mostly reflecting the lower earnings in Jordan.

Basic earnings per share increased by 4% for 2010 to 2.89 euros, compared to 2.77 euros in 2009, reflecting the combined effect of the increase in the net income and the full impact of the April 2009 rights issue of 1.5 billion euros on the 2010 average number of shares. The basic average number of outstanding shares during the year, excluding treasury shares, was 286.1 million compared to 265.5 million in 2009.

(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 balance sheet 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 period 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.

COMPONENTS OF CASH FLOW

(million euros)	2010	2009
CASH FLOW FROM OPERATIONS *	2,156	2,177
Changes in operating working capital items excluding financial expenses and income taxes	354	1,029
Non-recurring payment*	(338)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,172	3,206
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(1,244)	(1,074)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	38	(1,489)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	966	643

* Cash flow from operations excludes the 338 million euros one-time payment for the Gypsum competition fine, presented on the line «non-recurring payment».

a) Net cash provided by operating activities

Net cash provided by operating activities amounted to 2,172 million euros (3,206 million euros in 2009).

Excluding the non recurring payment of the Gypsum competition fine for 338 million euros in July 2010, net cash provided by operating activities decreased by 22%, primarily reflecting the evolution of the change in working capital. Indeed, in 2009, the strong reduction of our working capital by 1,029 million euros benefited from actions taken to lower the number of sales days of working capital but also from the large decrease in the activity level between the fourth quarter of 2008 and the fourth quarter of 2009. In 2010,

we pursued our actions to optimize our strict working capital* that further decreased 11 days to 32 days when expressed as a number of days sales at the end of December 2010. However, the absolute level of working capital did not decline as significantly as in 2009, given that the level of sales activity started to increase in the last quarter of 2010, and that it compared to an already optimized level at the end of 2009.

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

b) Net cash used in investing activities

Net cash used in investing activities amounted to 1,244 million euros (1,074 million euros in 2009).

Sustaining capital expenditures were contained at 359 million euros in 2010 compared to 372 million euros in 2009.

Capital expenditures for the building of new capacity decreased to 950 million euros in 2010 from 1,234 million euros in 2009, and reflect mainly major cement projects such as the extension of our capacities in Eastern India, China, Poland, Russia, Uganda and Nigeria, the reconstruction of our Aceh plant in Indonesia and the investments in new capacities in Syria and Saudi Arabia.

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

The divestments operations performed in 2010 have reduced the Group's net debt by 364 million euros (net of selling costs and including the debt disposed of) as at December 31, 2010. In addition to the proceeds of the sale of a minority stake in Lafarge Malayan Cement Berhad for 141 million euros, disposals mainly included the second instalment of the divestment of our Venezuelan operations, the divestment of our A&C operations in Alsace (France) and Switzerland and the sale of several industrial assets and lands.

In 2009, divestments mainly comprised the disposal of our Chilean operations, our cement Turkish and Venezuelan activities (first payment) and our Aggregates and Concrete activities in Eastern Canada.

See Section 3.3.2 (Recent acquisitions, partnerships and divestitures) for more informations.

c) Net cash provided by financing activities

At December 31, 2010, the Group's net debt amounted to 13,993 million euros (13,795 million euros at December 31, 2009). The fluctuations in exchange rates resulted in an increase of our net debt by 0.5 billion euros, primarily reflecting the appreciation of the US dollar against the euro during the period. At constant exchange rates, net debt decreased by 0.3 billion euros. In addition, we continued to improve our maturity profile with the issuance of 1.9 billion euros of bonds in 2010 and to maintain a solid liquidity position, increasing the level of unused committed credit lines to 3.8 billion euros at December 31, 2010.

See Note 25 of 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 9,498 million euros is used at December 31, 2010.

LONG AND MEDIUM-TERM DEBT SECURITIES ISSUANCES IN 2010 AND 2009

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;
- on December 16, 2009, a 750 million euros bond bearing a fixed interest rate of 5.500% with a 10-year maturity;
- on November 6, 2009, a 150 million euros private placement bearing a fixed rate of 6.850%, with an 8-year maturity. On June 29, 2009, a 250 million euros of the same nature, with the same maturity, bearing a fixed rate of 7.250%;
- on June 24, 2009, a 750 million euros bond bearing a fixed interest rate of 7.625%, with a 7-year and 5-month maturity. On May 27, 2009, a 1,000 million euros bond, bearing the same fixed interest rate, with a 5-year maturity;
- on May 29, 2009, a 350 million British pounds bond bearing a fixed rate of 8.750%, 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 2010

On July 6, 2010, Lafarge repaid a 500 million euros private placement.

Short term debt

Short-term needs are met mainly through the issuance of domestic commercial paper, as well as the use of credit lines.

We currently have a euro-denominated commercial paper program, with a maximum available amount of 3,000 million euros. At December 31, 2010, 724 million euros in commercial paper were outstanding under this program.

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, 2010, these committed credit lines amounted to 3,852 million euros (compared with 3,469 million euros at December 31, 2009). Of this amount, 3,839 million euros were available at December 31, 2010 (compared with 3,457 million euros at December 31, 2009). The average maturity of these credit facilities was approximately 2.7 years at the end of 2010 versus 2.5 years at the end of 2009.

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 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.

Equity issuance and dividends

During 2010, equity issuance resulted in a net cash inflow of 41 million euros. The amount was 1,534 million euros in 2009 mainly reflecting the capital increase with preferential subscription rights completed on April 28, 2009.

See Section 8.1.1 (Changes in the share capital during the fiscal year ended December 31, 2010 and 2009) for more information.

Total dividends paid in 2010 amounted to 849 million euros, including the payments made to minority shareholders by our subsidiaries.

See Chapter 1 (Selected financial data) for more information on dividends paid by Lafarge S.A.

4.4.3 Level of debt and financial ratios at December 31, 2010

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

Total debt

On December 31, 2010, our total debt amounted to 17,013 million euros (compared with 15,667 million euros in 2009) excluding put options on shares of subsidiaries and impact of derivative instruments. At the end of 2010, we reclassified 724 million euros of short-term debt (936 million euros at the end

of 2009) 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 14,033 million euros at year-end 2010 compared with 13,634 million euros at year-end 2009. Approximately 48% of the 2010 long-term debt is due to mature after 2015. 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, 2010, our short-term debt (including the current portion of long-term debt) amounted to 2,980 million euros.

At December 31, 2010, the average spot interest rate on our total debt after swaps was 5.5%, compared to 5.3% at December 31, 2009. The average annual interest rate on debt after swaps was 5.3% in 2010 (compared with 5.1% in 2009).

Our cash and cash equivalents amounted to 3,294 million euros at year-end 2010, with close to half of this amount denominated in euros and the remainder in a large number of other currencies.

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

Net debt and net debt ratios

Our net debt, which includes put options on shares of subsidiaries and derivative instruments, totalled 13,993 million euros at December 31, 2010 (compared with 13,795 million euros at December 31, 2009).

Our net-debt-to-equity ratio stood at 77% at December 31, 2010 (compared with 82% at December 31, 2009).

Our cash flow from operations* to net debt ratio stood at 15% at December 31, 2010 (compared with 16% at December 31, 2009).

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, 2010, 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: Algeria, Bangladesh, China, Ecuador, India, Indonesia, Jordan, Nigeria, Qatar, Saudi Arabia, Syria, Thailand, United Arab Emirates, United Kingdom and Vietnam. Debt with such financial covenants represents approximately 8% of the total Group debt excluding put options on shares of

subsidiaries at December 31, 2010. 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 Notes 25 (e) 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.



* Before exceptional payment of the Gypsum competition fine (338 million euros) in 2010.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.4 Liquidity and Capital Resources

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

		12/31/2009	3/1/2010	12/31/2010	03/17/2011*
S&P	Short-term rating	A-3		A-3	B
	Long-term rating	BBB- (stable outlook)	BBB- (negative outlook)	BBB- (negative outlook)	BB+ (stable outlook)
MOODY'S	Short-term rating	Not rated		Not rated	
	Long-term rating	Baa3 (negative outlook)		Baa3- (negative outlook)	

* On February 23, 2011, the rating agency Standards & Poor's Ratings Services placed our long-term rating BBB- 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.

5 CORPORATE GOVERNANCE AND COMPENSATIONS

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Declaration in terms of corporate governance – Governance Code of reference

At its November 6, 2008 meeting, the Lafarge Board of Directors decided that the Code of Corporate Governance to which the Company refers 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” and whose December 2008 version integrates the recommendations (Principles for corporate governance based on

consolidation of the October 2003 Afep and Medef’s reports and on their January 2007 and October 2008’s recommendations concerning the compensation of Executive Directors of listed companies). This Code was modified in April 2010 concerning the intensification of the presence of women within Boards of Directors.

The Lafarge Board of Directors considers that these recommendations are in line with the corporate governance principles of the Company.

According to this Code, the companies which enforce it must state in their Annual Report how they apply these recommendations and explain, if need be, the reasons why they have not applied some of them. If relevant, these informations will be mentioned in the present Chapter 5.

5.1 Board of Directors

At present, the Board of Directors consists of 18 members with various complementary profiles and experience. Its composition has been modified during the 2010 financial year following the appointment of two new Independent Directors at the May 6, 2010 General Meeting (Mrs Colette Lewiner and Mrs Véronique Weill).

A number of Board members have held positions within the Group or have had professional dealings with the Group and therefore know our activities well. Others 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 its 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 Articles of Association, the Directors are appointed for 4-year office term.

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

The Directors shall not be over 70 years old, and each shall own at least 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, following the recommendation of the Remunerations Committee, the Lafarge Board of Directors decided, 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 Board of Directors. It is deemed appropriate for the Lafarge organization and practice, and complies with the prerogatives of each governing body (General Meetings, Board of Directors, Executive Officers), in particular regarding the control of Group activity.

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

The Board’s internal regulations ensure the respect of corporate governance best practices in the framework of such management practice. These regulations notably state that a Vice-Chairman of the Board is elected from among the Directors classified as independent for a one-year renewable term of office upon recommendation by the Corporate Governance and Nominations Committee.

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. These functions are currently exercised by Mr Oscar Fanjul.

5.1.2 Information on Directors

The presentation below illustrates the respective experience and expertise of the Directors, especially in terms of management.

Presentation of the Directors – Expertise and experience

BRUNO LAFONT (born on June 8, 1956)	BUSINESS ADDRESS: 61, rue des Belles Feuilles, 75116 Paris, France	NUMBER OF LAFARGE SHARES HELD: 24,006
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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 officiated as 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. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2012.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2005. Termination of the position after the General Meeting called to approve the financial statements for 2012. 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 AND THAT HAVE ENDED

CURRENT POSITIONS:

In France:

Director of Lafarge
Director of EDF

Abroad:

Positions in various subsidiaries of the Group:
Director of Lafarge India Private Limited
Director of Lafarge Shui On Cement Limited

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

Abroad:

Positions in various subsidiaries of the Group

OSCAR FANJUL

(born on May 20, 1949)

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 Lafarge's 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 industrial holding I.N.I. (Spain), then acted as President and Founder of Repsol YPF (Spain) until 1996. He acts as Vice-Chairman of Omega Capital, SL (Spain). Mr Fanjul is a Director of Marsh & McLennan Companies (United States), Acerinox (Spain) and Areva. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2012.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2005. Termination of the position after the General Meeting called to approve the financial statements for 2012.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED

CURRENT POSITIONS:

In France:

Director and Vice-Chairman of the Board of Lafarge
Director of Areva

Abroad:

Vice-Chairman of Omega Capital, SL (Spain)
Director of Marsh & McLennan Companies (USA)
Director of Acerinox (Spain)

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

Abroad:

Director of Unilever
Director of Colonial
Director of the London Stock Exchange (United Kingdom)

MICHEL BON (born on July 5, 1943)	BUSINESS ADDRESS: 86, rue Anatole-France, 92300 Levallois-Perret, France	NUMBER OF LAFARGE SHARES HELD: 5,552
EXPERIENCE AND EXPERTISE		
<p>Director, member of the Audit Committee, member of the Strategy, Investment and Sustainable Development Committee Michel Bon was appointed to Lafarge's Board of Directors in 1993. He is Chairman of the Supervisory Board of Devoteam and Éditions du Cerf. He is 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. His term of office expires at the General Meeting called to approve the financial statements for fiscal year 2012.</p>		
POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)		
Appointment as Director of Lafarge in 1993. Termination of the position after the General Meeting called to approve the financial statements for 2012.		
POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED		
CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:	
<p>In France: Director of Lafarge Director of Sonepar Chairman of the Supervisory Board of Éditions du Cerf Chairman of the Supervisory Board of Devoteam</p> <p>Abroad: Director of SONAE (Portugal) Director of Myriad (Switzerland) Director of Cie Européenne de Téléphonie (Luxembourg)</p>	<p>In France: Director of Provimi until 2010 Director of Editis until 2009 Censor of Asterop until 2008 Director of Banque Transatlantique until 2007 Director of Orsid SAS until 2005</p>	
PHILIPPE CHARRIER (born on August 2, 1954)	BUSINESS ADDRESS: 60-62, rue d'Hauteville, 75010 Paris, France	NUMBER OF LAFARGE SHARES HELD: 3,368
EXPERIENCE AND EXPERTISE		
<p>Director, member of the Remunerations Committee, member of the Strategy, Investment and Sustainable Development Committee Philippe Charrier was appointed to Lafarge's 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 Founder member of the <i>Club Entreprise et Handicap</i>, Director of the <i>Fondation Nestlé pour la nutrition</i> and of Rallye. He was Vice-President, Chief Executive Officer and Director of CEnobiol 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. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2012.</p>		
POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)		
Appointment as Director of Lafarge in 2005. Termination of the position after the General Meeting called to approve the financial statements for 2012.		
POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED		
CURRENT POSITIONS:	OVER THE LAST FIVE YEARS THAT HAVE ENDED, IN FRANCE AND INTERNATIONAL:	
<p>In France: Director of Lafarge President of Labco Chairman of the Board of Directors of Alphident and Dental Emco S.A. (subsidiary of Alphident) Director of Rallye</p>	<p>In France: Vice-President, Chief Executive Officer and Director of CEnobiol 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</p>	

BERTRAND COLLOMB
(born on August 14, 1942)

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 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 French Institute of International Relations, Chairman of the *Institut des hautes études* for Science and Technology, member of the Executive Committee of the European Institute of Innovation and Technology and of the European Corporate Governance Forum. He is a member of the Institut de France (*Académie des sciences morales et politiques*). His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2012.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 1987. Termination of the position after the General Meeting called to approve the financial statements for 2012. Honorary Chairman of Lafarge.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED

CURRENT POSITIONS:

In France:

Director of Lafarge
Director of Total

Abroad:

Director of Atco Ltd. (Canada)
Director of DuPont (USA)

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

Abroad:

Positions in various subsidiaries of the Group
Director of Vivendi Universal until 2005 (France)
Director of Unilever until 2006 (Netherlands)

PHILIPPE DAUMAN
(born on March 1, 1954)

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 Lafarge's 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, Mr 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 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), a member of The Paley Center for Media's Council (US), and a member of the Executive Committee of Lenox Hill Hospital (US). His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2010.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2007. Termination of the position after the General Meeting called to approve the financial statements for 2010.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED

CURRENT POSITIONS:

In France:

Director of Lafarge

Abroad:

President and Chief Executive Officer of Viacom Inc. (USA)
Director of National Amusements Inc. (USA)

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

Abroad:

Co-Chairman of the Board of Directors and Managing Director of DND Capital Partners LLC (USA)
Director of Lafarge North America from 1997 to 2006 (USA)

PAUL DESMARAIS, JR.
(born on July 3, 1954)

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 Lafarge's 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 Executive Committee 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). Mr Desmarais 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 Global Advisor for Merrill Lynch (New York, US). Mr Desmarais 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). Mr Desmarais 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. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2011.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2008.

Termination of the position after the General Meeting called to approve the financial statements for 2011.

PAUL DESMARAIS, JR.
(born on July 3, 1954)

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 AND THAT HAVE ENDED

CURRENT POSITIONS:

In France:

Director of Lafarge
Director of Total S.A.
Director of GDF-Suez

Abroad:

Chairman of the Board and Co-Chief Executive Officer of Power Corporation of Canada
Chairman of the Executive Committee, Co-Chief Executive Officer and Director of Power Financial Corporation (Canada)
Vice-Chairman of the Board of Directors and Deputy Managing Director of Pargesa Holding (Switzerland)
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)
Director and member of the Executive Committee of Groupe Bruxelles Lambert S.A. (Belgium)
Director and member of the Executive Committee of Groupe Investors Inc. (Canada)
Director and member of the Executive Committee of London Insurance Group Inc.
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.
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
Director of Gesca Ltée
Director of Les Journaux Trans-Canada
Director of La Presse Ltée
Director of Power Communications Inc.
Member of the Board of Directors of Putnam Investments LLC
Director of Power Financial B.V.
President of the Advisory Board of Sagard Private Equity Partners

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

In France:

Vice-Chairman of the Board of Imérys

Abroad:

Director of GWL Properties until 2007
Chairman of Power Financial Corporation (Canada)



GÉRALD FRÈRE

(born on May 17, 1951)

BUSINESS ADDRESS:

12, rue de la Blanche Borne, 6280 Loverval, Belgium

NUMBER OF LAFARGE SHARES HELD:

1,143

EXPERIENCE AND EXPERTISE**Director**, member of the Corporate Governance and Nominations Committee

Gérald Frère was appointed to Lafarge's Board of Directors in 2008. He has been Managing Director of Groupe Bruxelles Lambert since 1993. He joined the family company, the Frère-Bourgeois group (Belgium), in 1972. He was appointed to the Board of Directors of Groupe Bruxelles Lambert in 1982 and has been Chairman of the Executive Committee since 1993. He is also Chairman of the Board of Directors of Compagnie Nationale à Portefeuille SA (CNP) and TVI SA (RTL Belgium). He is Regent of the National Bank of Belgium. He is Vice-Chairman of the Board of Directors of Pargesa Holding SA (Switzerland), Director of Power Financial Corporation (Canada) and Electrabel SA (Belgium). His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2011.

Gérald Frère and Thierry de Rudder are brothers-in-law.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2008. Termination of the position after the General Meeting called to approve the financial statements for 2011.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED**CURRENT POSITIONS:****In France:**

Director of Lafarge
Director of Pernod Ricard

Abroad:

Chairman of the Board of Directors of Compagnie Nationale à Portefeuille S.A. (CNP) (Belgium)
Chairman of the Board of Directors of Filux S.A. (Luxembourg)
Chairman of the Board of Directors of Gesecalux S.A. (Luxembourg)
Chairman of the Board of Directors of Stichting Administratie Kantoor Bierlaire (Netherlands)
Chairman of the Board of Directors of RTL Belgium
Vice-Chairman of the Board of Directors of Pargesa Holding S.A. (Switzerland)
Chairman of the Board of Directors and Deputy Managing Director of the Haras de la Bierlaire S.A. (Belgium)
Chairman of the Executive Committee and Deputy Managing Director of Groupe Bruxelles Lambert S.A. (Belgium)
Chairman of the Compensation and Appointment Committee of Compagnie Nationale à Portefeuille S.A. (CNP) (Belgium)
Deputy Managing Director of Financière de la Sambre S.A. (Belgium)
Deputy Managing Director of Frère-Bourgeois S.A. (Belgium)
Director of Power Financial Corporation (Canada)
Director of Erbe S.A. (Belgium)
Director of ASBL Fonds Charles-Albert Frère (Belgium)
Director of Stichting Administratie Kantoor Frère-Bourgeois (Netherlands)
"Commissaris" of Parjointco N.V. (Netherlands)
"Régent" of the Banque Nationale de Belgique (Belgium)
Member of the Budget Committee of the Banque Nationale de Belgique
Member of the Compensation Committee of the Power Financial Corporation (Canada)
Member of the Related Parties and Conduct Review Committee of Power Financial Corporation (Canada)
Member of the Supervisory Board of the Financial Services Authority (Belgium)
Honorary consul of France in Charleroi (Belgium)
Manager Agriger Sprl (Belgium)
Manager Gbl Energy SARL (Luxembourg)
Manager Gbl Verwaltung Sarl (Luxembourg)
Director of Electrabel S.A. (Belgium)
"Commissaris" of Agesca Nederland N.V. (Netherlands)

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

Chairman of the Compensation Committee of the Banque Nationale de Belgique until 2010
Director of Suez-Tractebel S.A. (Belgium) until 2010
"Commissaris" of Frère-Bourgeois Holding B.V. (Netherlands) until 2009

JUAN GALLARDO (born on July 28, 1947)	BUSINESS ADDRESS: Monte Caucaso 915 - 4 piso, Col. Lomas de Chapultepec C.P., MX 11000 Mexico	NUMBER OF LAFARGE SHARES HELD: 1,500
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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 Lafarge's 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., Grupo Mexico S.A. de C.V. (Mexico) 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, a Director of Mexicana de Aviacion and Vice-President of Home Mart Mexico. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2012.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2003. Termination of the position after the General Meeting called to approve the financial statements for 2012.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED**CURRENT POSITIONS:****In France:**

Director of Lafarge

Abroad:

Chairman of the Board of Directors of Grupo Embotelladoras Unidas, S.A. de C.V. (Mexico)
Chairman of Grupo Azucarero Mexico S.A. (Mexico)
Director of IDEA S.A. (Mexico)
Director of Grupo Mexico S.A. de C.V. (Mexico)
Director of Caterpillar Inc. (USA)

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

Member of the International Advisory Board of Lafarge
Member of the International Advisory Board of Textron Inc.

Abroad:

Chairman of Fondo Mexico from February 1989 to March 2005
Director of Mexicana de Aviacion (Mexico) until 2010

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

Director, member of the Audit Committee

Jérôme Guiraud was appointed to the Board of Directors in 2008. He graduated from *Hautes Études Commerciales* (HEC 1984 – Paris). J. 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 (major actor in construction and in fertilizer, listed on London, N.Y. and Cairo stock exchanges). His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2011.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2008. Termination of the position after the General Meeting called to approve the financial statements for 2011.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED**CURRENT POSITIONS:****In France:**

Director of Lafarge

Abroad:

Director Chief Executive Officer of NNS Capital (United Kingdom)
Director of Orascom Construction Industries S.A.E (Egypt)

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

PIERRE DE LAFARGE (born on September 26, 1946)	BUSINESS ADDRESS: 8, rue des Graviers, 92521 Neuilly-sur-Seine Cedex, France	NUMBER OF LAFARGE SHARES HELD: 30,354
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EXPERIENCE AND EXPERTISE

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

Pierre de Lafarge was appointed to Lafarge's Board of Directors in 2007. He graduated from the *École des mines de Nancy* (France). Pierre de Lafarge has terminated his career as Director of International Development for Kerneos, a subsidiary of the Materis group. He worked in the Group from 1972 to 2001, holding various positions. From 1992 to 1995, he was Vice-Chief Executive Officer for Lafarge Réfractaire then in charge of Development in Eastern Europe for Lafarge Mortier from 1996 to 2000, Director of Strategy and International Development for Lafarge Mortier from 2000 to 2001 and of the mortar activities of Materis from 2001 to 2003. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2010.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2007. Termination of the position after the General Meeting called to approve the financial statements for 2010.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED**CURRENT POSITIONS:****In France:**

Director of Lafarge

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

Director of international development for Kerneos, retired since July 1, 2008

COLETTE LEWINER

(born on Septembre 19, 1945)

BUSINESS ADDRESS:

Tour Europlaza-La Défense 4, 20 avenue André Prothin,
92927 Paris-La Défense, France

NUMBER OF LAFARGE SHARES HELD:

1,200

EXPERIENCE AND EXPERTISE

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

Colette Lewiner was appointed to Lafarge's 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. 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. Her term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2013.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2010. Termination of the position after the General Meeting called to approve the financial statements for 2013.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED**CURRENT POSITIONS:****In France:**

Director of Lafarge
Director of La Poste
Director of Nexans
Director of Bouygues
Chairman of TDF (SAS)

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

Director of Ocean Rig (Norway) until 2010

Abroad:

Director of TGS-Nopec (Norway)

MICHEL PÉBEREAU
(born on January 23, 1942)

BUSINESS ADDRESS:
3, rue d'Antin, 75002 Paris, France

NUMBER OF LAFARGE SHARES HELD:
3,080

EXPERIENCE AND EXPERTISE

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

Michel Pébereau was appointed to Lafarge's Board of Directors in 1991. Michel Pébereau is Chairman of BNP Paribas and holds various executive positions in the subsidiaries of the Company. He was previously Chief Operating Officer and subsequently Chairman and Chief Executive Officer of Crédit Commercial de France from 1982 to 1993, Chairman and Chief Executive Officer of BNP then BNP Paribas from 1993 to 2003. He is a Director of Total, Saint-Gobain, EADS N.V. (Netherlands), Pargesa Holding (Switzerland) and AXA and non-voting Director of Galeries Lafayette. He is President of the *Institut de l'Entreprise* and President of the Supervisory Board of the *Institut Aspen France*. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2010.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 1991. Termination of the position after the General Meeting called to approve the financial statements for 2010.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED

CURRENT POSITIONS:

In France:

Director of Lafarge
Chairman of the Board of Directors of BNP Paribas and various executive positions in the Group's subsidiaries
Director of Compagnie de Saint-Gobain
Director of Total
Director of AXA
Censor of the Société Anonyme des Galeries Lafayette

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

Abroad:

Director of BNP Paribas UK Holdings Ltd. until 2005 (United Kingdom)
Member of AXA Supervisory Board (until the change of AXA to a Company with a Board of Directors on April 29, 2010)

Abroad:

Director of EADS N.V. (Netherlands)
Director of Pargesa Holding S.A. (Switzerland)
Member of the Supervisory Board of the Banque Marocaine pour le Commerce et l'Industrie (Morocco)
Director of BNP Paribas S.A. (Switzerland)



HÉLÈNE PLOIX

(born on September 25, 1944)

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 Lafarge's Board of Directors in 1999. Mrs 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) and Completel N.V. (Netherlands). As Pechel Industries Partenaires's permanent representative, she is also a Director of non-listed companies. Her term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2012.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 1999. Termination of the position after the General Meeting called to approve the financial statements for 2012.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED**CURRENT POSITIONS:****In France:**

Director of Lafarge
 Director of BNP Paribas
 Member of the Supervisory Board of Publicis Groupe
 Chairman of Pechel Industries Partenaires SAS
 Chairman of Pechel Industries 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

Abroad:

Director of Ferring S.A. (Switzerland)
 Director of Completel N.V. (Netherlands)

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

MICHEL ROLLIER
(born on September 19, 1944)

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 Lafarge's Board of Directors in 2008. He graduated from the *Institut d'études politiques* (1967) and the Université de Droit de Paris (1968). He has been Managing Partner of the Compagnie Générale des Établissements Michelin since May 2005. He previously held several positions with Ausseadat-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. Mr 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. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2011.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2008. Termination of the position after the General Meeting called to approve the financial statements for 2011.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED

CURRENT POSITIONS:

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

In France:

Director of Lafarge
Director of Moria Gérant
Managing Partner of the Compagnie Générale des Établissements Michelin

Abroad:

Managing Partner of la Compagnie Financière Michelin (Switzerland)

THIERRY DE RUDDER
(born on September 3, 1949)

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 Lafarge's 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 in Philadelphia. He acts as Executive Director of Groupe Bruxelles Lambert which he joined in 1986. He previously held various positions in New York and in Europe with Citibank which he joined in 1975. He is currently a Director of Compagnie Nationale à Portefeuille in Belgium and of GDF-Suez and Total in France. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2011.

Gérald Frère and Thierry de Rudder are brothers-in-law.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2008. Termination of the position after the General Meeting called to approve the financial statements for 2011.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED

CURRENT POSITIONS:

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

In France:

Director of Lafarge
Director of GDF-Suez
Director of Total S.A.

In France:

Director of SI Finance until 2005
Director of Imerys until 2010

Abroad:

Deputy Managing Director of Groupe Bruxelles Lambert (Belgium)
Various positions as Director in relation with his position in the Groupe Bruxelles Lambert (Brussels Securities, GBL Treasury Center, Sagerpar, GBL Energy Sarl, GBL Verwaltung Sarl, GBL Verwaltung GmbH, Ergon Capital Partners, Ergon Capital Partners II, Ergon Capital Partners III), Director of Compagnie Nationale à Portefeuille S.A. (Belgium)

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)

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 the second quarter of 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 Advisory Board in 2010. Nassef Sawiris holds a BA in Economics from the University of Chicago, USA. He was born in 1961 and is an Egyptian citizen. His term of office will expire at the General Meeting approving financial statements for fiscal year 2011.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2008. Termination of the position after the General Meeting called to approve the financial statements for 2011.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED

CURRENT POSITIONS:

In France:

Director of Lafarge

Abroad:

Chairman and Chief Executive Officer of Orascom Construction Industries S.A.E (OCI) (Egypt)
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

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

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 Septembre 16, 1959)	BUSINESS ADDRESS: 25, avenue Matignon, 75008 Paris, France	NUMBER OF LAFARGE SHARES HELD: 1,200
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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 10th, 2009. Since January 1st, 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). Her term of office will expire at the General Meeting approving financial statements for fiscal year 2013.

POSITION (APPOINTMENT/ RENEWAL/ TERMINATION OF THE POSITION)

Appointment as Director of Lafarge in 2010. Termination of the position after the General Meeting called to approve the financial statements for 2013.

POSITIONS HELD IN FRANCE AND ABROAD OVER THE LAST FIVE YEARS AND THAT HAVE ENDED**CURRENT POSITIONS:****In France:**

Director of Lafarge
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)

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

Chief Executive Officer of AXA Business Services

Sanctions applicable to the Directors

To our 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	
Colette Lewiner	Oscar Fanjul
Hélène Ploix	Juan Gallardo
Véronique Weill	Pierre de Lafarge
Michel Bon	Michel Pébereau
Philippe Charrier	Michel Rollier
Philippe Dauman	
DIRECTORS NON-QUALIFIED AS INDEPENDENT/JUSTIFICATION	
Bruno Lafont	Corporate officer of Lafarge
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 Gérald Frère	Connected to Group Brussels Lambert, a shareholder detaining more than 10% of the capital and voting rights of the Company.
Jérôme Guiraud Nassef Sawiris	Connected to NNS Holding Sàrl, a shareholder detaining 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 eleven Directors, out of the eighteen members of the Board, are independent, corresponding to 61% of 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.

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.

See Section 5.2.2 (Committees) for more information on the involvement of Independent Directors in the Committees.

Independence criteria

The Board of Directors has followed the recommendations of the Afep-Medef Code in its assessment of independent Directors, which are the following:

- "not to be an employee or Corporate Officer of the corporation, 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 corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or a Corporate Officer of the corporation (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 corporation or its group,
 - or for a significant part whose business the corporation or its group accounts;
- not to be related by close family ties to a Corporate Officer;
- not to have been an auditor of the corporation over the previous five years;
- not to have been a Director of the corporation 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 our 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. Messrs Michel Bon and Michel Pébereau have served as Directors of Lafarge for over 12 years.

Furthermore, the Board reviewed the relationship between Lafarge and BNP Paribas, one of the Group's corporate and investment banks, of which Michel Pébereau is Chairman. The fact that Lafarge can rely on a pool of banks competing with one other prevents the possibility 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 the light of these factors, and given the independent thinking that Michel Pébereau has shown in his capacity as Director, the Board has decided to consider him for a position as independent Director.

Parity

Concerning the male-female parity within our Board of Directors, 3 Directors out of the 18 members of the Board are women. The appointment of Mrs Colette Lewiner and

Mrs Véronique Weill as Directors by the General Meeting of May 6, 2010 raised the rate of women elected to the Board from 6% to 17%.

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 2010	8
Average attendance rate in 2010	93%
Number of Directors*	18
Percentage of independent Directors*	61% (11 out of 18)

* Information as of the date of this Annual Report.

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).

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 2010, in addition to the approval of the quarterly, interim and annual financial statements, the preparation of the General Meeting, determination of the compensation of senior managers and other decisions in the ordinary course of business, the Board notably worked on: the follow up of developments and divestments, the Group's financing, bond issues and grants of stock-options and performance shares. The Board also debated on its organization and practices.

5.2.2 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.

a) Audit Committee

Indicators

Number of meetings in 2010	6
Average attendance rate in 2010	93%
Number of members*	7
Percentage of independent Directors*	71% (5 out of 7)

* Information as of the date of this Annual Report.

Composition

The Audit Committee is chaired by Mrs Hélène Ploix. It is composed of the following members:

- Hélène Ploix, President (independent Director)
- Michel Bon (independent Director)
- Juan Gallardo (independent Director)
- Jérôme Guiraud
- Michel Rollier (independent Director)
- Thierry de Rudder
- Véronique Weill (independent Director)

Mr Jean-Pierre Boisivon was a member of the Audit Committee until the term of his office which ended at the General Meeting of May 6, 2010. Mrs Véronique Weill became a member of the Audit Committee further to her appointment as Director by the General Meeting held on May 6, 2010.

Upon the Audit's Committee's proposal, the Board of Directors resolved on 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.

Main Activities

In 2010, the Audit Committee conducted a preliminary review of the 2009 statutory and consolidated annual financial statements, our statutory interim financial statements and of the quarterly financial consolidated statements for the first three quarters of 2010. The Audit Committee also reviewed the press releases and analyst slides concerning the publication of these financials statements. It worked on the Group's financing, liquidity and debt situation, as well as on the Company's credit ratings. 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 and reviewed the auditors' 2010 budget.

An evaluation of the Audit Committee's missions and operation was part of the annual self-assessment of the Board of Directors 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 2010 statutory and consolidated financial statements in February 2011, 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 Annual Report. 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 2010 and issued recommendations to the Board.

See Chapter 9 (Controls and Procedures).

b) Corporate Governance and Nominations Committee

Indicators

Number of meetings in 2010	4
Average attendance rate in 2010	100%
Number of members*	7
Percentage of independent Directors*	71% (5 out of 7)

* Information as of the date of this Annual Report.

Composition

The Corporate Governance and Nominations Committee is chaired by Mr Oscar Fanjul. It is composed of the following members:

- Oscar Fanjul, President (Vice-President – independent Director)
- Philippe Dauman (independent Director)
- Gérald Frère
- Juan Gallardo (independent Director)
- Michel Pébereau (independent Director)
- Michel Rollier (independent Director)
- Nassef Sawiris

Mr Nassef Sawiris was appointed as a member of the Corporate Governance and Nominations Committee by the Board on November 4, 2010. This appointment was made after the Committee's final session for fiscal year 2010.

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 Annual Report, 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 2010, the Corporate Governance and Nominations Committee focused mainly on the Board's composition, evaluation of the Chairman and Chief Executive Officer and self-assessment of the Board of Directors' practice and organization as further described in 5.2.3 (Self-assessment by the Board, Committees, Chairman and Chief Executive Officer) below. It made recommendations on the reappointment of the Vice-Chairman of the Board and on the composition of the different Committees.

c) Remunerations Committee

Indicators

Number of meetings in 2010	3
Average attendance rate in 2010	89%
Number of members*	6
Percentage of independent Directors*	67% (4 out of 6)

* Information as of the date of this Annual Report.

Composition

The Remunerations Committee is chaired by Mr Oscar Fanjul. It is composed of the following members:

- Oscar Fanjul, President (Vice-President – independent Director)
- Philippe Charrier (independent Director)
- Juan Gallardo (independent Director)
- Michel Pébereau (independent Director)
- Thierry de Rudder
- Nassef Sawiris

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 Annual Report 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 exercise of stock subscription or purchase options by senior management.

Main Activities

During the course of 2010, the work of the Remunerations Committee was primarily focused on: stock-options and performance shares (2010 grants and validation of the performance conditions applicable to the 2009 grants), a review of the Directors' fees budget and distribution for 2010, benchmark on executive officers' remuneration, the Chairman and Chief Executive Officer's remuneration (including the criteria for the variable part of such remuneration) and payment of an additional amount within the scope of the profit-sharing scheme.

d) Strategy, Investment and Sustainable Development Committee

Indicators

Number of meetings in 2010	3
Average attendance rate in 2010	91%
Number of members*	8
Percentage of independent Directors*	75% (6 out of 8)

* Information as of the date of this Annual Report.

Composition

The Strategy, Investment and Sustainable Development Committee is chaired by Mr Michel Pébereau. It is composed of the following members:

- Michel Pébereau, President (independent Director)
- Michel Bon (independent Director)
- Philippe Charrier (independent Director)
- Philippe Dauman (independent Director)
- Paul Desmarais, Jr
- Pierre de Lafarge (independent Director)
- Colette Lewiner (independent Director)
- Nassef Sawiris

Mrs Colette Lewiner became a member of the Strategy, Investment and Sustainable Development Committee further to her appointment as Director by the General Meeting held on May 6, 2010.

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 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

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.

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 are 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

Main Activities

Since 2004, the Strategy, Investment and Sustainable Development Committee has been open to all Directors wishing to attend its meetings. In 2010, the Strategy, Investment and Sustainable Development Committee discussed the Group's strategy with a special emphasis on the Group's divestment program in order to reinforce the Group's financial structure. It also performed a benchmark of Lafarge's performance compared to its competitors. In particular, the Committee discussed the impact of the economic crisis on the Group's Strategy. The interconnection between the effects of climate change and the Group's strategy was also discussed.

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.

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 2010, as well as Director membership and attendance at these various meetings.

	BOARD OF DIRECTORS	ATTEN-DANCE RATE (%)	AUDIT COMMITTEE	ATTEN-DANCE RATE (%)	CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE	ATTEN-DANCE RATE (%)	REMUNE-RATIONS COMMITTEE	ATTEN-DANCE RATE (%)	STRATEGY, INVESTMENT AND SUSTAINABLE DEVELOPMENT COMMITTEE	ATTEN-DANCE RATE (%)
Number of meetings in 2010	8		6		4		3		3	
Bruno Lafont	8	100	-		-		-		-	
Oscar Fanjul	8	100	-		4	100	3	100	-	
Jean-Pierre Boisivon *	5/5	100	3/3	100	-		-		-	
Michel Bon	8	100	6	100	-		-		3	100
Philippe Charrier	8	100	-		-		3	100	3	100
Bertrand Collomb	8	100	-		-		-		-	
Philippe Dauman	7	88	-		4	100	-		3	100
Paul Desmarais Jr	7	88	-		-		-		2	67
Gérald Frère	8	100	-		4	100	-		-	
Juan Gallardo	7	88	5	83	4	100	3	100	-	
Jérôme Guiraud	8	100	6	100	-		-		-	
Bernard Kasriel *	4/5	80	-		-		-		-	
Pierre de Lafarge	8	100	-		-		-		3	100
Colette Lewiner **	3/3	100	-		-		-		2/2	100
Michel Pébereau	6	75	-		4	100	3	100	3	100
Hélène Ploix	8	100	6	100	-		-		-	
Michel Rollier	6	75	5	83	4	100	-		-	
Thierry de Rudder	8	100	5	83	-		3	100	-	
Nassef Sawiris	6	75	-		-		1	33	2	67
Véronique Weill **	3/3	100	3/3	100	-		-		-	

* Directors whose term of office ended on May 6, 2010.

** Directors appointed on May 6, 2010.

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: Executive Vice-President Cement, 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. He has been Executive Vice-President Cement and a member of the Executive Committee since September 1, 2007.

Isidoro Miranda: Executive Vice-President Cement, 61, rue des Belles Feuilles, 75116 Paris, France.

With a doctorate (PhD) in engineering from Navarre University (Spain), Senior Visiting Scholar at Stanford (US) and an MBA from INSEAD, Isidoro Miranda (born in 1959) began his career with a strategic consulting firm in London and Paris. He joined the Group in 1995 as the Director of Group Strategic Studies, before being appointed Chief Executive Officer of Lafarge *Asland*, our Cement subsidiary in Spain. In 2001, he was appointed Executive Vice-President of the Cement Division and a member of the Executive Committee. From May 2003 to August 2007, he acted as Executive Vice-President Gypsum. He has been Executive Vice-President Cement since September 1, 2007.

Guillaume Roux: Executive Vice-President Cement, 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 has been Executive Vice-President Cement and a member of the Executive Committee since January 1, 2006.

Thomas Farrell: Executive Vice-President Aggregates & Concrete, 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. Thomas Farrell was appointed Executive Vice-President *Aggregates & Concrete* and became a member of the Executive Committee on September 1, 2007. 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.

Gérard Kuperfarb: Executive Vice-President Aggregates & Concrete, 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. Gérard Kuperfarb was appointed Executive Vice-President *Aggregates & Concrete* and became a member of the Executive Committee on September 1, 2007.

Christian Herrault: Executive Vice-President Gypsum, 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. He has been Executive Vice-President Gypsum since September 1, 2007, and is still a member of the Executive Committee. He is the Chairman of the Board of Directors of the *École des mines de Nantes*.

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.

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.

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).

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

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.

In addition, the Board of Directors adopted on March 24, 2010 the following rules:

- 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 meeting or of one of its Committees attended. Some Directors who must travel from distant locations are eligible for a double variable fee.

The total amount of Directors’ fees paid in 2011 (with respect to the 2010 fiscal year) was 683,000 euros. In 2010 (with respect to the 2009 fiscal year) it amounted to 609,787 euros, equivalent to the total amount paid in 2009 (with respect to the 2008 fiscal year).

DIRECTORS	DIRECTORS’ FEES FOR 2010 PAID IN 2011 (EUROS)	DIRECTORS’ FEES FOR 2009 PAID IN 2010 (EUROS)	DIRECTORS’ FEES FOR 2008 PAID IN 2009 (EUROS)
Bruno Lafont	26,600	23,326	24,652
Oscar Fanjul	60,000	45,152	46,672
Jean-Pierre Boisivon ⁽¹⁾	18,100	29,098	29,356
Michel Bon	37,400	31,407	31,708
Philippe Charrier	33,800	32,562	28,180
Bertrand Collomb	26,600	23,326	24,652
Philippe Dauman	50,600	40,643	36,412
Paul Desmarais, Jr.	38,600	29,098	34,060
Gérald Frère	31,400	26,789	11,150
Juan Gallardo	62,600	63,732	52,875
Jérôme Guiraud	33,800	29,098	13,502
Bernard Kasriel ⁽¹⁾	13,300	23,326	24,652
Pierre de Lafarge	30,200	25,635	27,004
Colette Lewiner ⁽²⁾	14,500	N/A	N/A
Michel Pébereau	41,200	37,528	40,224
Hélène Ploix	38,800	32,910	33,168
Michel Rollier	35,000	30,253	14,678
Thierry de Rudder	36,200	36,025	31,708
Nassef Sawiris	38,600	49,879	48,171
Véronique Weill ⁽²⁾	15,700	N/A	N/A
TOTAL	683,000	609,787	609,794⁽³⁾

(1) Directors whose term of office expired on May 6, 2010.

(2) Directors appointed on May 6, 2010.

(3) Including fees paid to Directors whose term of office expired before 2010.

According to Group policy, no Directors’ fees have been paid with respect to the 2010 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 Directors with respect to the 2010 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.

2010 FIXED COMPENSATION

In 2010, his fixed annual compensation was raised to 950,000 euros. There had been no change since his appointment as Chairman and Chief Executive Officer on May 3, 2007.

2010 PERFORMANCE-RELATED PORTION

The performance-related portion could be a maximum of 160% of his fixed compensation. 75% 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 25% 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 2010 performance-related pay due to our Chairman and Chief Executive Officer at 52.4 % of his maximum performance-related portion, which amounts to 796,100 euros, paid in 2011. This performance corresponds to an achievement of 36.5 % of financial objectives and at 100 % of qualitative objectives.

The 2010 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 2010 qualitative objectives were related to:

- Group's strategy, taking into account the challenge of climate change;
- financial structure;
- health and safety;
- development of the management team;
- relations with investors and shareholders.

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 3 to 7 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).

THE COMPENSATION PAID TO OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR 2010 AND 2009 WAS AS FOLLOWS:

(thousand euros)	2010 AMOUNT		2009 AMOUNT	
	DUE	PAID	DUE	PAID
Bruno Lafont, Chairman and Chief Executive Officer				
Fixed compensation	950	950	900	900
Variable compensation	796	1,016	1,016	919
Exceptional compensation	N/A	N/A	N/A	N/A
Lafarge S.A. Directors' fees	27	23	23	25
Benefits in kind (Company car)	5	5	5	5
TOTAL	1,778	1,994	1,944	1,849

In 2010, 100,000 stock-options have been granted to the Chairman and Chief Executive Officer. These stock-options are fully subject to performance conditions.

(euros)	VALUATION OF OPTIONS GRANTED IN 2010*
B. Lafont	1,145,000

* Stock-options 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).

The information on stock-options granted in 2010 to the Chairman and Chief Executive Officer (as well as their valuation) are detailed in Section 5.5.2. (Stock-Options plans). The company considers that these items must not be aggregated because the amount of stock-options' valuation at fair value at the grant date is not a compensation paid to the beneficiary.

No performance shares have been granted to the Chairman and Chief Executive Officer in 2010.

Employment contract and Severance arrangements for the Chairman and Chief Executive Officer

EMPLOYMENT CONTRACT OF BRUNO LAFONT

To achieve compliance with the Afep-Medef Code, the principle to terminate Bruno Lafont's employment contract on June 30, 2011 had been agreed between him and the Board of Directors in February 2009.

Since then the «Autorité des marchés financiers» considers that a company is complying with the Afep-Medef Code if it explains that it is maintaining an executive's employment contract because of the person's length of service as an employee and his personal circumstances.

The employment contract of Bruno Lafont, originally signed on January 1, 1983, had been suspended as from January 1, 2006, the date of his appointment as Chief Executive Officer.

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 the Groupe Bruxelles Lambert and NNS Holding Sàrl

of respectively, not acting in concert, more than 30% and 20% 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 favourable 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; and

- by all the amounts received by Bruno Lafont during and based on his dismissal notice period.

A job elimination or a decrease in the level of responsibilities would also constitute a case of dismissal creating a right to dismissal compensation.

In addition, at the Board's request and in order to ensure his presence to successfully carry out the strategy undertaken by the Group, Bruno Lafont has agreed not to leave the Company before June 30, 2011. As consideration for such commitment, the Company has agreed, in the case of dismissal other than for gross negligence or serious misconduct that Bruno Lafont's dismissal notice may run until such date.

The amendments to Bruno Lafont's employment contract resulting from the decisions made by the Board and mentioned above have been presented and approved by the shareholders' general meeting held on May 6, 2009.

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 27 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 Senior Officer.

There is no specific pension plan for Corporate Officers.

SUMMARY

CORPORATE EXECUTIVE 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	X (see above)		X (see above)		X (see above)				X

* 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 in 2010 and 2009, pension and other retirement benefits

The Executive Officers include Bruno Lafont, Chairman and Chief Executive Officer, and the members of the Executive Committee.

	2010	2009
Average number of persons ⁽¹⁾	10.7	11.0
Amount paid (in million euros) ⁽²⁾	10.1	8.9
Pension commitment (in million euros) ⁽³⁾	30.2	21.4

(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 2010 and 2009 is mainly explained by an increase of the defined benefit obligation due to a decrease of the discount rate from 5% to 4.75%



5.5 Long-term incentives (stock-options and performance share plans)

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. Regarding stock-options, the Group's practice since 2002 is to allocate 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 Executive Officers. Under this rule, the proportion of options and performance shares attributable to Corporate Executive 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 in 2010 and 2011 were subject to performance requirements. 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.

In 2011, this proportion reached 80%. It was 70% in 2009 and 2010, 50% from 2005 to 2008, and 30% for the years 2003 and 2004.

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, the proportion of grants subject to performance requirements was at least 25%.

APPLICABLE PERFORMANCE CONDITIONS

Performance shares and stock-options granted in 2011 are conditional upon several performance criteria for all beneficiaries. These criteria are both external based on the Group's performance compared to competitors and internal based on free cash flow and return on capital employed. The proportion of performance shares and stock-options subject to these performance criteria depends on the level of responsibility of the eligible population, as described above.

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).

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.

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 realised 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

must not use hedging instruments in relation to options and performance shares granted.

5.5.2 Stock-options plans

Total stock-options outstanding at the end of December 2010 were 9,113,828 representing approximately 3.18% of our outstanding shares at December 31, 2010.

As of the date of this Annual Report 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 between December 1997 and May 2001 were subject to a five-year vesting period. Since December 2001, the vesting period has been reduced to 4 years.

This vesting period also applied 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).

Since 2007, stock-options vest immediately in the event of termination of employment due to retirement, early retirement, a tender offer launched on Lafarge or a merger or demerger of Lafarge in all stock-options plan rules.

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 2010: 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 2010;
- options exercised in 2010;
- total number of options outstanding at December 31, 2010.

OPTIONS GRANTED IN 2010 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
B. Lafont	OSA 2010 03/24/2010	Subscription	11.45	100,000	51.30	2014/03/24 to 2020/03/23

OPTIONS EXERCISED BY THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	PLAN NO. AND DATE OF GRANT	TOTAL NUMBER OF OPTIONS EXERCISED	WEIGHTED AVERAGE EXERCISE PRICE (EUROS)
Bruno Lafont		The Corporate Executive Officer did not exercise any option in 2010	

OPTIONS GRANTED BY US AND OUR CONSOLIDATED SUBSIDIARIES TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER OUTSTANDING AT DECEMBER 31, 2010

	OPTIONS EXERCISABLE AT DECEMBER 31, 2010	OPTIONS NOT EXERCISABLE AT DECEMBER 31, 2010	TOTAL
B. Lafont	227,186 *	308,252 *	535,438 *

* Including those options, exercisability of which is contingent 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 Annual Report 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	WEIGHTED AVERAGE 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	250,000	51.30 euros	OSA 2010 03/24/2010
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	463	57 euros	OSA 2003 12/10/2003

* One share per option.

Directors, Chairman and Chief Executive Officer and Senior Management' stock-options

At December 31, 2010, the Directors, Chairman and Chief Executive Officer and Senior Management (listed in Section 5.3 (Executive Officers)) held 21.84% of unexercised options.

Stock-options outstanding in 2010

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						
<i>Bruno Lafont</i>	12,296	124	12,296	28,925	34,709	69,418
<i>Bertrand Collomb</i>	147,549	-	-	92,556	46,279	46,278
<i>Bernard Kasriel</i>	73,556	-	-	137,013	80,987	69,418
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, 2010	328,717	104,831	218,427	263,473	9,134	45,975
Total number of options cancelled or that have lapsed *	58,971	5,617	8,726	49,475	33,285	64,249
OPTIONS OUTSTANDING AT DECEMBER 31, 2010	1,015,919	428,552	318,577	1,114,656	749,156	1,356,070

* In accordance with the terms of the plan.

** Plan "Lafarge en action 2002"

CORPORATE GOVERNANCE AND COMPENSATIONS

5.5 Long-term incentives (stock-options and performance share plans)

OPTIONS TO SUBSCRIBE FOR SHARES GRANTED FROM MAY 24, 2006 TO MARCH 24, 2010

	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
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
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
Type of options	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
Of which by Directors and the Chairman and Chief Executive Officer						
<i>Bruno Lafont</i>	69,418	-	69,418	138,834	-	100,000
<i>Bertrand Collomb</i>	-	-	-	-	-	-
<i>Bernard Kasriel</i>	-	-	-	-	-	-
Initial beneficiaries (total)	536	33	169	184	197	596
Available for exercise from	05/24/2010	05/24/2010	06/15/2011	03/26/2012	03/25/2013	03/24/2014
Option exercise period lapses	05/24/2016	05/24/2016	06/15/2017	03/26/2018	03/25/2019	03/24/2020
Exercise price (euros)	84.42	84.42	110.77	96.18	30.74	51.30
Total number of options subscribed as at December 31, 2010	3,050	0	0	0	0	0
Total number of options cancelled or that have lapsed *	34,463	15,785	52,973	38,849	27,541	40,700
OPTIONS OUTSTANDING AT DECEMBER 31, 2010	731,113	156,195	568,892	780,638	716,504	1,162,800

* In accordance with the terms of the plan.

OPTIONS TO PURCHASE SHARES GRANTED

	OAA 2000 DU 12/13/2000	OAA 2001 DU 12/13/2001
Allotment authorized by the Shareholders' Meeting of	05/27/1999	05/27/1999
Date of allotment by the Board of Directors	12/13/2000	05/28/2001
Type of options	purchase	purchase
The total number of shares that could be purchased upon exercise of the options	538,242	14,756
Of which by Directors and Chairman and Chief Executive Officer		
<i>Bruno Lafont</i>	8,755	-
<i>Bertrand Collomb</i>	-	-
<i>Bernard Kasriel</i>	-	-
Initial beneficiaries (total)	438	1
Available for exercise from	12/13/2005	05/28/2006
Option exercise period lapses	12/13/2010	05/28/2011
Exercise price (euros)	68.92	88.27
Total number of options purchased as at December 31, 2010	244,137	0
Total number of options cancelled or that have lapsed *	294,105	0
OPTIONS OUTSTANDING AT DECEMBER 31, 2010	0	14,756

* In accordance with the terms of the plan.

Fiscal year 2011 : Stock-options grant

On March 15, 2011, the Board of Directors granted 781,980 options to subscribe for shares to 206 beneficiaries, 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 2010 was 492,560, representing approximately 0.17% of our outstanding shares at December 31, 2010.



Main terms**PERFORMANCE SHARE TERMS**

Performance shares are definitively allotted to beneficiaries upon expiry of a two-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 2010: 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	1,250	AGA 2010 03/24/2010

Performance shares plans outstanding in 2010**PERFORMANCE SHARES GRANTED FROM JUNE 15, 2007 TO MARCH 24, 2010**

	AGA 2007 06/15/2007	AGA 2008 03/26/2008	AGA 2009 03/25/2009	AGA 2010 03/24/2010
Allotment authorized by the Shareholders' Meeting of	05/03/2007	05/03/2007	05/03/2007	05/06/2009
Date of allotment by the Board of Directors	06/15/2007	03/26/2008	03/25/2009	03/24/2010
Performance shares initially granted (total)	143,090	52,250	230,758	169,605
Initial beneficiaries (total)	2,040	628	2,461	2,032
<i>French tax residents</i>	741	201	693	547
<i>Non-French tax residents</i>	1,299	427	1,768	1,485
Date of definitive allotment				
<i>French tax residents</i>	06/15/2009	03/26/2010	03/25/2011	03/24/2012
<i>Non-French tax residents</i>	06/15/2011	03/26/2012	03/25/2013	03/24/2014
Date performance shares can be transferred (all beneficiaries included)	06/15/2011	03/26/2012	03/25/2013	03/24/2014
Performance shares cancelled *	13,585	3,000	9,438	3,885
Performance shares definitively allotted at December 31, 2010 *	56,645	16,470	120	0
PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2010	72,860	32,780	221,200	165,720

* According to the plan rules.

Fiscal year 2011 : Performance shares grant

On March 15, 2011, the Board of Directors granted 328,755 performance shares to 2,257 beneficiaries.

The Board of Directors also decided upon the principle of a future grant of performance

shares to Mr. Bruno Lafont, Chairman and Chief Executive Officer.

20,000 performance shares would be effectively granted following the Combined Shareholders General Meeting of May 12, 2011 and would represent less than 10% of the total award (threshold determined by the Board of Directors in implementation of the

Afep-Medef's recommendations) and 0.01% of the current share capital.

All the performance shares granted to Mr. Bruno Lafont will be subject to the achievement of the same performance conditions than those applying to the stock-options grant, as described in Section 5.5.1 (Grant policy - Performance conditions and holding rule) above.

5.6 Share ownership

5.6.1 Directors, Chairman and Chief Executive Officer and Executive Committee members share ownership

The Directors, Chairman and Chief Executive Officer and Executive Committee members held together 0.08% of our share capital and 0.11% of voting rights at December 31, 2010. The Chairman and Chief Executive Officer must hold at least the equivalent of their fixed annual remuneration in Lafarge shares.

5.6.2 Trading in Lafarge shares by Directors, Chairman and Chief Executive Officer and Executive Committee members

The following transactions in Lafarge shares were carried out by our Directors, Chairman and Chief Executive Officer and Executive Committee members in 2010:

NAME OF DIRECTOR	NATURE OF TRANSACTION	UNIT PRICE (EUROS)	TOTAL AMOUNT OF TRANSACTION (EUROS)	TYPE OF FINANCIAL INSTRUMENT	PLACE OF TRANSACTION	DATE OF TRANSACTION
Philippe Charrier	Acquisition	45.395	22,886.45	Lafarge shares	Euronext Paris	May 26, 2010
Philippe Charrier	Acquisition	41.23	10,403.25	Lafarge shares	Euronext Paris	July 14, 2010
Colette Lewiner	Acquisition	41.00	49,200.00	Lafarge shares	Euronext Paris	July 5, 2010
Hélène Ploix	Sale	43.007	73,974.85	Lafarge shares	Euronext Paris	October 6, 2010
Hélène Ploix	Acquisition	41.3679	71,472.14	Lafarge shares	Euronext Paris	October 7, 2010
Thierry de Rudder	Acquisition	38.65	193,250.00	Lafarge shares	Euronext Paris	August 12, 2010
Véronique Weill	Acquisition	49.64	10,069.44	Lafarge shares	Euronext Paris	June 11, 2010
Véronique Weill	Acquisition	48.326	48,326.00	Lafarge shares	Euronext Paris	

6 MAJOR SHAREHOLDERS AND LISTING

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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, 2010 and 2009, their percentage ownership and geographic distribution:

GROUP OF SHAREHOLDERS

At December 31,	2010				2009			
	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	90,568,625	21.1	24.6	60,307,265 ⁽¹⁾	91,276,163	21.1	27.1
NNS Holding Sàrl	39,827,277	69,862,917	13.9	19.0	39,827,277 ⁽²⁾	39,827,277	13.9	11.8
Dodge & Cox	13,405,899	20,165,524	4.7	5.5	12,942,274	19,626,899	4.5	5.8 ⁽³⁾
Other institutional shareholders ⁽⁴⁾	140,687,036	148,758,866	49.1	40.5	143,709,122	150,200,648	50.2	44.6
Individual shareholders	31,862,744	37,928,003	11.1	10.3	29,287,230	35,184,301	10.2	10.5
Treasury shares	363,558	363,558 ⁽⁵⁾	0.1	0.1 ⁽⁵⁾	380,148	380,148	0.1	0.1
TOTAL	286,453,779	367,647,493	100.0	100.0	286,453,316	336,495,436	100.0	100.0

Source: Capital Precision

(1) Including 19,044,762 shares subscribed as part of the share capital increase which was completed on April 28, 2009.

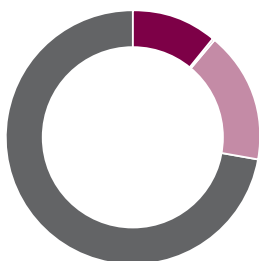
(2) Including 12,824,457 shares subscribed as part of the share capital increase which was completed on April 28, 2009.

(3) Percentage of voting rights taking into account Dodge & Cox's notification of January 11, 2010.

(4) 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.

(5) Theoretical voting rights; at a General Meeting these shares bear no voting right.

DISTRIBUTION BY TYPE OF SHAREHOLDER



	%
Individual shareholders*	11.1
Treasury shares	0.1
French institutions	16.7
Non-French institutions	72.1
TOTAL	100.0

* Including 1.50% of the share capital held by Group employees.

GEOGRAPHICAL DISTRIBUTION

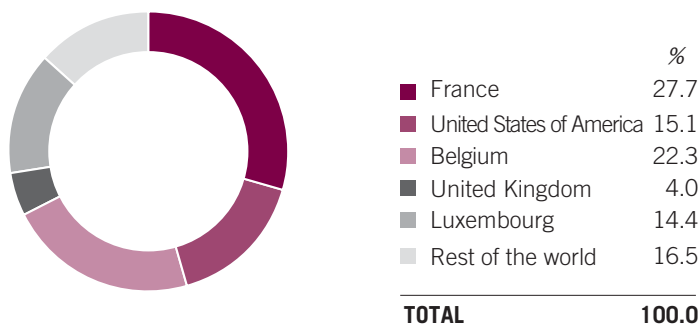
At December 31,	2010		2009	
	Number of shares held	% of total shares issued	Number of shares held	% of total shares issued
France	79,421,530	27.7	84,765,527	29.6
United States of America	43,269,341	15.1	45,700,760	16.0
Belgium *	63,824,239	22.3	62,646,137	21.9
United Kingdom	11,346,234	4.0	14,378,317	5.0
Luxembourg **	41,310,813	14.4	40,810,600	14.2
Rest of the World	47,281,622	16.5	38,151,975	13.3
TOTAL	286,453,779	100.0	286,453,316	100.0

Source: Capital Precision.

* Including shares held by Groupe Bruxelles Lambert.

** Including shares held by NNS Holding Sàrl.

GEOGRAPHICAL DISTRIBUTION



6.2 Shareholder agreement with the Sawiris family and NNS Holding Sàrl

A 10-year shareholder 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 shareholder agreement contains

(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.



6.3 Threshold notifications imposed by law and declarations of intent

Groupe Bruxelles Lambert

In 2010, Groupe Bruxelles Lambert declared having fallen on June 17 below the 25% threshold of the voting rights of Lafarge S.A. 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).

In 2009, Groupe Bruxelles Lambert did not notify any threshold crossing nor made any declaration of intent.

As part of its threshold notification of September 4, 2008, Groupe Bruxelles Lambert declared contemplating further acquisitions where in line with market opportunities, that it had no intention of taking control of Lafarge S.A. or soliciting the appointment of additional Directors other than its existing three representatives to Lafarge's Board of Directors and that it was not acting in concert with a third party.

NNS Holding Sàrl and Nassef Sawiris

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 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 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.

NNS Holding Sàrl (the Sawiris family holding company) and Nassef Sawiris did not notify any threshold crossing nor make any declaration of intent during 2009.

Dodge & Cox

In 2009, Dodge & Cox, acting for client accounts, declared having fallen below the 5% threshold of the voting rights of Lafarge S.A. on November 20, 2009. Dodge & Cox, acting for client accounts, further 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. Dodge & Cox did not notify any further threshold crossing nor made any declaration of intent during 2010.

To our knowledge, there is no shareholder holding more than 5% of our share capital or voting rights other those mentioned above.

6.4 Employee Share Ownership

As at December 31, 2010, Lafarge employees held 1.50% of the share capital and 1,85% of voting rights. The employee savings fund *LG2M* represented 0.49% and the balance was held by employees in direct ownership (registered account).

Employee Stock Ownership Policy

Lafarge has developed and maintained an active employee share ownership program over a number of years. Since 1961, date of the first share offering reserved for employees, employee offerings have shared the following common features:

- they are intended for all employees of companies controlled by Lafarge in as many countries as possible, to the full extent permitted by local laws;
- the employee's contribution is supplemented by an employer contribution;
- savings in the plans cannot be sold or disposed of for a minimum period of five years, except in case of an early release event, subject to local requirements.

Lafarge launched employee stock ownership programs called "*Lafarge en action*" (LEA) in 1995, 1999, 2002, 2005 and 2009, enabling employees participating in these plans to subscribe for Lafarge S.A. shares, with an employer contribution depending on the gross domestic product of the relevant country and applying to the first shares purchased. The plans launched in 1995 and 2002 also gave employees the 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, called *LG2M*, 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. There are also specific employee share purchase plans, which have been implemented by some of our subsidiaries, including Lafarge North America Inc.

LEA 2009 - Share capital increase for employees

On October 12, 2009, the Chairman and Chief Executive Officer acting by virtue of

a delegation of the Annual Shareholders Meeting of May 6, 2009 and under the delegation of the Board of Directors, decided on the terms of the plan LEA 2009. 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 48.80 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 October 12, 2009. In the case of LEA 2009, each employee was offered the possibility to subscribe for shares of Lafarge while benefiting from a contribution from their employer on the first 15 shares purchased. The share capital increase reserved to eligible employees was realized on December 11, 2009; the total amount of the share capital increase was 4,407,336 euros, corresponding to the issuance of 1,101,834 shares. The subscription rate was 53%.

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 2009 ⁽¹⁾	LEA 2005 ⁽¹⁾	LEA 2002 ⁽¹⁾	LEA 1999 ⁽²⁾	LEA 1995 ⁽²⁾
Number of countries covered	55	46 ⁽³⁾	47	33	21
Number of eligible employees	70,085	51,150	53,818	40,570	20,113
Subscription rate	53.0%	48.8%	53.3%	51.6%	74.6%
Total number of shares subscribed	1,101,834	576,125	708,718	493,954	482,582
Maximum number of shares offered to each employee	Unlimited	110	110	110	110
Subscription price (euros)	48.80	57.31	81.84	73.17	39.94
Associated stock-option grant	No	No	Yes	No	Yes
TOTAL NUMBER OF STOCK-OPTIONS GRANTED	N/A	N/A	437,373	N/A	331,060⁽⁴⁾

(1) Plans not offered in the United States or Canada.

(2) Plan not offered in Canada.

(3) Countries covered were those in which Lafarge employed over 100 employees at December 31, 2004, subject to local requirements.

(4) These stock-options may no longer be exercised.



6.5 Other information

Based on our knowledge, 6 institutional shareholders held between 1% and 4% of our outstanding shares at December 31, 2010. Of these institutional shareholders, 3 held between 1% and 2% of our shares, 2 held

between 2% and 3% of our shares and 1 held between 3% and 4% of our shares.

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))

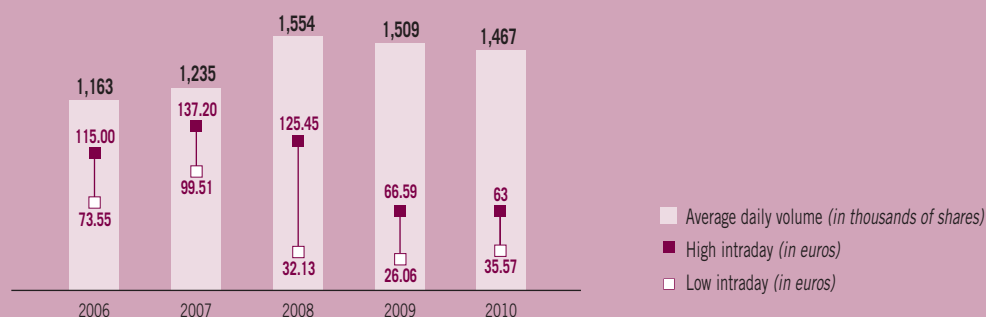
6.6 Listing

The Company's shares are listed on NYSE Euronext (Paris), under code ISIN FR0000120537 and symbol "LG".

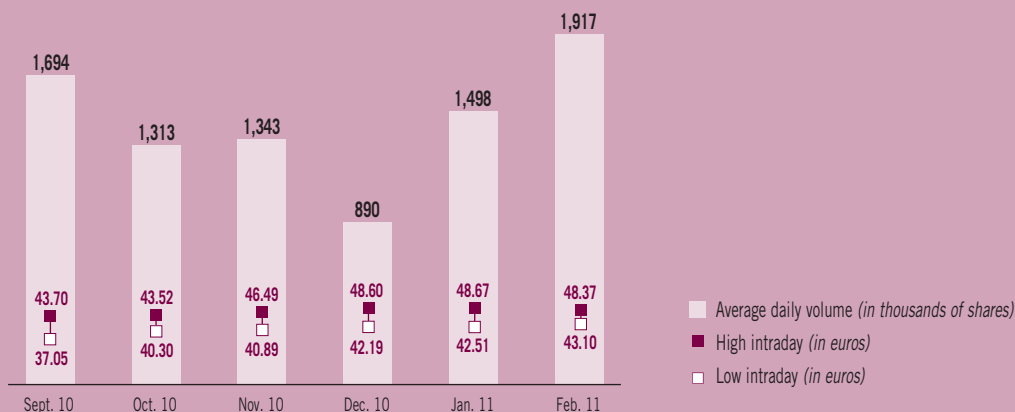
Lafarge's shares are traded on the Paris stock exchange since 1923 and have been part of the French CAC 40 index since its creation on December 31, 1987.

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



THE LAST 6 MONTHS



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. Since October 8, 2007, Lafarge is no longer subject to Securities & Exchange Commission regulations.

7 SOCIAL AND ENVIRONNEMENTAL RESPONSABILITY

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Since May 2007, the Group has continued to move towards the targets that were fixed in its “Sustainability Ambitions 2012”. These ambitions define our objectives in the fields of management, Health & Safety and environmental performance and were developed after consultation with the Group’s Stakeholder Panel. This Panel meets three times a year, including a full day meeting with the Group’s Chairman and Chief Executive Officer and the Group Executive Committee members.

By way of its presence in many different areas of the world, Lafarge is able to make a significant contribution to improving the quality of life of local communities, to the development of emerging markets and to the fight against climate change.

In addition to this Annual Report, the Group publishes every year a Sustainability Report.

7.1 Health and Safety

Health and Safety is the first operational priority of the Group, and Lafarge has one very clear goal: reach zero accidents and rank among the safest companies in the world.

Lafarge’s objective is to have a low total injury frequency rate over the long-term and across all our units, with contractors working on the same standards as employees, leading to a low level of occupational health incidents. Moreover, Lafarge wants to be recognized by NGOs and the business community as a world leader in safety.

As shown below, in the graph Lafarge has greatly improved its employee last time incident frequency rate, with over half its business units not having recorded any employee LTIs (Lost Time Injury) for over a year.

Lafarge has achieved in 2010 its targeted reduction in injuries to employees and there were fewer fatalities on Lafarge sites, despite a broader scope. Indeed, the safety reporting now including the safety results in two important sub-groups acquired since 2008 (Orascom Cement in Middle East and

Africa and Larson & Toubro in India) shows a sharp decrease and a similar measurement for contractors also shows a reduction. This demonstrates progress in extending Health and Safety culture over the Group.

To bring about lasting change, a Health and Safety Management System (HSMS) has been issued in 2010. The HSMS is a comprehensive and systematic approach to managing H&S. It is a high level, overarching “system” which connects together all H&S initiatives and activities including the roadmap that was used up to now. It describes the elements which need to be implemented to achieve the ambition of becoming a leader in H&S.

It focuses on continuous improvement by clarifying the gaps to be addressed. It is Lafarge’s belief that the full and successful implementation of the HSMS elements would enable the Group to achieve world class H&S performance.

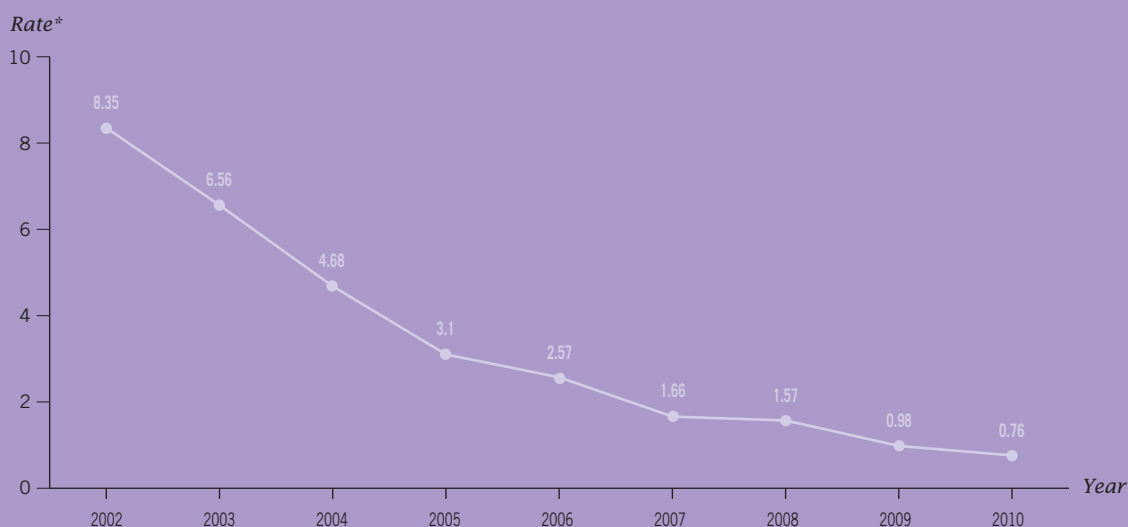
At the beginning of 2010, Lafarge has issued a Standard which addresses one of our major risk: Energy Isolation (EI) which impacts on the manufacturing process and team behaviour.

To ensure effective implementation worldwide of this standard, we have deployed a 8 full-time experts around the world. Their mission should be completed at the end of 2011.

Efforts team to instill a health and safety culture that permeates all the Group have continued with an increase in “Visible Felt Leadership” (VFL) visits by management, training to create a sense of empowerment in the area of health and safety and with local initiatives reflecting the fact that a sustainable health and safety culture cannot be imposed with Group driven top down measures alone.

Besides the Health and Safety Month in June has become a tradition in the Group, an occasion to stimulate initiatives and celebrate results in each operational Unit and site. Another working axis has been the Good Practice of «Systematic Housekeeping» The group expects from this good practice a significant improvement both in diminishing risks and improving Safety mindset.

GROUP'S EMPLOYEES LOST TIME INJURY FREQUENCY RATE



* Incidents with lost time of more than one day per million hours of work.

Nevertheless, the level of fatalities remains an area of great concern, as the Group recorded some fatalities again in 2010.

In 2010, two thirds of the fatalities, representing 21 fatalities (employees and contractors) took place on the road. Some of the countries where Lafarge operates have high road accident rates where driver training needs improvement and Lafarge remains committed to tackling transport-related safety in all countries where it operates. In this context, a particular focus is put on this topic, and Lafarge has issued in 2010 three group-wide transport advisory documents which set world-class ambitions that have been benchmarked against the oil

industry; locally-led, transport safety initiatives are taking place in many business units. Lafarge believes that road fatalities will be avoided when the recommendations of these advisories will be fully implemented but this will take several years.

In addition, three of Lafarge or contractor's employees died on customer job sites. To improve the health and safety of our employees and contractors on these sites improvements have been identified and proposed to customers. More generally, continuous efforts are made with our business partners to share Health and Safety culture and exchange experience and knowledge.

Lastly, the Group has put a particular emphasis on Health in 2010. A Health Assessment Standard Operating Procedure is now in place; it provides for basic health assessments for all employees, with complementary assessments for those facing higher risks. It forms a key part of our Health Strategy and Roadmap; the roll out plan specifies full implementation by 2011 for Western Europe and North America and by 2014 for the Business Units in other regions. Additionally, the public health methodology developed in Africa for tackling HIV/AIDS and malaria has been successfully extended to Russia and Ukraine but with some adjustment to reflect local public health needs and culture.



LOST TIME INJURIES AND FATALITIES**	2010	2009
Number of lost time injuries among Lafarge employees	120	142
Number of lost time injuries among contractors employees	111	119
Lafarge employee fatalities on site	1	5
Lafarge employee fatalities - transport	7*	1
Lafarge employee fatalities - customer job sites	1	1
Contractors employee fatalities on site	8	13
Contractors employee fatalities Transport	14*	11
Contractors employee fatalities - customer job sites	2	1
Lafarge employee fatality rate (number of fatal accidents per 10,000)	1.18*	0.90

* Respectively 1 employee, 9 contractors fatalities and 0,39 fatality rate with previous method as applied in 2009. During 2010 we decided to report any fatality occurring while going to or returning from work for Lafarge, whether to or from Lafarge or third parties sites. Such transport accidents used to be reported only internally.

** In addition 11 persons members of the public died in accidents caused by Lafarge or contractors' employees during missions for Lafarge. Of course all the efforts described above are also aiming at the total elimination of such accidents.

7.2 Social information

Headcount

The Group had 75,677 employees at the end of 2010, which represents a decrease of 2,317 employees compared to December 2009.

This reduction mainly reflects the persistent economic downturn in Western Europe, and

re-organization efforts made throughout the Group.

This net headcount variation takes into account the effect of the acquisition of part of Votorantim's assets in Brazil, as well as the increase in headcount in Saudi Arabia and Syria due to build-up of new capacities.

The following tables set forth our headcount by region and by division at December 31, 2010 and 2009.

Both tables account for 100% of the employees of our fully consolidated and proportionately consolidated subsidiaries.

EMPLOYEES BY GEOGRAPHICAL AREA - EMPLOYEES BY DIVISION

EMPLOYEES BY GEOGRAPHICAL AREA	2010			2009	
	HEADCOUNT	%	10 VS 09 %	HEADCOUNT	%
Western Europe	15,625	20.7	(4.8)	16,410	21.0
North America	10,748	14.2	(1.2)	10,883	14.0
Middle East and Africa	18,843	24.9	(4.3)	19,695	25.3
Central and Eastern Europe	7,652	10.1	(1.1)	7,740	9.9
Latin America	3,355	4.4	28.5	2,610	3.3
Asia	19,454	25.7	(5.8)	20,655	26.5
TOTAL	75,677	100.0	(3.0)	77,994	100.0

EMPLOYEES BY DIVISION	2010			2009	
	HEADCOUNT	%	10 VS 09 %	HEADCOUNT	%
Cement	44,253	58.5	(4.8)	46,468	59.6
Aggregates & Concrete	23,438	31.0	(0.5)	23,552	30.2
Gypsum	7,986	10.5	0.2	7,974	10.2
TOTAL	75,677	100.0	(3.0)	77,994	100.0

Group Employment Policy

The Group Employment Policy is guided by three core principles, which are to structure businesses for efficiency and excellence, to find solutions to restructuring programs and provide support to employees when facing employment issues.

Participation in the Group's performance

Employees are associated with the Group's performance through the various profit-sharing mechanisms which exist in countries where we operate.

Working with Unions

The emphasis on social dialog within Lafarge is believed to be fundamental at all levels. In 2010, like in 2009, 67% of Group employees are represented by elected representatives or unions.

Under the initiative of the European Works Council, 3 new well-being at work surveys were launched in 2010, with a view to maintaining dialog with our employees. Other surveys also took place, besides this European initiative.

Furthermore, our international social partners came to a common understanding with the Group regarding the implementation of the Freedom of Association in the United States.

Diversity

Diversity is a key concern for the Group, and is tackled at various levels: on Gender Diversity, increasing our female workforce is subject to a KPI when it comes to women amongst our senior and executive management (Lafarge grades 18+), but there are also a number of local initiatives to drive this diversity (mentoring programmes, implementation of Diversity workshops). But Diversity at Lafarge also means including people with disabilities,

and promoting a culturally diverse workforce throughout the organization.

Major steps were taken in 2010 in this respect, to reflect our vision that Diversity is a success factor for having best teams and most effective organizations: In addition a Diversity & Inclusion Director position was created and filled and two more women have joined the Board of Directors this year.

People Development

One of the Group’s operational priorities is to develop its people. In 2010, a “Learning and Development” Director was appointed in order to promote the Learning and Development offers, capabilities, processes and structure to significantly support this Group priority.

In addition, the use of the e-learning tool is increasingly growing, with 8,500 regular users in 2010 compared with 3,000 in 2009.

SOCIAL DATA

	2010	2009
Employment		
Percentage of full-time employees	99.1%	98.7%
Percentage of part-time employees	0.9%	1.3%
Percentage of permanent employees	91%	91%
Percentage of fixed-term contracts employees	4%	4%
Percentage of temporary employees	5%	5%
Number of hirings	5,991	5,385
Number of resignations	3,752	2,813
Number of retirements	1,057	947
Number of redundancies	3,986	5,625
Number of deaths	142	119
Diversity		
Percentage of employees under the age of 30	16.7%	15.7%
Percentage of employees between 30 and 50	63.3%	64.2%
Percentage of employees above 50	20.0%	20.1%
Training		
Average number of hours of training for management staff	45	63
Average number of hours of training for non-management staff	31	25
People development		
Percentage of management staff having an annual performance review	94%	93%
Percentage of non-management staff having an annual performance review	64%	70%
Industrial relations		
Percentage of Lafarge employees represented by elected staff representatives and/or trade union organizations	67%	67%
Percentage of business units where employees are covered by collective agreements	71%	72.5%
Number of business units with strike actions	14	11
Percentage of total workforce represented in Health & Safety Committees	97%	96%



7.3 Environment

The Ambitions regarding the environment, in particular, deal mainly with four subjects: industrial emissions, CO₂, biodiversity and quarries.

A system of measurement and control of the environmental performance by Division has been put into place. Our operations involve the use, release, disposal, and clean up of certain substances, and are subject to strict regulations.

In 2010 our European business units finalized the implementation of the Reach (*Registration, Evaluation and Authorisation of Chemicals*) regulation.

Energy and climate change

In 2010, Lafarge was rated 6th in the worldwide ranking of the “Carbon Disclosure Project” (CDP) which identifies the companies with the best approach to the fight against climate change. For the third year in a row Lafarge appeared in the “Leadership Index”, which comprises the 50 best companies worldwide.

This CDP “Leadership Index” is established on the basis of a questionnaire sent, in 2010, to 4,700 companies worldwide operating in all sectors of activity. The analysis focuses on each company’s assessment of the risks and opportunities related to climate change applicable to its activity and on the way these risks and opportunities are addressed. Companies are assessed on their transparency.

This performance illustrates the importance given by Lafarge to measuring, reporting and verifying CO₂ emissions. These subjects were

at the center of discussions in Cancun in December.

In 2010, Lafarge once again actively participated in the work of the WBCSD (World Business Council for Sustainable Development) and the European Round Table of Industrialists (ERT):

- The CSI (Cement Sustainability Initiative), is a sectoral approach of the world cement sector, which aims to promote a sustainable approach by exchanging best practices and by perfecting instruments for measurement and verification. Thanks to the efforts of Lafarge, which co-chairs the “Climate Change” working group, the CSI has continued to integrate its five new Chinese members and has participated in the work on a new CO₂ protocol for the cement industry in China. All CSI actions on climate protection can be consulted at www.wbcscement.org
- Bruno Lafont became Chairman of the Energy & Climate Change working group of the ERT in 2010, and has launched several initiatives aimed at explaining how some European policies impact European industry’s competitiveness and investment strategies. Position papers and reports are available at www.ert.be

In the European Union, benchmarks and rules of allocations for the ETS (Emission Trading Scheme) period 2013-2020 have been voted by the Climate Change Committee (Commission + Member States). Lafarge welcomes the outcome of this vote, which formalizes a single benchmark based on clinker, and common to all installations in the EU. We believe that this benchmark will trigger further CO₂ emission reductions in our sector in a fair and competitive environment.

The Emissions Trading Directive and its provisions apply to all our cement plants located in the European Union (we operate cement plants in 10 of the 27 European Union Member States) and, to a lesser extent, to our Gypsum operations. Allowances that were allocated to these facilities represent some 28 million tonnes of greenhouse gas per year.

At the end of 2010, Lafarge had a volume of non-used allowances (around 38% of the total allocated quotas) that was sold on the greenhouse gas market. This volume results from a lower level of demand in our European markets in 2010 and from the continuous performance improvement of our industrial processes.

As part of its innovation program towards CO₂ emission reductions, Lafarge publicly presented the Aether™ project in September 2010. This new formulation of clinker, the main component of cement, emits 25% less CO₂ and has a 15% lower energy consumption. Its development potential has been validated by tests in laboratories as well as in an industrial kiln; Aether™ has received financial support from the European Union (Life+ program).

Finally, regarding our WWF voluntary commitment to cut our net global greenhouse gas emissions by 20% per tonne of cement produced between 1990 and 2010, the target was reached in 2009, one year ahead of schedule. Between 1990 and 2010, we reduced our net greenhouse gas emissions per tonne of cement by 21.7%. New voluntary objectives have been designed in 2010 and will be made public in 2011 within the framework of our partnership with WWF.

CO₂ NET EMISSIONS PER TONNE OF CEMENT

	In kg	Reduction in % (base 1990)
2010	606	-21.7%
2009	614	-20.7%
2008	631	-18.4%
1990	774	

Stack emissions

Within the framework of our Ambitions 2012, the Cement Division has developed, since 2005, a voluntary effort to reduce the global emissions of cement production. In particular, the quantities of dust, sulphur dioxide and nitrogen dioxide have been reduced respectively by 35.7%, 52.8% and 27.9% per tonne of clinker produced since 2005. This is a result of the permanent efforts to invest in state-of-the-art technologies both in existing plants as well as in new production lines. In 2010 the Group reached its objective to measure its emissions of persistent pollutants in all its operating kilns in order to implement best practices to limit emissions. Concerning dust emissions, they have been reduced as indicated above by 35.7% compared to 2005, fulfilling the 2012 ambition two years ahead of schedule.

Biodiversity

In 2010 Lafarge continued its strong commitment to biodiversity. The Group actively promoted the Year of Biodiversity, notably through its publication of a biodiversity review, through participation and sponsorship of international conferences and through joint internal seminars with WWF. In 2007 Lafarge set three ambitions related to quarry rehabilitation and biodiversity, two of them with targets set for 2010.

The first objective was to screen all our active quarries according to criteria validated by WWF International. This has virtually been achieved, with 95% of all active quarries being screened and is a significant improvement on 64% achieved in 2009. However, it was not possible to screen all quarries due to changes in ownership. The second objective was to reach a rate of 85% of active quarries with a rehabilitation plan. The 2010 performance was 85%, which was a good improvement compared with 2009.

There were two meetings of the international advisory panel on biodiversity in 2010, at which the initial results of the screening were discussed.

Natural resources savings

In 2010 Lafarge continued the review process of updating the quarry mining plans to improve the optimization of the deposits and increase quarry life. These mining plans incorporate the rehabilitation plans for the quarries.

Throughout the year, the Aggregates & Concrete Division conducted a review into the use of demolition waste recycling in its operations. In 2010 demolition waste was used in the following countries; United Kingdom, France, Portugal, North America, Canada and Reunion. The Gypsum Division re-uses gypsum, by-product of industrial process, thus realizing savings of about 40% of natural gypsum.

Water management

With the same mindset as for biodiversity, Lafarge and WWF International have elaborated a water management program according to the international "water footprint" concept, which enables us to assess the challenges for our industrial sites according to the local freshwater availability.

In 2010 we implemented the method at pilot sites in our three activities (Cement, Aggregates & Concrete and Gypsum) in order to gain experience, and to identify and implement good practices to reduce our water footprint and connect with local communities.

Stakeholder relationship management

For many years, Lafarge has attached great importance to developing relationships with the communities surrounding our operations, carrying out actions in the fields of health, education and insertion of young people, and also the environment. The Group has developed tools and a methodology to support Business Unit and local sites in their engagement with stakeholders, in order to measure the impact of our presence on the economic and social environment.

This approach was originally focused on cement plants, but it has now been formally deployed across all Lafarge operations. As well as making methodologies, tools and best practices widely available, there is a dedicated team on this topic who deliver action-orientated workshops to Business Unit teams. Key Performance Indicators (KPIs) are in place to measure progress.

Partnerships and industry leadership

During the last 10 years Lafarge has put a lot of effort into involving external stakeholders in its management of operations. The partnership initiated in 2000 with WWF International was renewed in March 2009, as was the partnership with CARE France. These partnerships have a triple purpose: working together on major sustainability issues, proposing publicly proclaimed targets to progress on key topics and communicating together on these issues.

A new openly communicated aspect of these partnerships is the commitment to help push the whole industry to consider progress. The renewal of the partnership with WWF enabled an extension of the work program to cover five key areas, each with its own targets, action plans and indicators to measure the progress made: climate change, water, biodiversity, persistent pollutants, sustainable construction. We also work on communication issues. In 2010 the Group co-chaired the Cement Sustainability Initiative (CSI) of the WBCSD (World Business Council for Sustainable Development), which develops industry standards and best management practices. Another WBCSD initiative called "Energy Efficiency in Buildings", was jointly chaired by Lafarge and United Technologies and produced the "Transforming the Market" report promoting zero net energy consumption in buildings. Lafarge is also actively involved in the WBCSD CSI taskforce for *Biodiversity*, the Cembureau taskforce for *Biodiversity* and the European Aggregates Association (UEPG) on biodiversity.

7.4 Reporting methodology and ratings

Reporting standards

A central system dedicated to sustainable development is used for the collection and storage of environmental and social data. Key Performance Indicators (KPIs) are produced by this system for the current and reference years, to measure progress against the Group Sustainability Ambitions 2012 and other targets.

The rules for computing the KPIs are consistent with the GRI G3 reporting standard. All elements for calculating KPIs are documented in a glossary specific to the cement, gypsum or aggregate and concrete businesses. 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.

Our 2008 and 2009 Sustainability Reports were awarded an A+ rating against the GRI G3 guidelines; this is a standard we intend to maintain.

Perimeter for consolidation

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 and 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 base year is 1990 or 2005.

Control and assurance

Environmental data is collected by divisions and consolidated at Group level. For cement, environmental experts in the regional technical centers review and validate the performance data for the plants within their regions.

Social data and health and safety data is collected by business units and consolidated at Group level.

Ernst & Young provides independent assurance on a selection of data, such as lost time injury frequency rate, environmental audit and CO₂ emissions.

Ratings

Our performance is measured by various sustainability ratings and indices, including in particular the Dow Jones Sustainability Indices, which have rated Lafarge with an overall score of 78% in 2010 (compared to 76% in 2009). With this improved score we remain in the DJSI Europe Index and have also re-entered the DJSI World Index (which we left in 2006).

8 ADDITIONAL INFORMATION

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8.1 Share Capital

As at December 31, 2010, the Company's share capital amounted to 1,145,815,116 euros divided into 286,453,779 fully paid-up shares, each with a nominal value of 4 euros.

Considering that double voting rights accrue to shares (81,193,714) 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 367,647,493 at December 31, 2010.

8.1.1 Changes in the share capital during the fiscal year ended December 31, 2010

The Company's share capital at December 31, 2009 amounted to 1,145,813,264 euros divided into 286,453,316 shares, each with a nominal value of 4 euros.

Since December 31, 2009, the Company's share capital has increased by a total of 463 shares as a result of exercise of stock-options:

	NUMBER OF SHARES ISSUED	SUBSCRIPTION AMOUNT (EUROS)		
		CAPITAL	SHARE PREMIUM	TOTAL
Exercise of stock subscription options during the period from January 1, 2010 to December 31, 2010	463	1,852.00	24,539.00	26,391.00

8.1.2 Potential share capital at December 31, 2010

The number of shares as at December 31, 2010 could be increased by a maximum of 9,099,072 shares in the hypothetical scenario that stock-options granted to employees existing on that date were exercised. 5,870,238 out of these existing 9,099,072 stock-options could have been exercised at December 31, 2010. The remaining 3,228,834 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, 2010, 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 6, 2009, 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 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

	2010	2009
Share capital at the beginning of the fiscal year (number of shares)	286,453,316	195,236,534
Number of shares issued during the period from January 1 to December 31 as a result of	463	91,216,782
payment of the dividend in shares	-	-
exercise of stock subscription options	463	5,784
exercise of stock subscription warrants	-	-
increase in share capital reserved for employees	-	1,101,834
issue of new shares	-	90,109,164
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	9,099,072	8,060,756
exercise of stock subscription options	9,099,072	8,060,756
exercise of stock subscription warrants	-	-
conversion of bonds	-	-
Share capital at the end of the fiscal year		
a- euros	1,145,815,116	1,145,813,264
b- number of shares	286,453,779	286,453,316

8.2 Shares owned by the Company

8.2.1 Information on transactions completed during the fiscal year ending December 31, 2010

The Company held 363,558 shares with a nominal value of 4 euros, as of December 31, 2010, representing 0.13%

of its capital stock. The value based on the purchase price of those shares is 25,767,589.35 euros.

All of the 363,558 shares held by the Company at December 31, 2010 are assigned to cover stock-options or performance share grants.

In 2010, 16,590 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 2010, 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)
2010 fiscal year	-	-	-	16,590 **	-	-

* Including transaction fees.

** Delivered to employees as part of performance share plans.

8.2.2 Information on the share buyback program approved on May 6, 2010

The share buyback program approved by the Shareholders' Meeting on May 6, 2010 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 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 Commercial Code; 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 21st resolution approved by the Combined General Meeting on May 6, 2009; 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 6, 2011.

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 2010 or until publication of this Annual Report.





ADDITIONAL INFORMATION

8.3 Securities non representative of share capital - Bonds

8.2.3 Information on the share buyback program to be approved on May 12, 2011

The Shareholders' Meeting convened on May 12, 2011 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	14,322,688*
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 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 Commercial Code; or
- generally, to fulfil obligations linked with stock-option programmes or other share allotment schemes in favour 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 at February 28, 2011, the Company held 363,558 shares with a nominal value of 4 euros representing 0.13% 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 6, 2010 on the date of publication of this Annual Report.

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 maximal nominal outstanding amount under our EMTN program is currently 12 billion euros. At December 31, 2010, the Company's total nominal outstanding amount of bond issues under the EMTN program is about 9.5 billion euros. Today, the available

balance for new bond issues is therefore about 2.5 billion euros.

At December 31, 2010, the total nominal outstanding amount of the Company resulting from bonds issues, including bonds issues made under the EMTN program, is about 11.3 billion euros.

See Section 4.4 (*Liquidity and Capital Resources - Net cash provided (used in) financing activities*) and Note 25 to our consolidated financial statements for more information on bond issues.

Our General Meeting held on May 6, 2009 authorized our Board of Directors to issue up to 8 billion euros of bonds and other related securities for a period of 26 months. At December 31, 2010, an outstanding amount of around 2.7 billion euros is available for new bonds issues until the next General Meeting (May 2011) when a new authorization will be sought.

See Section 8.4 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, 2011, the Board of Directors benefited from the following authorizations upon delegation by the General Meetings held on May 6, 2009 and May 6, 2010:

TYPE OF AUTHORIZATION	MAXIMUM AMOUNTS	EXPIRATION DATE	MAXIMUM AUTHORIZED AMOUNT AVAILABLE AT MARCH 15, 2011 (EUROS)
General Meeting held on May 6, 2010			
Buy and sell its own shares (8 th resolution)	Up to 5% of the share capital Up to 500 million euros Purchase price of up to 100 euros	November 6, 2011	5% of the share capital 500 million euros
General Meeting held on May 6, 2009			
Issue of shares or other equity securities with preferential subscription rights (15 th resolution)	380 million euros (nominal value) ⁽¹⁾	July 6, 2011	380 million euros
Issue of shares or other equity securities without preferential subscription rights (16 th resolution)	152 million euros (nominal value) ⁽²⁾	July 6, 2011	152 million euros
Issue of shares in an offer as set forth in article L. 411-2 of the French Monetary and Financial Code (17 th resolution)	152 million euros (nominal value) ^{(2) (3)}	July 6, 2011	152 million euros
Issue of shares or other equity securities as payment for contributions in kind (18 th resolution)	76 million euros (nominal value) ^{(2) (3)}	July 6, 2011	76 million euros
Increase in the number of shares to be issued in case of a capital increase with or without preferential subscription rights (19 th resolution)	Up to the amount applicable to the initial issue and to be applied against the global cap set forth in the 15 th resolution	July 6, 2011	-
Issue of bonds and other related securities (20 th resolution)	8 billion euros (nominal value)	July 6, 2011	4,699,037,690 euros
Reduction of share capital through cancellation of treasury shares (21 st resolution)	Up to 7% of the share capital for a 24-month period	July 6, 2011	7% of the share capital
Capital increase through incorporation of premiums, reserves, profits or other items (22 nd resolution)	100 million euros (nominal value)	July 6, 2011	100 million euros
Grant of options to subscribe for and/or purchase shares (23 rd resolution)	3% of the share capital (on grant date)	July 6, 2011	2.15% of the share capital
Allotment of free existing or new shares (24 th resolution)	1% of the share capital (on grant date) ⁽⁴⁾	July 6, 2011	0.83% of the share capital
Issue of shares or other equity securities reserved for Group employees (25 th resolution)	23 million euros (nominal value)	July 6, 2011	18,592,664 euros
Capital increase reserved for a category of beneficiaries as part of a transaction reserved for employees (26 th resolution)	23 million euros (nominal value) ⁽⁵⁾	November 6, 2010	Expired

(1) Global cap for the 15th, 16th, 17th, 18th and 19th resolutions.

(2) To be applied against the global cap set forth in the 15th resolution.

(3) To be applied against the cap set forth in the 16th resolution.

(4) To be applied against the cap set forth in the 23rd resolution.

(5) To be applied against the cap set forth in the 25th resolution.



ADDITIONAL INFORMATION

8.4 Authorizations delegated to the Board of Directors

8.4.2 Authorizations to be delegated to the Board of Directors by the General Meeting to be held on May 12, 2011

The General Meeting to be held on May 12, 2011 should vote upon the following delegations:

TYPE OF AUTHORIZATION TO BE VOTED UPON	MAXIMUM AMOUNTS	EXPIRATION DATE
Buy and sell its own shares (7 th resolution)	Up to 5% of the share capital Up to 500 million euros Purchase price of up to 100 euros	November 12, 2012
Issue of bonds and other related securities (8 th resolution)	8 billion euros (nominal value)	July 12, 2013
Issue of shares or other equity securities with preferential subscription rights (9 th resolution)	560 million euros ⁽¹⁾ (nominal value)	July 12, 2013
Issue of shares or other equity securities without preferential subscription rights (10 th resolution)	160 million euros ⁽²⁾ (nominal value)	July 12, 2013
Issue of shares in an offer as set forth in article L. 411-2 of the French Monetary and Financial Code (11 th resolution)	160 million euros ^{(2) (3)} (nominal value)	July 12, 2013
Issue of shares or other equity securities as payment for contributions in kind (12 th resolution)	112 million euros ^{(2) (3)} (nominal value)	July 12, 2013
Increase in the number of shares to be issued in case of a capital increase with or without preferential subscription rights (13 th resolution)	Up to the amount applicable to the initial issue	July 12, 2013
Capital increase through incorporation of premiums, reserves, profits or other items (14 th resolution)	100 million euros ^{(2) (3)} (nominal value)	July 12, 2013
Reduction of share capital through cancellation of treasury shares (15 th resolution)	Up to 10% of the share capital for a 24-month period	July 12, 2013
Grant of options to subscribe for and/or purchase shares (16 th resolution)	3% of the share capital (on grant date)	July 12, 2013
Allotment of free existing or new shares (17 th resolution)	1% of the share capital ⁽⁴⁾ (on grant date)	July 12, 2013
Issue of shares or other equity securities reserved for members of Company savings plans (18 th resolution)	50 million euros (nominal value)	July 12, 2013
Capital increase reserved for a category of beneficiaries as part of a transaction reserved for employees (19 th resolution)	50 million euros (nominal value) ⁽⁵⁾	November 12, 2012

(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.

8.5 Articles of Association (*Statuts*)

The main provisions of our articles of association are summarized below.

8.5.1 Corporate purpose (article 2)

The Company's purpose as set out in article 2 of our *statuts* 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 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 accounts 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) 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' remuneration

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 booked, 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 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 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 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 meeting by videoconference or by a method of telecommunication 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 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 telecommunications, 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 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 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 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, and July 27, 2010, initially arranged by the Royal Bank of Scotland Plc., Société Générale, HSBC, Citibank International Plc. and Calyon. This facility originally provided a revolving credit line in the amount of 1,850 million euros, with a maturity of five years from the date of the first amendment and included two one-year extension options on the first and second anniversary date of July 28, 2005, subject to the banks' approval. We exercised the first option on May 5, 2006, and the second option on May 14, 2007. On July 27, 2010 we entered into a further amendment to extend the current term of the facility by one year to July 28, 2013, for an amount of 1,764 millions euros, to be disbursed in euros or

any other eligible currency. 110 million euros remain due on July 28, 2012 and 86 million euros of commitment have been cancelled.

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 reimbursed up to 1.5 billion 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 4.9 billion euros. As a result a balance of 768 million euros remains due under this facility as at December 31, 2010, 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 3.3.2 (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 report at our

registered office, 61, rue des Belles Feuilles, 75116 Paris.

In addition, historical financial information and regulated information relating to the Group 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, 2010 (*in addition to the data mentioned in Section 8.8.1 above*).

Releases available on the Lafarge internet website: www.lafarge.com

DATE	TITLE
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
12/27/2010	Disposal of Aggregates and Concrete Assets for 120 million euros
11/18/2010	Lafarge places a 1 billion euro bond
11/05/2010	2010 third quarter results
10/29/2010	Kareen Rispal, Senior VP Sustainable Development and Public Affairs
09/29/2010	Lafarge accelerates its innovation strategy
09/22/2010	Lafarge, partner of the new Chinese architecture
09/21/2010	Batiweb and Batirenover combine their Internet activities
07/30/2010	2010 first half year results
07/16/2010	Sale of minority interest in Lafarge Malayan Cement Berhad
07/08/2010	Alexandra Rocca appointed as Senior Vice-President, Communications
07/07/2010	Lafarge places a 550 million US dollar bond
07/02/2010	Support to the Novacem start-up: an innovative R&D strategy
07/02/2010	Potential sale of a minority interest in Lafarge Malayan Cement Berhad
05/25/2010	Lafarge and STRABAG to create a common company in Cement in Central Europe
05/06/2010	2010 Shareholders' Meeting
05/05/2010	2010 first quarter results
04/07/2010	Lafarge places a 500 million euro bond
04/01/2010	Lafarge partner of the France Pavilion for the Shanghai 2010 Expo
03/29/2010	Lafarge exceeds its target to reduce global CO ₂ emissions
02/24/2010	Closing of the sale of the stake in Cimpor to Votorantim
02/19/2010	2009 annual results
02/03/2010	Sale of the stake in Cimpor to Votorantim
01/14/2010	Cimpor - denial



ADDITIONAL INFORMATION

8.8 Documents on Display

Other permanent and occasional information available on the Lafarge website: www.lafarge.com

DATE	TITLE
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
12/09/2010	Declaration in accordance with article 223-16 of the AMF general regulations
11/08/2010	Declaration in accordance with article 223-16 of the AMF general regulations
10/08/2010	Declaration in accordance with article 223-16 of the AMF general regulations
09/08/2010	Declaration in accordance with article 223-16 of the AMF general regulations
08/06/2010	Declaration in accordance with article 223-16 of the AMF general regulations
07/12/2010	Declaration in accordance with article 223-16 of the AMF general regulations
06/11/2010	Declaration in accordance with article 223-16 of the AMF general regulations
05/07/2010	Declaration in accordance with article 223-16 of the AMF general regulations
04/13/2010	Declaration in accordance with article 223-16 of the AMF general regulations
03/10/2010	Declaration in accordance with article 223-16 of the AMF general regulations
02/11/2010	Declaration in accordance with article 223-16 of the AMF general regulations
01/08/2010	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
03/18/2011	(n°33)	Notice of meeting of shareholders
05/19/2010	(n°60)	Annual accounts
04/21/2010	(n°48)	Notice of meeting of shareholders
03/29/2010	(n°38)	Notice of meeting of shareholders

9 CONTROLS AND PROCEDURES

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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 16, 2011 and approved by the Board of Directors in its meeting of February 17, 2011 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), 5.2 (Board and Committee rules and services), 5.4 (Remunerations and benefits) and 8.5.5 (Convocation and admission to Shareholders' General Meetings) of the Annual Report are part of this report. Moreover the Annual Report 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 presented below "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 of 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, the safeguarding of the Group's assets, financial disclosure, the 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.

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 Annual Report.

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 Annual Report.

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” 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 SPECIAL COMMITTEES

The Board of Directors and its special Committees, and in particular the Audit Committee, ensure implementation of the Group’s internal control policy.

See Sections 5.1 (Board of Directors), 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 managers, with in particular managers of the Group Finance function, have been designated at Division and Group level, in order to:

- document their processes at Division and Group level and verify that the “Internal Control Standards” for such processes are effectively implemented;
- define and update 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 is to continuously improve internal control and consists mainly in supporting implementation of the Group’s “Internal Control Standards” and coordinating procedures related to “internal control over financial reporting” at their unit. Their activities are coordinated by the Group Internal Control department presented below.

GROUP INTERNAL AUDIT

The Group Internal Audit department (around 40 auditors) 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.

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, which solicits their comments on internal control, if any, from the Group’s external auditors.

Furthermore, follow-up assignments are organized to verify that internal audit recommendations have been put in place.





CONTROLS AND PROCEDURES

9.1 Report of the Chairman of the Board of Directors on internal control procedures and on corporate governance

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. It supports business units and the heads of Group functions in the implementation of such standards and in the documentation and tests of controls over financial reporting presented in Section 9.1.2 below. More generally, it aims to support continuous improvement in processes.

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, 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, etc.), purchases (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, management of inventories (physical count, valuation, etc.) and treasury and financing activities.

Documentation and testing of “controls over financial reporting”

The Group is committed to maintain high standards of internal control and continues to implement 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 Annual Report (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 18, 2011

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, 2010

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, 2010.

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 24, 2011

The Statutory Auditors

DELOITTE & ASSOCIÉS

French original signed by

Frédéric Gourd

Pascal Pincemin

ERNST & YOUNG Audit

French original signed by

Christian Mouillon

Nicolas Macé

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10.1 Auditors

STATUTORY AUDITORS

Deloitte & Associés

185, avenue Charles-de-Gaulle, F 92200 Neuilly-sur-Seine, represented by Messrs Pascal Pincemin and Frédéric Gourd.

Date of first appointment: 1994.

Current appointment expires at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year 2011.

Ernst & Young Audit

11, allée de l'Arche, F 92400 Courbevoie, represented by Mrs Christian Mouillon and Nicolas Macé.

Date of first appointment: 2006.

Current appointment expires at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year 2011.

DEPUTY AUDITORS

BEAS

7-9, villa Houssay, F 92200 Neuilly-sur-Seine.

Date of first appointment: 2000.

Current appointment expires at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year 2011.

AUDITEX

11, allée de l'Arche, F 92400 Courbevoie.

Date of first appointment: 2008.

Current appointment expires at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year 2013.

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.

<i>(million euros)</i>	DELOITTE & ASSOCIÉS				ERNST & YOUNG AUDIT			
	AMOUNT (EXCL. TAX)		%		AMOUNT (EXCL. TAX)		%	
	2010	2009	2010	2009	2010	2009	2010	2009
Audit fees								
Audit, review of financial statements	7.4	7.8	84%	89%	6.4	5.8	88%	83%
<i>Lafarge S.A.</i>	1.8	1.9	20%	22%	1.5	1.4	21%	20%
<i>Subsidiaries</i>	5.6	5.9	64%	67%	4.9	4.4	67%	63%
Audit-related Fees *	1.3	0.9	15%	10%	0.7	0.5	10%	7%
<i>Lafarge S.A.</i>	0.4	0.6	5%	7%	0.1	0.3	1%	4%
<i>Subsidiaries</i>	0.9	0.3	10%	3%	0.6	0.2	8%	3%
SUB-TOTAL	8.7	8.7	99%	99%	7.1	6.3	97%	90%
Other fees								
Tax Fees **	0.1	0.1	1%	1%	0.2	0.7	3%	10%
Legal and Employment Fees	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	--
SUB-TOTAL OTHER FEES	0.1	0.1	1%	1%	0.2	0.7	3%	10%
TOTAL FEES	8.8	8.8	100%	100%	7.3	7	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.

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 240 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 consolidated financial statements presented in this Document de Référence, set out on page F3. This report contains a technical observation, as the reports on the 2009 consolidated financial statements and the 2008 parent company financial statements presented respectively in the Document de Référence 2009 (D.10-0104) and 2008 (D.09-0122).

Paris, March 22, 2011

French original signed by

Jean-Jacques Gauthier

Chief Financial Officer

French original signed by

Bruno Lafont

Chairman and Chief Executive Officer

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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.

I For the year ended December 31, 2010

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, 2010 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, 2010 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in note 2.1 "Accounting Policies" of the notes to the consolidated financial statements regarding changes in accounting methods related to the adoption of new standards and interpretations and effective as of January 1, 2010, and especially to the prospective adoption of IFRS 3 Revised – Business Combinations and IAS 27 Revised – Consolidated and Separate Financial Statements.

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 their definition and are in keeping with the current economic crisis 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," the Group considered the impact of the economic crisis affecting some of its markets in the operational and actuarial assumptions used in future cash flows and 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 28, 2011

The statutory auditors
French original signed by

DELOITTE & ASSOCIÉS
Frédéric Gourd

Pascal Pincemin

ERNST & YOUNG Audit
Christian Mouillon

Nicolas Macé



CONSOLIDATED STATEMENTS

Consolidated statements of income

Consolidated statements of income

YEARS ENDED DECEMBER 31,

<i>(million euros, except per share data)</i>	NOTES	2010	2009
REVENUE	(4)	16,169	15,884
Cost of sales		(12,015)	(11,707)
Selling and administrative expenses		(1,713)	(1,700)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	(4)	2,441	2,477
Gains on disposals, net	(5)	45	103
Other operating income (expenses)	(6)	(317)	(330)
OPERATING INCOME		2,169	2,250
Finance costs	(8)	(1,069)	(1,136)
Finance income	(8)	346	210
Share of profit of associates	(13)	(16)	(18)
INCOME BEFORE INCOME TAX EXPENSE		1,430	1,306
Income tax expense	(22)	(316)	(260)
NET INCOME		1,114	1,046
<i>Out of which part attributable to:</i>			
Owners of the parent of the Group		827	736
Non-controlling interests		287	310
EARNINGS PER SHARE (EUROS)			
NET INCOME - ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY			
Basic earnings per share	(9)	2.89	2.77
Diluted earnings per share	(9)	2.89	2.77
BASIC AVERAGE NUMBER OF SHARES OUTSTANDING (IN THOUSANDS)	(9)	286,087	265,547

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

Consolidated statement of comprehensive income

	AT DECEMBER 31,	
<i>(million euros)</i>	2010	2009
NET INCOME	1,114	1,046
Available for sale investments	(138)	381
Cash-flow hedge instruments	12	32
Actuarial gains/(losses)	(64)	(174)
Currency translation adjustments	1,175	(77)
Income tax on other comprehensive income	5	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	990	162
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,104	1,208
<i>Out of which part attributable to:</i>		
Owners of the parent of the Group	1,712	937
Non-controlling interests	392	271

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



CONSOLIDATED STATEMENTS

Consolidated statement of financial position

Consolidated statement of financial position

AT DECEMBER 31,

(million euros)	NOTES	2010	2009
ASSETS			
NON CURRENT ASSETS		34,752	32,857
Goodwill	(10)	14,327	13,249
Intangible assets	(11)	661	632
Property, plant and equipment	(12)	17,912	16,699
Investments in associates	(13)	422	335
Other financial assets	(15)	863	1,591
Derivative instruments	(26)	78	43
Deferred tax	(22)	489	308
CURRENT ASSETS		7,742	6,640
Inventories	(16)	1,647	1,702
Trade receivables	(17)	1,774	1,686
Other receivables	(18)	971	1,008
Derivative instruments	(26)	56	24
Cash and cash equivalents	(19)	3,294	2,220
TOTAL ASSETS	(4)	42,494	39,497
EQUITY & LIABILITIES			
Common stock	(20)	1,146	1,146
Additional paid-in capital	(20)	9,640	9,620
Treasury shares		(26)	(27)
Retained earnings		5,816	5,555
Other reserves	(20)	(555)	(370)
Foreign currency translation		123	(947)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		16,144	14,977
Non-controlling interests	(20)	2,080	1,823
EQUITY		18,224	16,800
NON CURRENT LIABILITIES		16,765	16,652
Deferred tax	(22)	871	887
Pension & other employee benefits	(23)	1,108	1,069
Provisions	(24)	633	939
Long-term debt	(25)	14,096	13,712
Derivative instruments	(26)	57	45
CURRENT LIABILITIES		7,505	6,045
Pension & other employee benefits	(23)	139	109
Provisions	(24)	146	136
Trade payables		1,996	1,652
Other payables	(27)	1,642	1,630
Current tax payable		314	193
Short term debt and current portion of long-term debt	(25)	3,184	2,265
Derivative instruments	(26)	84	60
TOTAL EQUITY AND LIABILITIES	(4)	42,494	39,497

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

Consolidated statements of cash flows

YEARS ENDED DECEMBER 31,

<i>(million euros)</i>	NOTES	2010	2009
NET CASH PROVIDED (USED IN) BY OPERATING ACTIVITIES			
NET INCOME		1,114	1,046
<i>Adjustments for income and expenses which are non cash or not related to operating activities, financial expenses or income taxes:</i>			
Depreciation and amortization of assets	(4)	1,173	1,123
Impairment of assets	(6)	154	164
Share of profit of associates	(13)	16	18
(Gains) on disposals, net	(5)	(45)	(103)
Finance costs (income)	(8)	723	926
Income tax expenses	(22)	316	260
Others, net (including dividends received from equity affiliates)		(300)	(57)
Change in operating working capital items, excluding financial expenses and income taxes (see analysis below)		354	1,029
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES BEFORE IMPACTS OF FINANCIAL EXPENSES AND INCOME TAX		3,505	4,406
Cash payments for financial expenses		(919)	(827)
Cash payments for income tax		(414)	(373)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		2,172	3,206
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(4)	(1,331)	(1,645)
Investment in subsidiaries and joint ventures *		(27)	(29)
Investment in associates	(13)	(3)	(10)
Investment in available for sale investments		(19)	(35)
Disposals **	(3) / (32)	209	760
Net decrease in long-term receivables		(73)	(115)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(1,244)	(1,074)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Capital increase (decrease) - owners of the parent company	(20)	26	1,448
Capital increase (decrease) - non controlling interests	(3)	15	86
Changes in ownership interests with no gain/loss in control	(3)/(32)	139	-
(Increase) decrease in treasury shares		-	-
Dividends paid	(20)	(575)	(393)
Dividends paid by subsidiaries to non controlling interests		(274)	(143)
Proceeds from issuance of long-term debt		2,207	4,495
Repayment of long-term debt		(1,174)	(6,829)
Increase (decrease) in short-term debt		(326)	(153)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		38	(1,489)



CONSOLIDATED STATEMENTS

Consolidated statements of cash flows

YEARS ENDED DECEMBER 31,

<i>(million euros)</i>	NOTES	2010	2009
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		966	643
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts		108	(14)
Cash and cash equivalents at beginning of year		2,220	1,591
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(19)	3,294	2,220
* <i>Net of cash and cash equivalents of companies acquired</i>		35	3
** <i>Net of cash and cash equivalents of companies disposed of</i>		23	54
Analysis of changes in operating working capital items		354	1,029
(Increase)/decrease in inventories	(16)	97	433
(Increase)/decrease in trade receivables		83	562
(Increase)/decrease in other receivables – excluding financial and income taxes receivables		30	361
Increase/(decrease) in trade payables		179	(236)
Increase/(decrease) in other payables – excluding financial and income taxes payables		(35)	(91)

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

Consolidated statements 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	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	NON CONTROLLING INTERESTS	EQUITY
		<i>(number of shares)</i>			<i>(million euros)</i>							
BALANCE AT JANUARY 1, 2009		195,236,534	436,793	781	8,462	(40)	5,225	(613)	(905)	12,910	1,725	14,635
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD							736	243	(42)	937	271	1,208
Dividends paid	(20)						(393)			(393)	(140)	(533)
Issuance of common stock	(21)	91,216,782		365	1,131					1,496	86	1,582
Share based payments	(21)				27					27		27
Treasury shares	(20)		(56,645)			13	(13)			-		-
Other movements - Non-controlling interests	(20)									-	(119)	(119)
BALANCE AT DECEMBER 31, 2009		286,453,316	380,148	1,146	9,620	(27)	5,555	(370)	(947)	14,977	1,823	16,800
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD							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										-	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

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

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 by-laws 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, BP 40, 75116 Paris Cedex 16, France. The Company is registered under the number “542 105 572 RCS Paris” with the registrar of the Paris Commercial Court (*Tribunal de Commerce de Paris*).

The Group organizes its operations into three Divisions: Cement, Aggregates & Concrete and Gypsum (*see Note 4*).

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 are also 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 its consolidated companies.

These financial statements for the year ended December 31, 2010, were established and authorized for issue by the Board of Directors on February 17, 2011.

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

In accordance with the European Regulation No. 1606/2002 issued July 19, 2002, the consolidated financial statements of the Group for the period presented are prepared in accordance with the **International Financial Reporting Standards** (“IFRS”) as endorsed by the European Union as of December 31, 2010 and available on the site http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

The consolidated financial statements have been prepared under the historical cost convention, except for the following:

- derivative financial instruments measured at fair value;
- financial instruments at fair value through statement of income measured at fair value;
- available-for-sale financial assets measured at fair value;
- liabilities for cash-settled share based payment arrangements measured at fair value.

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 to the consolidated financial statements.

The Group has applied the following standards and interpretations which are effective for the period beginning on or after January 1, 2010:

Standards which have an effect on the Group financial statements

- IFRS 3 – Business Combinations – and IAS 27 – Consolidated and Separate Financial Statements – revised standards. These standards are applied prospectively. Transactions completed prior

to January 1, 2010 are accordingly not restated. The main changes are the following:

- changes in parent’s ownership interest in a subsidiary that do not result in a change of control are accounted for as changes in equity, with no effect on the net income and the other comprehensive income;
- step acquisitions, as well as changes in ownership interests that result in a loss of control, lead to the remeasurement at fair value through net income of the residual interest ownership held;
- IFRS 3 revised allows for each takeover with interest ownership below 100% to account for goodwill either on a 100% basis or on the acquired percentage ownership interests (without any subsequent change in case of additional purchase of non-controlling interests);
- acquisition costs incurred in transaction leading to control are expensed as incurred.

The effect of these revised standards on 2010 transactions notably relates to the sale of a non-controlling interest in Malaysia (*see Note 3*).

- IAS 7 – Statement of Cash Flows, amended by revised IAS 27. Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control are now classified as cash flows from financing activities instead of cash flows from investing activities, on a retrospective basis. This retrospective application did not lead to reclassify 2009 operations from the line “Disposals” in the investing activities to the line “Changes in ownership interests with no gain/loss in control” in the financing activities” of the consolidated statement of cash flows. The effect of this revised standard on 2010 transactions notably relates to the sale of a non-controlling interest in Malaysia (*see Note 3*).

Standards and interpretations which had no effect on the Group financial statements

- Revised IFRS 1 – Additional Exemptions for First-Time Adopters;
- Revised IFRS 2 – Group Cash-settled Share-based Payment Transactions;
- 2010 Improvements to IFRS and amendment to IFRS 5 in 2008 improvements to IFRS;
- Revised IAS 39 – Eligible Hedged Items;
- IFRIC 17 – Distributions of Non-cash Assets to Owners;
- IFRIC 18 – Transfers of Assets from Customers.

These accounting policies do not differ from the IFRS published by the IASB as the application of the following interpretations approved by the European Union and with a mandatory application date different from the application date published by the IASB have no impact on the Group consolidated financial statements:

- IFRIC 12 – Service concession Arrangements, effective for annual periods beginning from March 30, 2009;
- IFRIC 16 – Hedges on a Net Investment in a Foreign Operation, effective for annual periods beginning from July 1, 2009;
- IFRIC 15 – Agreements for the Construction of Real Estate, effective for annual periods beginning from January 1, 2010.

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

Investments over which the Group exercises control are fully consolidated. Control exists when the Group has the power directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. 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. Investments in companies in which the Group and third party investors have agreed to exercise joint control are consolidated by the proportionate consolidation method with the Group's share of the joint ventures' results of operations, assets and liabilities recorded in the consolidated financial statements. Investments over which the Group exercises significant influence, but not control, are accounted for under the equity method. Such investees are referred to as "associates" throughout these consolidated financial statements.

Significant influence is presumed to exist when the Group holds at least 20% of the voting power of associates. Associates are initially recognized at cost. The consolidated financial statements include the Group's share of the income and expenses 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.

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.

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

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.3 Use of estimates and judgments

a) Estimates

The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and of revenues and expenses. 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 affecting some of the Group's markets. Changes in facts and circumstances may result in revised estimates, and actual results 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 net of disposal costs 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 plan involve financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee's turnover rate...). 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 assessment of the amounts that the Group will have to pay and 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 situation, the Legal department may use the assistance of external specialised 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 disclosures.

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 balance sheet date, monetary assets and liabilities denominated in foreign currencies recorded at historical cost are retranslated at the functional currency 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 equity, until the disposal of the net investment.

2) Foreign operation

As at 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 is translated by using the average currency 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 equity on the line "foreign currency translation". On the disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the 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 of consolidated subsidiaries, joint ventures or associates.

For companies that operate in countries which have been designated as hyperinflationary, amounts in the statement of financial position not yet expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index. Revenues and expenses in local currency are also restated on a monthly basis. Differences between original values and reassessed values are included in income. In defining 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 (euro)	2010		2009	
	AVERAGE RATE	YEAR-END RATE	AVERAGE RATE	YEAR-END RATE
Brazilian real (BRL)	2.3345	2.2177	2.7706	2.5113
Canadian dollar (CAD)	1.3664	1.3322	1.5852	1.5128
Chinese yuan (CNY)	8.9800	8.8220	9.5165	9.8350
Algerian dinar (DZD)	99.2034	103.4710	101.2053	104.5995
Egyptian pound (EGP)	7.4325	7.7111	7.7399	7.9023
British pound (GBP)	0.8582	0.8608	0.8911	0.8881
Indian rupee (INR)	60.6313	59.7580	67.3091	67.0400
Iraqi dinar (IQD)	1,565.1274	1,596.7590	1,614.9436	1,665.3336
Jordanian dinar (JOD)	0.9464	0.9423	0.9892	1.0228
Kenyan shilling (KES)	105.2271	107.7472	107.7786	109.0884
Korean won (WKR)	1,532.4235	1,499.0600	1,772.7442	1,666.9700
Moroccan dirham (MAD)	11.1856	11.2040	11.2818	11.3500
Malaysian ringgit (MYR)	4.2729	4.0950	4.9037	4.9326
Nigerian naira (NGN)	197.7571	195.3000	205.1630	213.3529
Philippine peso (PHP)	59.7977	58.3000	66.2608	66.5070
Polish zloty (PLN)	3.9950	3.9750	4.3299	4.1045
Romanian leu (RON)	4.2106	4.2620	4.2397	4.2363
Russian rouble (RUB)	40.2765	40.8200	44.1347	43.1540
U.S. dollar (USD)	1.3267	1.3362	1.3932	1.4406
South African rand (ZAR)	9.7132	8.8625	11.6862	10.6660

2.5 Business combinations, acquisition of additional interests and disposal of interests

1) Business combinations

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 the business combinations which predate the transition date (January 1, 2004).

Prior to the transition date, the Group has applied the purchase method according to French GAAP to all of its business combinations since January 1, 1989. The principal difference related to acquired goodwill, which was amortized over the expected period of benefit, not to exceed 40 years.

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.

BUSINESS COMBINATIONS AFTER JANUARY 1, 2004

Business combinations are accounted for in accordance with the purchase method. Accordingly, its assets and liabilities and contingent liabilities are recognized in accordance with the rules set forth in IFRS 3. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date, except for non-current assets

(or disposal groups) that are classified as held for sale in accordance with IFRS 5 – Non-current assets held for sale are recognized and measured at fair value less costs to sell.

When goodwill arising from a business combination performed since January 1, 2004 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. 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.

BUSINESS COMBINATIONS ENTERED INTO UNTIL DECEMBER 31, 2009

The cost of acquisition is measured as the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree;
- any costs directly attributable to the business combination.

Any contingent consideration assumed in a business combination is included in the cost of acquisition at acquisition date if its amount can be measured reliably and if it is probable that it will be paid. Subsequent changes in its estimated amount is accounted for with a counterpart in goodwill.

Any excess of the cost of acquisition over the Group's share in the fair value of all identified assets and liabilities is recognized as goodwill.

If the acquirer's interest in the net fair value of the acquiree is an excess (negative goodwill), a gain is recognized immediately.

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

When the Group acquires a controlling interest in stages, the adjustments to the fair value of identified assets and liabilities at acquisition date relating to previously held interests are accounted for in equity.

BUSINESS COMBINATIONS FROM JANUARY 1, 2010

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-valued through the statements of income; and
- the fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date.

Any contingent consideration assumed 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 statements of income if the contingent consideration is a financial liability.

A negative goodwill is recognized immediately in the statements of income.

Acquisition costs are expensed and are presented in the consolidated statements 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.

2) Acquisition of additional interests after control is obtained

For additional acquisition of interests in a subsidiary performed before January 1, 2010, the Group has elected to adopt the following accounting treatment in the absence of specific rules:

- if the Group subsequently acquires an interest in the assets and liabilities from non-controlling interests, no additional fair value adjustment is recorded at that time;
- the difference between the purchase price and the carrying value of proportional interest in assets and liabilities acquired is recorded as goodwill.

For additional acquisition of interests in a subsidiary occurring since January 1, 2010 (revised IAS 27 applies prospectively –

see Note 2.1), 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 recognised 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

For disposals of interests performed before January 1, 2010, the difference between the fair value of the consideration received and the carrying amount of the interests disposed of at transaction date is recognised in the statements of income on the line "Gains on disposals, net".

For disposals of interests occurring since January 1, 2010 (IAS 27 revised applies prospectively – *see Note 2.1*), 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 recognised 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

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.

For disposals of interests performed before January 1, 2010, the difference between the fair value of the consideration received and the carrying amount of the interests disposed of at disposal date is recognised in the statements of income on the line "Gains on disposals, net".

For disposals of interests occurring since January 1, 2010 (IAS 27 revised applies prospectively – *see Note 2.1*), 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 the statements of income upon the date the control is lost.

2.6 Revenue recognition

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

Revenues from the sale of goods and products are recorded when 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, in compliance with CNC Recommendation 2009-R03 on the format of financial statements of entities applying IFRSs. 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 impairments 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 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 after tax and income from 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 charges and income relating to debenture loans, the liability component of compound instruments, other borrowings including lease-financing liabilities, and cash and cash equivalents;
- other expenses paid to financial institutions for financing operations;
- dividends received from non-consolidated investments;
- impact of discounting provisions (except employee benefits) and long-term receivables;
- financial exchange gains and losses;
- gains on the disposal of available-for-sale financial assets;
- impairment losses recognised 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); and
- change in value of derivative instruments held for trading.

2.9 Earnings per share

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

Diluted earnings per share 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 are recognized only if:

- identifiable;
- controlled by the entity;
- 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 depreciable 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 five 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.

Depreciated 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 programs. Within their framework, expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognised as expenses when incurred. Development expenditures (which have direct applications on the product offer) are capitalised only if the above-mentioned criteria are met and are amortized on a straight-line basis over five years. The expenditure capitalised includes the costs that are directly attributable to preparing the asset for its intended use. Other development costs are recognised 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 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 capital leases where the lease arrangement transfers to the Group substantially all of the benefits and risks of ownership. Lease arrangements are evaluated based upon the following criteria:

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

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

The residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

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

- land is not depreciated;
- mineral reserves consisting of proven and probable reserves are depleted using the units-of-production method;
- buildings are depreciated using the straight-line method over estimated useful lives varying from 20 years to 50 years for 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 life. 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 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 long-lived 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 beyond when there are some indications that an impairment loss may have occurred. 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. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use.

Our three Divisions are considered to be our three reporting/operating segments, each comprising multiple CGU's. For the purposes of the goodwill impairment test, the Group's net assets are allocated to Cash Generating Units ("CGUs") or groups of CGUs. CGUs generally represent one of our three Divisions in a particular country. 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. 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 business segment, as defined in Note 4.

We compare in a first step the carrying value of our CGUs/groups of CGUs with a multiple of their operating income before capital gains, impairment, restructuring, other and before amortization and depreciation. For CGUs/groups of CGUs presenting an impairment risk according to this first step approach, we then determine the fair value or the value in use of the related CGU/groups of CGUs. Fair value is estimated based either on a market multiple or on discounted expected future cash flows. Value in use is estimated based on discounted cash flows 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 carrying value of the CGUs/group of CGUs exceeds its recoverable amount, defined as the higher of the fair value (less costs to sell) or the value in use of the related assets and liabilities, the Group records an impairment of goodwill (in "Other operating expenses").

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

According to IAS 36, impairment charges recognized for goodwill are never reversed.

2) Property, plant & equipment and depreciable intangible assets

Whenever events or changes in circumstances indicate that the carrying amount of tangible and intangible assets may not be recoverable, an impairment test is performed. The purpose of this test is to compare the carrying value 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 carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption "Other operating income and 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 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.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each year-end. 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 recognized in the statement of income.

2.13 Other financial assets

Other financial assets mainly consist of shares held in equity securities, loans and long-term receivables or deposits, 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), loans and receivables (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 financial profits or expenses. Assets in this category are classified as current assets.

Financial assets held-to-maturity

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

Loans and long-term receivables

Loans and long-term receivables accounted for at amortized cost are measured in accordance with the effective interest rate method.

Available-for-sale financial assets

Shares held in equity securities 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 equity ("Other Reserves"). When the security is disposed of, the cumulative gain or loss previously recognized in equity is included in the statement of income for the period (Finance income/costs).

The Group assesses at the end of each reporting period whether there is any objective evidence that its equity securities are impaired which would lead, if this were to be the case, to recognise in the 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.

As at December 31, 2009, the sole Group's investment that is listed on an active market with a significant investment cost is the Portuguese cement producer Cimentos de Portugal (Cimpor), with a 611 million euros investment cost and a 746 million euros market value at that date (135 million euros above investment cost). This investment was sold in February 2010 to the Group Votorantim in exchange for cement operations of Votorantim in Brazil and the dividends paid by Cimpor related to its 2009 year-end (see Note 3).

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 provision for impairment.

A depreciation for trade receivables and others is established 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 depreciation is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the original effective interest rate. Impairment loss is recognized in the statement of income.

2.17 Cash and cash equivalents

Cash and cash equivalents consist of 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.

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

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 profit 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 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 earnings 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 shareholders' equity derivative component as defined in IAS 32.

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

3) Derivative instruments and hedge relationships

The Group enters into financial derivative contracts only in order to reduce its exposure to changes in interest rates, foreign currency exchange rates and 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.

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 its financial statements financial instruments which meet the criteria for recognition as derivatives. Derivative instruments are marked to market and recorded on the statement of financial position at their fair value. The accounting for changes in fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Group designates its derivatives based on the criteria established by IAS 39.

In case of a fair value hedge relationship, changes in fair value on the hedging item are recognized in earnings of the period of change. The part corresponding to the efficient portion of the hedge is offset by the loss or gain recognized on the hedged item.

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

Embedded derivatives not closely related to host contracts are recorded at fair value in the statement of financial position. For embedded derivatives, the gain or loss is recognized in earnings in the period of the change in fair value.

4) Put options on shares of subsidiaries (commitment to purchase non-controlling interests)

Pursuant to IAS 27 and IAS 32, put options granted to non controlling interests of consolidated subsidiaries are considered financial debt.

For options granted to non controlling interests before January 1, 2010, the Group records 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 exceeds the carrying amount of the non controlling interest, the Group records this difference as goodwill. The

value of the debt is estimated using the contract formulas or prices. When utilizing formulas based upon multiples of earnings minus debt, we use the actual earnings of the period and the debt of the subsidiary at the closing date of the estimation. The change in the fair value of the debt 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 statements of income nor on the equity attributable to the owners of the parent company.

The Group did not grant such put options since January 1, 2010, starting date for the prospective application of IAS 27 revised.

2.20 Pensions, end of service benefits and other post-retirement benefits

1) Defined contribution plans

The Group accounts for pension costs related to defined contribution pension plans as they are incurred (in "cost of sales" or "selling and administrative expenses" based on the beneficiaries of the plan).

2) Defined benefit plans

Estimates of the Group's pension and end of service benefit obligations are calculated annually, in accordance with the provisions of IAS 19 – Employee Benefits, with the assistance of independent actuaries, using the projected unit credit method. This method considers best estimate actuarial assumptions including the probable future length of the employees' service, the employees' final pay, the expected average life span and probable turn-over of beneficiaries.

The Group's obligations are discounted by country based upon 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 closing date.

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

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

The current period pension expense is recorded in "cost of sales" or "selling and administrative expenses" based on the beneficiaries of the plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period in which they arise, the Group applying the option offered by the amendment to IAS 19.

Pension plans amendments are, in general, recognized in statement of income:

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

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

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 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 prior 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.

1) Restructuring

Reserves for restructuring costs are provided 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. These reserves 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 amortized to cost of sales, on a unit-of-production basis over the operating life of the quarry. The estimated future costs for known restoration requirements are determined on a site by site basis and are calculated based on the present value of estimated future costs.

3) Environmental costs

Costs incurred that result in future economic benefits, such as extending useful lives, increased capacity or safety, and those costs incurred to mitigate or prevent future environmental contamination, are capitalized. When the Group determines that it is probable that a liability for environmental costs exists and that its resolution will result in an outflow of resources, an estimate of the future remediation is recorded as a provision without the offset of contingent insurance recoveries (only virtually certain insurance recoveries are recorded as an asset in the statement of 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 taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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: 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 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. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

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, branches and associates, and interests in joint ventures, 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 purchase or subscription share options to employees and offers employee share purchase plans.

In accordance with the prescriptions of IFRS 2 – Share Based Payments, the Group records compensation expense for all share-based compensation granted to its employees. The Group granted a performance stock plan for the first time in 2007.

1) Share options granted to employees, performance stock plan 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 amortized over the vesting period based on the characteristics of the equity instruments. The expense is recorded as a non-current provision.

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 costs.

2) Employee share purchase plans

When the Group performs capital increases reserved for employees, and when the conditions offered are significantly different from market conditions, the Group records a compensation cost.

This cost is measured at the grant date, defined as the date at which the Group and employees share a common understanding of the characteristics of the offer.

The measurement of the cost takes into account the bonuses paid under the plan, the potential discount granted on the share price and the effect of post-vesting transfer restrictions (deducted from the discount granted).

The compensation cost calculated is expensed in the period of the operation (considered as compensation for past services) if no vesting condition is attached to the shares.

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 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 statement of income or in the statement of financial position.

2.26 Non-current assets held for sale and discontinued activities

A fixed asset or a grouping of assets and liabilities is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or groupings of assets and liabilities) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or groupings of assets and liabilities), and its sale must be highly probable. Such assets or groupings of assets and liabilities are presented separately in the statement of financial position, in the line “Assets held for sale” when they are material. These assets or grouping of assets and liabilities are measured at the lower of their carrying value and fair value less costs to sell. The liabilities directly linked to assets or grouping of assets held for sale are presented in the line “Liabilities directly associated with assets held for sale” on the face of the 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 statements 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 if they are material. 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 closing date not yet effective

Standards and interpretations adopted by the European Union at the closing date

- Revised IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters (applicable for annual periods beginning on or after July 1, 2010). This pronouncement will have no impact on the Group financial statements;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity (applicable for annual periods beginning on or after July 1, 2010). This pronouncement might have an impact on the Group financial statements;
- Revised IFRIC 14 – Prepayments of a Minimum Funding Requirement (applicable for annual periods beginning on or after January 1, 2011). This pronouncement is expected to have a limited impact on the Group financial statements;
- Revised IAS 24 – Related Party Disclosures (applicable for annual periods beginning on or after January 1, 2011) This pronouncement is expected to have a limited impact on the Group financial statements;
- Revised IAS 32 – Classification of Rights Issues (applicable for annual periods beginning on or after February 1, 2010). This pronouncement will have no impact on the Group financial statements.

Standards and Interpretations issued but not yet adopted by the European Union at the closing date

Pronouncements with a potential impact on consolidated financial statements.

- IFRS 9 – Financial instruments, issued by the IASB in November 2009 and applicable for annual periods beginning on or after January 1, 2013.

Pronouncements with limited impact expected on consolidated financial statements.

- Improvements to IFRS, issued by the IASB in May 2010 and applicable depending on Standards for annual periods beginning on or after July 1, 2010 or January 1, 2011;
- 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;
- 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 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.

Note 3 Significant events

3.1 Main divestments and acquisitions of the period

Disposal of Cimentos de Portugal (CIMPOR) and acquisition of cement operations of Votorantim in Brazil

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, which moreover equals the price for which the Portuguese constructor Teixeira Duarte sold its 22.17% Cimpor stake in mid-February 2010 to the Brazilian conglomerate Camargo Correa.

Based on the above and taking into account the 23 million euros dividends paid by Cimpor during the second quarter of 2010, this transaction generated a non taxable gain of 161 million euros, net of related costs, which is reflected on the line "Finance income" of the consolidated statements of income since the Cimpor investment was an available-for-sale financial asset.

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. These operations, that have been gathered in a newly created Brazilian company called Cia de Cimento Portland Lacim (hereafter "Lacim"), are consolidated starting on the July 19, 2010 acquisition date. The Group has made a detailed review of Lacim's accounts and the evaluation process of identifiable purchased assets, liabilities and contingent liabilities assumed, as defined by the revised standard IFRS 3 – Business Combinations, which requires experts' appraisals (internal or external), is currently in progress at the present date. As a result, the purchase price allocation exercise and the recognition of the related goodwill will be finalized at the latest within the 12 months of the acquisition date.

The net assets acquired and goodwill indicated below are accordingly provisional as at December 31, 2010:

(million euros)	
Purchase price consideration (settled in Cimpor shares)	755
Provisional fair value of net assets acquired *	265
Provisional goodwill at December 31, 2010	490

* Of which 231 million euros of provisional fair value of industrial assets and 30 million euros of acquired cash and cash equivalents. The figures have been converted to € using the closing rate at July 19, 2010 (1€ = 2,3043 BRL).

The goodwill is mainly attributable to market shares and expected synergies in terms of industrial performance and logistics network which are not separately recognized. It is tax deductible for an amount of 465 million euros based on exchange rate July 19, 2010.

For the period from July 19, 2010 to December 31, 2010, Lacim contributed to revenue and net income (part attributable to owners of the parent of the Group) for 84 million euros and 18 million euros, respectively.

Sale of a non-controlling interest in Lafarge Malayan Cement Berhad

Lafarge sold in July 2010 11.2% of interests in Lafarge Malayan Cement Berhad ("LMCB") by way of placement done on Bursa Malaysia Securities Berhad. The net proceeds of this operation amount to 141 million euros. Lafarge keeps the management control of the Malayan activities and remains the majority shareholder with a 51% controlling shareholding in LMCB.

Since this operation does not change the nature of control exercised by the Group over LMCB and in compliance with the revised standard IAS 27 (see Note 2), the impact of this partial disposal of interests has been recorded in equity attributable to owners of the parent for an amount of 49 million euros (141 million euros of equity impact – see Note 20), and is reflected on the consolidated statements of cash flows within the financing activities on the line "Changes in ownership interests with no gain/loss of control" for an amount of 141 million euros (see Note 32).

Sale of the Aggregates & Concrete activities in Alsace and Switzerland

On December 31, 2010, Lafarge sold its Aggregates & Concrete activities in Switzerland to Holcim Switzerland and its Aggregates & Concrete activities in Alsace to Eiffage Travaux Publics and Holcim France. The impact of these disposals is 37 million euros, net of cash disposed of, on the statement of cash flows on the line "Disposals" and 2 million euros for the net loss on disposals.

Overall, the divestments operations performed as at December 31, 2010 have reduced, net of selling costs, the Group's net financial debt by 364 million euros, reflected on the statements of cash flows for respectively 209 million euros on the line "Disposals", 139 million euros on the line "Changes in ownership interests with no gain/loss of control", 15 million euros on the line "Capital increase / (decrease) – non controlling interests", amounts to which should be added 1 million euros of financial debt disposed of.

3.2 Bonds

During 2010, Lafarge placed two public bond issues under its EMTN program for a total amount of 1.5 billion euros:

- 500 million euros with an 8-year maturity and a coupon of 5.0% (settlement on April 13);
- 1 billion euros with an 8-year maturity and a coupon of 5.375% (settlement on November 29).

On July 6, 2010, the Group also placed a 550 million US dollars bond on the American market, bearing a fixed interest rate of 5.5%, with a 5-year maturity (settlement on July 9) (see Note 25).

3.3 Maturity extension of syndicated credit facility

On July 27, 2010, Lafarge signed an amendment to the 1,850 million euros syndicated credit line, which purpose was to extend its maturity by one year.

The new maturity has therefore been extended to July 28, 2013 for an amount of 1,654 million euros (the maturity of 110 million euros remains unchanged on July 28, 2012 and around 86 million euros have matured on July 28, 2010).

3.4 Litigations

On June 17, 2010, the European Union Court of Justice rejected Lafarge's appeal against the decision of the European Commission imposing a fine on Lafarge in the amount of 249.6 million euros for having colluded on market shares and prices with competitors between 1992 and 1998 for wallboard, essentially in the United Kingdom and Germany. The payment of the fine and accrued interest (additional provisions were recorded in each of our annual financial statements since 2003 in relation to the accrued interests) was made on July 23, 2010, for a total amount of 338 million euros (*see Note 29*). This amount was fully reserved.

Note 4 Business segment and geographic area information

In accordance with IFRS 8 – Operating segments, the 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 operates in the following three operating segments (Cement, Aggregates & Concrete and Gypsum), defined as 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:

- 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;
- the Gypsum segment mainly produces and sells drywall for the commercial and residential construction sectors.

Other and holding activities, 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, share in net income of associates; and
- capital employed (defined as the total of goodwill, intangible and tangible assets, investments in associates and working capital).

Group financing, notably treasury process (including finance income and finance expenses), and income taxes are managed at Group level and are not allocated to segments.

The accounting policies applied to segment earnings comply with those described in Note 2 of this document.

The Group accounts for intersegment sales and transfers at market prices.

For the geographical information, revenue is presented by region or country of destination of the revenue.

a) Segment information

2010 (million euros)	CEMENT	AGGREGATES & CONCRETE	GYPSUM	OTHER	TOTAL
STATEMENT OF INCOME					
Gross revenue	10,280	5,093	1,441	3	16,817
Less: intersegment	(624)	(5)	(19)	-	(648)
REVENUE	9,656	5,088	1,422	3	16,169
Operating income before capital gains, impairment, restructuring and other	2,230	216	58	(63)	2,441
Gains on disposals, net	50	(5)	-	-	45
Other operating income (expenses)	(249)	(28)	(49)	9	(317)
<i>Including impairment on assets and goodwill</i>	<i>(126)</i>	<i>(11)</i>	<i>(17)</i>	-	<i>(154)</i>
OPERATING INCOME	2,031	183	9	(54)	2,169
Finance costs					(1,069)
Finance income					346
Income from associates	(26)	5	5	-	(16)
Income taxes					(316)
NET INCOME					1,114
OTHER INFORMATION					
Depreciation and amortization	(775)	(266)	(85)	(47)	(1,173)
Other segment non cash income (expenses) of operating income	(100)	22	(30)	-	(108)
Capital expenditures	1,060	168	64	39	1,331
Capital employed	26,780	5,200	1,511	271	33,762
STATEMENT OF FINANCIAL POSITION					
Segment assets	31,330	6,384	1,900	2,257	41,871
<i>Of which investments in associates</i>	<i>236</i>	<i>34</i>	<i>134</i>	<i>18</i>	<i>422</i>
Unallocated assets *					623
TOTAL ASSETS					42,494
Segment liabilities	2,797	1,107	313	1,762	5,979
Unallocated liabilities and equity **					36,515
TOTAL EQUITY AND LIABILITIES					42,494

* Deferred tax assets and derivative instruments.

** Deferred tax liability, financial debt, derivative instruments and equity.



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Note 4 Business segment and geographic area information

2009 (million euros)	CEMENT	AGGREGATES & CONCRETE	GYPSUM	OTHER	TOTAL
STATEMENT OF INCOME					
Gross revenue	10,105	5,067	1,355	9	16,536
Less: intersegment	(628)	(3)	(21)	-	(652)
REVENUE	9,477	5,064	1,334	9	15,884
Operating income before capital gains, impairment, restructuring and other	2,343	193	38	(97)	2,477
Gains on disposals, net	62	40	5	(4)	103
Other operating income (expenses)	(209)	(41)	(63)	(17)	(330)
<i>Including impairment on assets and goodwill</i>	<i>(152)</i>	<i>(8)</i>	<i>(4)</i>	-	<i>(164)</i>
OPERATING INCOME	2,196	192	(20)	(118)	2,250
Finance costs					(1,136)
Finance income					210
Income from associates	(27)	2	5	2	(18)
Income taxes					(260)
NET INCOME					1,046
OTHER INFORMATION					
Depreciation and amortization	(733)	(265)	(81)	(44)	(1,123)
Other segment non cash income (expenses) of operating income	(133)	13	21	(20)	(119)
Capital expenditures	1,278	225	102	40	1,645
Capital employed	24,924	5,102	1,437	373	31,836
STATEMENT OF FINANCIAL POSITION					
Segment assets	28,647	6,279	1,829	2,367	39,122
<i>Of which investments in associates</i>	<i>182</i>	<i>17</i>	<i>128</i>	<i>8</i>	<i>335</i>
Unallocated assets *					375
TOTAL ASSETS					39,497
Segment liabilities	2,451	1,044	382	1,851	5,728
Unallocated liabilities and equity **					33,769
TOTAL EQUITY AND LIABILITIES					39,497

* Deferred tax assets and derivative instruments.

** Deferred tax liability, financial debt, derivative instruments and equity.

b) Other information: 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.

<i>(million euros)</i>	2010		2009	
	REVENUE	NON CURRENT ASSETS	REVENUE	NON CURRENT ASSETS
WESTERN EUROPE	4,313	6,855	4,657	6,964
<i>Of which:</i>				
<i>France</i>	2,176	2,345	2,328	2,333
<i>United Kingdom</i>	906	1,550	833	1,541
<i>Spain</i>	289	1,012	390	1,030
NORTH AMERICA	3,336	6,127	3,028	5,799
<i>Of which:</i>				
<i>United States</i>	1,719	4,917	1,674	4,691
<i>Canada</i>	1,617	1,210	1,354	1,108
MIDDLE EAST AND AFRICA	3,903	12,621	4,018	11,927
<i>Of which:</i>				
<i>Egypt</i>	714	2,804	704	2,779
<i>Algeria</i>	444	3,071	460	3,056
CENTRAL & EASTERN EUROPE	1,043	2,015	1,053	1,875
LATIN AMERICA	894	1,527	791	710
<i>Of which:</i>				
<i>Brazil</i>	529	1,072	334	289
ASIA	2,680	4,177	2,337	3,640
TOTAL	16,169	33,322	15,884	30,915

c) Major customers

The Group has no reliance on any of its customers.

Note 5 Gains on disposals, net

Components of gains on disposals, net are as follows:

<i>(million euros)</i>	2010	2009
Gain on disposals of consolidated subsidiaries, joint ventures and associates, net	33	95
Gain on sale of other long-term assets, net	12	8
GAINS ON DISPOSALS, NET	45	103

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

2010

“Gain on disposals of consolidated subsidiaries, joint ventures and associates, net” amounts to 33 million euros, and is notably composed of a 14 million euros gain on the sale of an associate in Brazil.

2009

“Gain on disposals of consolidated subsidiaries, joint ventures and associates, net” amounts to 95 million euros and is essentially composed of:

- 38 million euros relating to the disposal during the first semester 2009 of our Aggregates & Concrete activities in the Zürich region of Switzerland and some assets of its Asphalt, Paving and Concrete activities in North America;
- 20 million euros relating to the disposal during the third quarter 2009 of our Cement and Aggregates & Concrete activities in Chile and of our Cement activities in Venezuela;
- 29 million euros relating to the disposal during the fourth quarter 2009 of our Cement and Aggregates & Concrete activities in Turkey;
- 11 million euros relating to the disposal during the fourth quarter 2009 to the EBRD of 15% of our stake in our Cement operations in Russia through a non equal capital increase.

Note 6 Other operating income (expenses)

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

(million euros)	2010	2009
Impairment losses on goodwill *	-	(30)
Impairment losses on intangible assets and property, plant and equipment	(154)	(134)
IMPAIRMENT LOSSES	(154)	(164)
Restructuring costs	(122)	(155)
Litigations	(24)	(15)
Other income	29	17
Other expenses	(46)	(13)
OTHER OPERATING INCOME (EXPENSES)	(317)	(330)

* Impairment losses on goodwill are detailed in Note 10 (d).

2010

In 2010, the Group recognized impairment of tangible and intangible assets 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 include notably employee termination benefits, contract termination costs and other restructuring costs. They are, as for 2009, mainly due to our Excellence reduction cost plans and concern notably Greece (Cement) and Spain (Cement and Aggregates & Concrete).

2009

In 2009, the Group recognized impairment of tangible assets for a total amount of 134 million euros, of which mainly 90 million euros on some cement assets in the Western Europe region due to plant capacity closures. In addition, an impairment loss of 30 million euros

was recorded during the second quarter 2009 for the cash generating unit Cement Chile as part of its disposal, which was effective end of August 2009.

Restructuring costs are mainly due to our Excellence reduction cost plans and concern notably Greece (Cement), Spain (Cement), United Kingdom (Cement) and Jordan (Cement).

The amount of “Litigations” is mainly composed of:

- the cost relating to the USG litigation following an agreement entered into to resolve the disputes between the Group and USG. Under the terms of the agreement, USG will receive 105 million U.S. dollars (of which 80 million U.S. dollars were paid in December 2009) and will grant a fully paid-up license to Lafarge North America Inc. and other Lafarge affiliates for the use of certain USG technologies. The impact of this settlement is a 47 million euros loss;
- the reversal of the provision relating to the German competition litigation following the decision of the Court of Düsseldorf dated June 26, 2009 for an amount of 43 million euros to reduce significantly the amount of the fine (see Note 29).

Note 7 Emission rights

The Group accounts for trade and cap schemes as described in Note 2.25.

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

The Emissions Trading Directive came into force on January 1, 2005 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 and, to a lesser extent to some of our Gypsum operations. 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 CO₂ 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 2010, the low level of demand in our European markets combined with our improved performance in kg of CO₂ per ton of cement has led to a surplus of allowances. During 2010, excess rights over actual emissions were sold for an amount of 158 million Euros (142 million Euros in 2009).

For the year 2011, 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 (costs) income

Components of finance (costs) income are as follows:

(million euros)	2010	2009
Interest expense	(863)	(879)
Exchange losses	(80)	(74)
Other financial expenses	(126)	(183)
FINANCE COSTS	(1,069)	(1,136)
Interest income	90	119
Dividends received from investments	4	27
Exchange gains (losses), net	54	37
Other financial income	198	27
FINANCE INCOME	346	210
NET FINANCE (COSTS) INCOME	(723)	(926)

2010

Interest expense is reported net of capitalized interest costs for construction projects of 68 million euros and 52 million euros for the years ended December 31, 2010, and 2009, respectively. The interest rate used to determine the amount of capitalized interest costs is the actual interest rate when there is a specific borrowing or the Group's debt average interest rate. Net interest expense (interest expense less interest income) amounts to 773 million euros as at December 31, 2010 (760 million euros as at December 31, 2009).

The decrease in 2010 of our interest expenses as compared to 2009 arises from the effect of the decrease of our average net debt, in part

offset by the effect of the increase of our average interest rate over the same period. The average interest rate on our gross debt is 5.3% in 2010, compared to 5.1% in 2009.

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 (see Note 3).

The amount of 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.

The net (costs) income arising on derivative instruments include gain and losses on the ineffective portion of derivatives designated as hedging instruments in cash flow hedge and fair value hedge relationships. Such impacts are not material for disclosed periods.

2009

The amount of 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. In 2009, these exchange differences mainly relate to loans and debts denominated in US dollars and Nigerian neira.

Other financial expenses notably include the impact of the accelerated amortization of debt issuance costs linked to the early repayment of part of the Orascom acquisition facility agreement and the cancellation of an unused confirmed credit line, for a total amount of 25 million euros. They also include impairment losses on financial available-for-sale investments for a total amount of 23 million euros.

The amount of dividends received mainly relates to the dividends received from the Cimentos de Portugal (CIMPOR) investment for an amount of 22 million euros in 2009.

Other financial income notably includes a gain of 11 million euros relating to the disposal of an available-for-sale investment in Kenya.

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, 2010 and 2009 are as follows:

	2010	2009
NUMERATOR (MILLION EUROS)		
NET INCOME - ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	827	736
DENOMINATOR (THOUSANDS OF SHARES)		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	286,087	265,547
Effect of dilutive securities - stock-options	249	260
TOTAL POTENTIAL DILUTIVE SHARES	249	260
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED	286,336	265,807
BASIC EARNINGS PER SHARE (EUROS)	2.89	2.77
DILUTED EARNINGS PER SHARE (EUROS)	2.89	2.77

2010

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 2010, 8.40 million stock-options were excluded from the diluted earnings per share calculation (7.62 million in 2009).

2009

On April 28, 2009, the Group processed a right issue of 1.5 billion euros with preferential subscription rights. The set issue price represented a 46.2% discount to the closing price of the Company's shares on March 30, 2009, adjusted for the 2008 expected dividend of 2.00 euros per share which will not be paid on the new shares. This discount was 37% based on the theoretical ex-rights price also adjusted for the 2008 expected dividend.

Since this capital increase was performed under the form of a capital increase with preferential subscription rights at a price lower than the market price, the number of shares outstanding for the year 2009, used to compute basic and diluted earnings per share and presented above, has been adjusted by the ratio between the last price of the Company's shares before the preferential subscription right be detached (31.91 euros per share) and this price after detachment of the 4.19 euros right (27.72 euros per share) until the date the capital increase occurs.

The increase in the weighted average number of shares outstanding in 2009 related to two capital increases:

- 90,109,164 new shares issued in April 2009 as part of the 1.5 billion euro capital increase referred above;
- 1,101,834 new shares issued as part of the December 11, 2009 capital increase reserved for the Group's employees.

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	GYPSUM	OTHER	TOTAL
CARRYING AMOUNT AT DECEMBER 31, 2008	10,867	1,975	243	289	13,374
Cost at January 1, 2009	11,123	2,025	264	289	13,701
Accumulated impairment	(256)	(50)	(21)	-	(327)
CARRYING AMOUNT AT JANUARY 1, 2009	10,867	1,975	243	289	13,374
Additions	4	5	-	-	9
Disposals	(140)	(22)	-	-	(162)
Reallocation of provisional goodwill	513	34	-	(289)	258
Impairment losses	(30)	-	-	-	(30)
Change in goodwill related to put options on shares of subsidiaries and other	(76)	-	-	-	(76)
Translation adjustments	(100)	(26)	2	-	(124)
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)
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 December 31, 2010	12,289	2,061	285	-	14,635
Accumulated impairment	(285)	(1)	(22)	-	(308)
CARRYING AMOUNT AT DECEMBER 31, 2010	12,004	2,060	263	-	14,327

Impairment losses on goodwill are as follows (see Note 6):

(million euros)	2010	2009
Impairment losses	-	30

b) Acquisitions

2010

ACQUISITION OF CEMENT OPERATIONS IN BRAZIL

On July 19, 2010, Lafarge acquired cement operations in Brazil from the Group Votorantim, which notably comprise two grinding stations, one cement plant, slag supply contracts and clinker supply to grinding stations.

The purchase price consideration amounts to 755 million euros and was settled in Cimpor shares (see Note 3).

The provisional goodwill arising from this transaction amounts to 490 million euros (see Note 3).

2009

Lafarge did not perform any significant acquisitions in 2009.

The allocation of the goodwill arising from the acquisition in 2008 of Orascom Building Materials Holding S.A.E. ("Orascom Cement"), amounting to 6,370 million euros, is completed as at December 31, 2009. This goodwill has been mainly allocated to the acquired CGUs (4,446 million euros) and to the group of CGUs of the Middle East and Africa region (1,150 million euros) related to the capacity provided by Orascom to the Group to increase and accelerate its development in this region, as well as to industrial synergies.

Other acquisitions

In addition to the acquisitions described separately in this note, several other relatively minor acquisitions throughout segments were consummated in 2010 and 2009. The aggregate cost of these acquisitions was 72 million euros and 58 million euros in 2010 and 2009, respectively.

c) Breakdown of goodwill

For goodwill impairment tests, goodwill arising from business combinations are allocated to Cash Generating Units (CGUs) or groups of CGUs as defined in Note 2.12. These CGUs or groups of CGUs represent the lowest level at which the goodwill is monitored for internal management purposes and are not larger than the operating segment as presented in Note 4 - Business Segment and Geographic Area information.

Lafarge is composed of around one hundred CGUs or groups of CGUs as at December 31, 2010 for which goodwill has been allocated. The table below presents the breakdown per business segment of the number of CGUs or groups of CGUs within the Group, along with the related goodwill amounts in million euros.

AT DECEMBER 31,

BUSINESS SEGMENT	2010		2009	
	NUMBER OF CGUS/ GROUPS OF CGUS	GOODWILL AMOUNTS	NUMBER OF CGUS/ GROUPS OF CGUS	GOODWILL AMOUNTS
Cement	50	12,004	50	11,038
Aggregates & Concrete	22	2,060	23	1,966
Gypsum	21	263	21	245
TOTAL	93	14,327	94	13,249

d) Impairment test for goodwill

The Group's methodology to test its goodwill for impairment is described in Note 2.12.

Group Goodwill is allocated to Cash Generating Units (CGUs), generally corresponding to the activity of a segment in a country, or groups of CGUs (see Note 2.12).

Apart from the main CGUs presented in the table below, the goodwill that are allocated to other CGUs or groups of CGUs do not account individually for more than 10% of total group goodwill.

The discount rates are post-tax discount rates that are applied to post-tax cash flows. The use of these rates results in recoverable values that are identical to the ones that would be obtained by using pre-tax rates and pre-tax cash flows (as required by IAS 36 – Impairment of assets).

The discount rates and perpetual growth rates in hard currency used for the valuation of the main CGUs based on estimated discounted cash flows are as follows:

AT DECEMBER 31,

CASH GENERATING UNITS	2010			2009		
	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	1,590	7.1%	1.8%	1,473	7.6%	1.8%
Cement Algeria	1,395	8.2%	3.0%	1,376	8.8%	3.0%
Cement Egypt	1,376	8.2%	3.0%	1,343	8.7%	3.0%

The main assumptions used for the valuation of CGUs or groups of CGUs are as follows:

AT DECEMBER 31,

	2010	2009
Multiples of operating income before capital gains, impairment, restructuring and other, and before depreciation and amortization	8.3 - 11.8	7.7 - 9.6
Discount rate	6.9% - 11.7%	7.3% - 12.5%
Perpetual growth rate	1.5% - 3.0%	1.8% - 3.0%

The Group took into account, as for year-end 2009, the impact of the economic crisis affecting some of its markets in the operational and actuarial assumptions used in future cash flows.

No goodwill impairment loss was identified as neither at December 31, 2010, nor at December 31, 2009 subsequent to the goodwill impairment tests. An impairment loss of 30 million euros was recorded during the second quarter 2009 for the CGU Cement Chile as part of its forecasted disposal, which was effective end of August 2009.

The Group analyzed the sensibilities of the recoverable amounts to a reasonable possible change of a key assumption, notably to an independent 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 two CGUs referred to below.

For these two CGUs, the sensibility 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, 2010:

CASH GENERATING UNITS (millions 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	-	(121)	153	37	(30)
Cement Spain	77	(134)	188	37	(28)

Note 11 Intangible assets

(million euros)	2010	2009
CARRYING AMOUNT AT JANUARY 1,	632	614
Additions	77	69
Disposals	(13)	(4)
Amortization	(95)	(93)
Impairment losses	(3)	-
Other changes	18	51
Translation adjustments	45	(5)
CARRYING AMOUNT AT DECEMBER 31,	661	632

For the years presented, no reversal of impairment charges has been recorded.

The following table presents details of intangible assets:

AT DECEMBER 31,

(million euros)	2010			2009		
	COST	ACCUMULATED AMORTIZATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTIZATION AND IMPAIRMENT	CARRYING VALUE
Software	494	348	146	456	302	154
Real estate development rights	85	58	27	82	54	28
Mineral rights	158	43	115	171	37	134
Other intangible assets	506	133	373	409	93	316
TOTAL INTANGIBLE ASSETS	1,243	582	661	1,118	486	632

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

In 2010, the overall Group's spendings for product innovation and industrial process improvement was 153 million euros, compared to 152 million euros in 2009. The part of these spendings that are expensed as incurred were 140 million euros in 2010 and in 2009.

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, 2009	2,111	3,504	17,779	2,786	26,180		
Accumulated depreciation	(433)	(1,600)	(7,137)	(7)	(9,177)		
CARRYING AMOUNT AT JANUARY 1, 2009	1,678	1,904	10,642	2,779	17,003	(76)	16,927
Additions	35	63	307	1,156	1,561	(1)	1,560
Disposals	(9)	(7)	(36)	(2)	(54)	-	(54)
Other changes in scope	(84)	(27)	(316)	(36)	(463)	-	(463)
Depreciation	(48)	(220)	(768)	-	(1,036)	6	(1,030)
Impairment losses	(3)	-	(112)	(19)	(134)	-	(134)
Other changes	54	172	1,230	(1,551)	(95)	-	(95)
Translation adjustments	33	-	(35)	(13)	(15)	3	(12)
CARRYING AMOUNT AT DECEMBER 31, 2009	1,656	1,885	10,912	2,314	16,767	(68)	16,699
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 December 31, 2010	2,272	4,380	20,760	1,905	29,317		
Accumulated depreciation	(540)	(1,933)	(8,833)	(27)	(11,333)		

2010

In 2010, the tangible assets 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).

2009

In 2009, the tangible assets with a carrying amount below their recoverable value were impaired for a total amount of 134 million euros, of which mainly 90 million euros on some Cement assets in the Western Europe region due to plant capacity closures (see Note 6).

The other changes include mainly the impact of the 2009 disposals for a negative amount of 370 million euros.

b) Depreciation and impairment

Depreciation on property plant and equipment and impairment losses from continuing operations recognized in the statement of income are as follows:

<i>(million euros)</i>	YEARS ENDED DECEMBER 31,	
	2010	2009
Depreciation	1,078	1,030
Impairment losses	151	134
TOTAL	1,229	1,164

For the years presented, no significant reversal of impairment charges has been recorded.

c) Finance leases

The cost of property, plant and equipment includes 121 million euros and 116 million euros of assets under finance leases at December 31, 2010, and 2009, respectively. The remaining obligations on such assets amount to 52 million euros and 57 million euros at December 31, 2010, and 2009, respectively.

Note 13 Investments in associates

a) Changes in investment in associates

<i>(million euros)</i>	YEARS ENDED DECEMBER 31,	
	2010	2009
AT JANUARY 1,	335	563
Income from associates	(16)	(18)
Dividends received from associates	(11)	(10)
New investments or share capital increases	148	7
Disposals and reduction in ownership percentage	(14)	(57)
Other changes	(20)	(150) *
AT DECEMBER 31,	422	335

* Mainly includes in 2009 the reclassification of goodwill that was preliminarily allocated in 2008 to investments in associates in the context of the final Orascom Cement goodwill allocation.

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).

2009

In November 2009, the Group sold its 35% interest in its associate Monier for a 1 euro value. This disposal has no impact in the 2009 accounts, since the carrying amount of our investment was nil as at December 31, 2008.

Our investment in Venezuela was sold during the third quarter 2009.

Information relating to the statement of income

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

<i>(million euros)</i>	YEARS ENDED DECEMBER 31,	
	2010	2009
Operating income before capital gains, impairment, restructuring and other	10	19
Gain on disposals, net	2	1
Other operating income (expenses), net	2	(1)
Finance (costs) income	(21)	(29)
Income tax	(9)	(8)
INCOME FROM ASSOCIATES	(16)	(18)

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,	
<i>(million euros)</i>	2010	2009
Non-current assets	1,413	1,808
Current assets	397	591
TOTAL ASSETS	1,810	2,399
Total equity	780	656
Non-current liabilities	640	1,247
Current liabilities	390	496
TOTAL EQUITY AND LIABILITIES	1,810	2,399

Combined statement of income information at 100%

	YEARS ENDED DECEMBER 31,	
<i>(million euros)</i>	2010	2009
Revenue	701	633
Operating income before capital gains, impairment, restructuring and other	18	42
Operating income	30	36
Net income	(51)	(75)

Note 14 Joint ventures

The Group has several interests in joint ventures (see Note 35) that are consolidated using the proportionate method as described in Note 2.2.

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 financial position

	AT DECEMBER 31,	
<i>(million euros)</i>	2010	2009
Non-current assets	2,599	2,324
Current assets	626	499
Non-current liabilities	389	407
Current liabilities	939	705

As of December 31, 2010 and December 31, 2009, the joint ventures mainly relate to:

- al Safwa Cement Company, owned at 50% in Saudi Arabia;
- 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 41.25%, Lafarge Shui On (Beijing) Technical Services Co. Ltd owned at 55%, Sichuan ShuangMa Cement Joint Stock Co. owned at 31.25% 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, in Bangladesh for the Cement Division and in Asia for the Gypsum Division.

Impact on the consolidated statements of income

YEARS ENDED DECEMBER 31,

(million euros)	2010	2009
Revenue	1,287	1,262
Operating income before capital gains, impairment, restructuring and other	182	260
Operating income	169	256
Net income	118	183

Note 15 Other financial assets

Components of other financial assets are as follows:

AT DECEMBER 31,

(million euros)	2010	2009
Loans and long-term receivables	490	506
Available for sale investments	319	1,023
Prepaid pension assets	5	12
Restricted cash	49	50
TOTAL	863	1,591

a) Available for sale investments

2010

The significant decrease of the "Available for sale investments" in 2010 mainly relates to the sale in February 2010 of our Cimpor investment to the Group Votorantim (see Note 3).

There was no impairment loss on financial available-for-sale investments in 2010 (23 million euros in 2009).

2009

Available for sale investments as at December 31, 2009 mainly includes the market value of our investment in Cimentos de Portugal (Cimpor) for an amount of 746 million euros (135 million euros above acquisition cost). The variation in the net unrealized gains or losses on this investment was recognized in other reserves for 342 million euros in 2009.

In 2009, we also sold an investment we owned in Kenya for a net amount of 12 million euros leading to a gain of 11 million euros recognized as "financial income" in the statement of income.

In compliance with the amendment to IFRS 7 - Financial Instruments: Disclosures, the table below presents, for the available-for-sale financial assets which are quasi exclusively the Group's equity investments in non consolidated companies, the allocation of their fair value between the three categories of the fair value hierarchy as defined by the amendment:

- level 1: for financial assets quoted in an active market, fair value is the quoted price;
- level 2: for financial assets that are not quoted in an active market and for which observable market data exist on which the Group can rely to measure fair value;
- level 3: for financial assets that are not quoted in an active market and for which there is no observable market data.

AT DECEMBER 31,

(million euros)	2010	2009
Level 1	-	782
Level 2	86	45
Level 3	233	196
AVAILABLE -FOR-SALE INVESTMENTS	319	1,023

In 2010, the Group reclassified from the level 1 category to the level 2 category an available-for-sale investment in Morocco which is no longer quoted (39 million euros as at December 31, 2010).

For the level 3 category, the reconciliation from the beginning balances to the ending balances presents as follows:

(million euros)	2010	2009
AT JANUARY 1,	196	167
Gains or losses in statement of income	-	(8)
Unrealized gains or losses in equity	-	-
Acquisitions	19	35
Other movements (including translation adjustments)	18	2
Reclassification out of level 3	-	-
AT DECEMBER 31,	233	196

b) Loans and long-term 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).

In 2009, the increase in loans and long-term receivables mainly relates to the receivable further to the disposal of our Cement

activities in Venezuela occurred end of September 2009 for an amount of 41 million euros. The short-term part of this receivable (23 million euros) is reflected in "Other receivables" in the consolidated statement of financial position. Loans and long-term receivables include a loan granted to an associate in Nigeria (Unicem) for an amount of 180 million euros.

Note 16 Inventories

Components of inventories are as follows:

(million euros)	AT DECEMBER 31,	
	2010	2009
Raw materials	409	370
Work-in-progress	8	8
Finished and semi-finished goods	705	674
Maintenance and operating supplies	674	784
INVENTORIES CARRYING VALUE	1,796	1,836
Depreciation	(149)	(134)
INVENTORIES	1,647	1,702

The depreciation primarily relates to maintenance and operating supplies for 108 million euros and 92 million euros at December 31, 2010, and 2009, respectively.

The change in the inventories is as follows:

(million euros)	2010	2009
AT JANUARY 1,	1,702	2,195
Movement of the year	(97)	(433)
Scope effects and other changes	(65)	(66)
Translation adjustments	107	6
AT DECEMBER 31,	1,647	1,702

Note 17 Trade receivables

Components of trade receivables are as follows:

<i>(million euros)</i>	AT DECEMBER 31,	
	2010	2009
Trade receivables, gross and advances on trade payables	1,995	1,879
Valuation allowance	(221)	(193)
TRADE RECEIVABLES	1,774	1,686

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

<i>(million euros)</i>	2010	2009
AT JANUARY 1,	(193)	(208)
Current year addition	(69)	(65)
Current year release	24	25
Cancellation	25	29
Other changes	-	27
Translation adjustments	(8)	(1)
AT DECEMBER 31,	(221)	(193)

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 and Gypsum activities, renewed twice, includes Aggregates and Concrete activities since September 2009. This is a 5-year program from June 2010;
- the second one implemented in September 2009 in North America (United States and Canada) for a 3-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 2 countries.

Under the programs, some of the French, North American, British and Spanish subsidiaries agree to sell on a revolving basis, some of their accounts 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 680 million euros and 745 million euros at December 31, 2010, and 2009, respectively.

The current portion of debt includes 533 million euros and 407 million euros at December 31, 2010, and 2009, respectively, related to these programs and the non current portion of debt (235 million euros at December 31, 2009, corresponding to the North American securitization agreement) has been completely reclassified in the current portion of debt as at December 31, 2010.

The French securitization agreements are guaranteed by subordinated deposits and units totaling 147 million euros and 103 million euros at December 31, 2010, and 2009, respectively.

Note 18 Other receivables

Components of other receivables are as follows:

(million euros)	AT DECEMBER 31,	
	2010	2009
Taxes	373	389
Prepaid expenses	131	124
Interest receivables	26	16
Other current receivables	441	479
OTHER RECEIVABLES	971	1,008

In 2010, "Other current receivables" mainly include:

- the receivables on disposals of assets and advances paid to suppliers for an amount of 115 million euros, including the short-term part of our receivable on the 2009 disposal of our Cement activities in Venezuela for 19 million euros;
- the receivables from Group's employees for 15 million euros.

In 2009, "Other current receivables" mainly include:

- the receivables on disposals of assets and advances paid to suppliers for an amount of 97 million euros, including the short-term part of our receivable on the disposal of our Cement activities in Venezuela for 23 million euros (see Note 3);
- the receivables from Group's employees, notably as part of the share capital increase reserved to Group's employees (see Note 20) for 29 million euros.

Note 19 Cash and cash equivalents

Cash and cash equivalents, amounting to 3,294 million euros at December 31, 2010 (2,220 million euros at December 31, 2009),

include short-term investments of 200 million euros (106 million euros at December 31, 2009) measured at their fair value.

Note 20 Equity

a) Common stock

At December 31, 2010, Lafarge common stock consisted of 286,453,779 shares with a nominal value of 4 euros per share.

At December 31, 2010, the total number of theoretical voting rights attributable to the shares is 367,647,493 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

In April 2009, Lafarge processed a right issue of 1.5 billion euros. This right issue resulted in the creation of 90,109,164 new shares with a 16.65 euros subscription price (*i.e.* 4.00 euros par value and a 12.65 euros issue premium), with a ratio of 6 new shares for 13 existing shares.

The gross proceeds amount to 1,500 million euros, including 1,140 million euros of issue premium. Related costs (55 million euros) have been recorded as a reduction of the issue premium.

In December 2009, as part of a capital increase reserved to Group's employees, the Group issued 1,101,834 new shares with

a 48.80 euros subscription price (*i.e.* 4.00 euros par value and a 44.80 euros issue premium).

The gross proceeds amount to 54 million euros of which 49 million euros as premium. Related costs (3 million euros) have been recorded as a reduction of the issue premium.

c) Capital decrease

There was no capital decrease in 2010 and 2009.

d) Dividends

The following table indicates the dividend amount per share the Group paid for the year 2009 as well as the dividend amount per share for 2010 proposed by our Board of Directors for approval at the Annual General Meeting of shareholders to be held on May 12, 2011. 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)	2010 *	2009
Total dividend (million)	288**	575
Base dividend per share	1.00*	2.00
Increased dividend per share	1.10*	2.20

* 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.

** Based on an estimation of the number of shares eligible for dividends of 286,090,221 shares.

e) Transactions on treasury shares

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.

On June 15, 2009, the treasury shares decreased by 56,645 shares related to the 2007 performance stock plans which were vested and delivered to the employees.

f) 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, 2009	GAINS/(LOSSES) ARISING DURING THE YEAR	RECYCLING TO INCOME STATEMENT	DECEMBER 31, 2009	GAINS/(LOSSES) ARISING DURING THE YEAR	RECYCLING TO INCOME STATEMENT	DECEMBER 31, 2010
Change in unrealized gains/(losses) on available for sale investments	(224)	390	(6)	160	10	(148)	22
Gross value	(215)	390	(6)	169	10	(148)	31
Deferred taxes	(9)	-	-	(9)	-	-	(9)
Change in unrealized gains/(losses) on cash flow hedge instruments	(59)	(3)	20	(42)	-	8	(34)
Gross value	(89)	(1)	35	(55)	-	12	(43)
Deferred taxes	30	(2)	(15)	13	-	(4)	9
Change in actuarial gains/(losses)	(330)	(158)	-	(488)	(55)	-	(543)
Gross value	(487)	(174)	-	(661)	(64)	-	(725)
Deferred taxes	157	16	-	173	9	-	182
TOTAL OTHER RESERVES	(613)	229	14	(370)	(45)	(140)	(555)
TOTAL FOREIGN CURRENCY TRANSLATION	(905)	(96)	54	(947)	1,078	(8)	123
TOTAL OTHER COMPREHENSIVE INCOME	(1,518)	133	68	(1,317)	1,033	(148)	(432)

The unrealized gain on the shares of Cimentos de Portugal (CIMPOR), which amounts to 148 million euros, has been transferred to the consolidated statements of income further to the sale of this asset (see Note 3 and Note 15).

g) Non controlling interests

At December 31, 2010, the non controlling interests amount to 2,080 million euros (1,823 million euros at December 31, 2009).

In 2010, the Group notably sold on the market a minority stake representing 11.2% of interests in Lafarge Malayan Cement (see Note 3).

At December 31, 2010 and December 31, 2009, 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) and West African Portland Cement Company plc (Nigeria).

In 2009, the European Bank for Reconstruction and Development (EBRD) increased by 15% its minority stake in our cement operations in Russia.

h) Changes in ownership interests with no/gain loss of control

As at December 31, 2010, changes in ownership interest with no gain/loss of control amount to 135 million euros, of which 141 million euros related to the above mentioned partial sale of interests in Malaysia (see Note 3).

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:

(million euros)	YEARS ENDED DECEMBER 31,	
	2010	2009
Employee stock-options	13	17
Employee share purchase plans	-	17
Performance stock plans	7	7
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	20	41

2010

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 2010.

2009

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 2009.

EMPLOYEE SHARE PURCHASE PLANS

The Lafarge S.A. shares have been offered to employees in 2009, as determined by management, under the plan "Lafarge in Action".

Under the terms of the plan, the employees were entitled to purchase a maximum of 5.75 million shares jointly. The purchase price was 48.8 euros, 20% less than the average of Lafarge's share price over the last 20 days preceding the date the offer was proposed. Additionally, depending on the country, bonuses are paid on part of the shares purchased. The shares purchased cannot be sold for a period of five years (except under very specific circumstances). Under this plan, employees purchased a total of 1,101,834 shares. A net expense of 17 million euros (estimated in accordance with principles described in Note 2.24) has been recognized on this plan in full in 2009 as there are no vesting conditions attached to the shares:

- 14 million euros related to the cash incentive;
- 3 million euros related to the compensation expense deducted from the discount element.

The expense related to share based payments is included in the statement of income as follows:

(million euros)	YEARS ENDED DECEMBER 31,	
	2010	2009
Cost of sales	7	15
Selling and administrative expenses	13	26
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	20	41

Total compensation cost related to non-vested and not yet recognized stock-options plans, performance stock plans and SAR plans is 31 million euros which will be recognized on a straight-line basis over the vesting period from 2011 to 2014.

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.

Following the capital increase performed on April 28, 2009 at a price lower than the market's price, the Group has adjusted the rights of the holders to maintain the fair value of the plans. This adjustment resulted in a change in the number of granted options and exercise prices.

Information relating to the Lafarge S.A. stock-options granted is summarized as follows:

	2010		2009	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (euros)	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (euros)
OPTIONS OUTSTANDING AT JANUARY 1,	8,358,955	72.01	7,289,578	87.68
Options granted	1,203,500	51.30	642,950	35.57
Adjustment of plans following capital increase	-	-	1,240,525	(11.32)
Options exercised	(463)	57.00	(5,784)	58.51
Options cancelled and expired	(448,164)	68.10	(808,314)	74.68
OPTIONS OUTSTANDING AT DECEMBER 31,	9,113,828	69.47	8,358,955	72.01
OPTIONS EXERCISABLE AT DECEMBER 31,	5,884,994	70.24	5,330,857	67.75
Weighted average share price for options exercised during the year		58.93		45.48
Weighted average share price at option grant date (for options granted during the year)		53.93		32.74
Weighted average fair value of options granted during the year		11.86		7.34

Information relating to the Lafarge S.A. stock-options outstanding at December 31, 2010 is summarized as follows:

EXERCISE PRICE (euro)	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING LIFE (months)	NUMBER OF OPTIONS EXERCISABLE
88.27	14,756	4	14,756
83.12	1,015,919	11	1,015,919
87.98	428,552	16	428,552
64.38	318,577	23	318,577
57.00	1,114,656	35	1,114,656
61.19	749,156	47	749,156
62.78	1,356,070	59	1,356,070
84.42	887,308	65	887,308
110.77	568,892	77	-
96.18	780,638	87	-
30.74	716,504	99	-
51.30	1,162,800	111	-
	9,113,828		5,884,994

FAIR VALUE OF OPTIONS GRANTED

As described in Note 2.24, share option fair value is calculated at the grant date using the Black & Scholes option-pricing model. Further changes in the fair value of instruments granted are not considered.

The Group estimated the fair value of the options granted based on the following assumptions:

Years ended December 31,	LAFARGE S.A. OPTIONS	
	2010	2009
Expected dividend yield	4.3%	4.5%
Expected volatility of stock	31.3%	29.5%
Risk-free interest rate	3.2%	3.5%
Expected life of the options (years)	8.0	8.0

The expected dividend yield assumption is based on a prospective approach, according to market expectations by 2011.

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.





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Note 21 Share based payments

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 2010 and 2009. The shares are granted to executives and other employees for their contribution to the continuing success of the business. For French resident employees, these shares will be issued following a two-year vesting period after the grant date, 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)	2010	2009
Shares outstanding at January 1,	356,393	194,010
Shares granted	169,605	230,758
Shares cancelled	(16,848)	(11,730)
Shares definitely allotted	(16,590)	(56,645)
Shares outstanding at December 31,	492,560	356,393
Weighted average share price at option grant date	53.93	32.74

The Group estimated the fair value of the performance stock plan granted in 2010 and 2009 based on the following assumptions:

	YEARS ENDED DECEMBER 31,	
	2010	2009
Expected dividend yield	4.1%	4.4%
Post vesting transfer restriction discount	3.8%	4.9%

The expected dividend yield assumption is based on a prospective approach, according to market expectations by 2011.

A discount for post vesting transfer restriction has been applied on shares granted to French resident employees for the two 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:

	2010		2009	
	SAR	WEIGHTED AVERAGE EXERCISE PRICE (euros)	SAR	WEIGHTED AVERAGE EXERCISE PRICE (euros)
SAR OUTSTANDING AT JANUARY 1,	505,710	118.42	526,160	118.47
SAR granted	-	-	-	-
SAR exercised	-	-	-	-
SAR cancelled	(9,325)	119.03	(20,450)	119.63
SAR OUTSTANDING AT DECEMBER 31,	496,385	118.41	505,710	118.42
OPTIONS EXERCISABLE AT DECEMBER 31,	349,175	119.24	259,628	119.66
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		-		-

As described in Note 2.24, share option fair value is calculated at the grant date using the Black & Scholes option-pricing model. The fair value of the plan is re-estimated at each reporting date and the expense adjusted pro rata to vested rights at the relevant reporting date.

The Group estimated at year-end the fair value of the Stock Appreciation Rights plan based on the following assumptions:

	YEARS ENDED DECEMBER 31,	
	2010	2009
Expected dividend yield	4.0%	4.5%
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.

expected average maturity of the options granted, partially smoothed to eliminate extreme deviations and to better reflect long-term trends.

The expected volatility assumption has been determined based on the observation of historical volatility over periods corresponding to the

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 taxes

a) Income Tax

The Group computes current and deferred tax as described in Note 2.23.

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

(million euros)	YEARS ENDED DECEMBER 31,	
	2010	2009
CURRENT INCOME TAX	555	373
French companies	50	80
Foreign companies	505	293
DEFERRED INCOME TAX	(239)	(113)
French companies	(4)	(26)
Foreign companies	(235)	(87)
INCOME TAX	316	260

The components of the income tax expense are as follows:

	YEARS ENDED DECEMBER 31,	
(million euros)	2010	2009
CURRENT INCOME TAX	555	373
Corporate income tax for the period	437	335
Adjustment recognized in the period for current tax of prior periods	(7)	(18)
Withholding tax on dividends	33	45
Other	92	11
DEFERRED INCOME TAX	(239)	(113)
Deferred taxes on origination or reversal of temporary differences	(160)	(222)
Effect of changes in tax rates	3	(6)
Deferred taxes assets and tax losses carryforward unrecognized	(1)	-
Reassessment of deferred tax assets	(81)	113
Other	-	2
INCOME TAX	316	260

In 2010, in addition to the income tax expense charged to the statement of income, a net deferred tax income of 5 million euros was recognized in equity, with a 9 million euros deferred tax income relating to the actuarial gains and losses and a 4 million euros deferred tax charge relating to the change in fair value of derivative instruments designated as hedging instruments in a cash flow hedge relationship.

In 2009, there was no net tax impact in addition to the income tax expense charged to the statement of income, as the 16 million euros deferred tax income relating to the actuarial gains and losses that was recognized in equity was compensated by a deferred tax charge

for the same amount relating to the change in fair value of derivative instruments designated as hedging instruments in a cash flow hedge relationship.

An analysis of the deferred tax expense in respect of each temporary difference is presented in paragraph (c) – deferred tax assets and liabilities.

Effective tax rate

The Group's effective tax rate is based on income before tax, out of the share of profit of associates.

For the years ended December 31, 2010 and 2009, the Group's effective tax rate is reconciled to the statutory tax rate applicable in France i.e., 34.43%, as follows:

	YEARS ENDED DECEMBER 31,	
(%)	2010	2009
Statutory tax rate	34.4	34.4
Changes in enacted tax rates *	0.3	(0.5)
Capital gains taxed at a reduced rate (*)(**)	(4.3)	(2.2)
Effect of foreign tax rate differentials	(14.5)	(21.4)
Changes in valuation allowance on deferred tax assets	5.0	8.5
Non deductibility of the goodwill impairment loss *	-	0.8
Other	1.0	-
EFFECTIVE TAX RATE	21.9	19.6

* These items give rise to a net effect of -4.0 points in 2010 on the statutory tax rate (-1.5 points in 2009). They include non-recurring tax savings of 57 million euros (35 million euros in 2009). These tax savings arose from capital gains taxed at a lower rate. These tax savings are partially compensated by the non-deductibility of restructuring costs in Sweden (37 million euros in 2010). Excluding these non-recurring items, the effective tax rate would have been 25.9% in 2010 and 21.1% in 2009.

** Capital gain taxed at a lower rate notably corresponds to the disposal in 2010 of Cimentos de Portugal (Cimpor) and in 2009 of Turkey.

b) Change in deferred tax assets and liabilities

Certain deferred tax assets and liabilities have been offset in accordance with the principles described in IAS 12. The movements in deferred tax assets and liabilities for the reporting periods are as follows:

	AT DECEMBER 31,	
<i>(million euros)</i>	2010	2009
NET DEFERRED TAX LIABILITIES AT JANUARY 1,	579	742
(Credit) charge to equity (excluding Actuarial gains and losses)	4	16
Actuarial gains and losses	(9)	(16)
Expense (income)	(239)	(113)
Translation adjustments	34	4
Other changes	13	(54)
NET DEFERRED TAX LIABILITIES AT DECEMBER 31,	382	579
<i>Out of which:</i>		
Deferred tax liabilities	871	887
Deferred tax assets	(489)	(308)

c) Deferred tax assets and liabilities

Components of the deferred tax balance are as follows:

	AT DECEMBER 31,	
<i>(million euros)</i>	2010	2009
Pensions and other post-retirement benefits	205	180
Actuarial gains and losses	181	175
Property, plant and equipment	304	248
Provisions and other current liabilities	294	286
Net operating loss and tax credit carry forwards	1,212	784
Net capital loss carry forwards	273	370
DEFERRED TAX ASSETS	2,469	2,043
Valuation allowance	(862)	(703)
NET DEFERRED TAX ASSETS	1,607	1,340
Property, plant and equipment	1,784	1,667
Other, net	205	252
DEFERRED TAX LIABILITIES	1,989	1,919
NET DEFERRED TAX LIABILITIES	382	579

Components of the deferred tax expense are as follows:

	AT DECEMBER 31,	
<i>(million euros)</i>	2010	2009
Pensions and other post-retirement benefits	31	16
Property, plant and equipment	(11)	18
Provisions and other current liabilities	(17)	25
Net operating loss and tax credit and capital loss carry forwards	(153)	(192)
Other, net	(89)	19
TOTAL	(239)	(113)

The Group is in a position to control the timing of reversal of the temporary differences arising from investments in subsidiaries, hence it accounts for deferred tax liabilities on the undistributed earnings of its subsidiaries only when dividend distributions are planned.

d) Valuation allowance on deferred tax assets

The change in the valuation allowance is as follows:

<i>(million euros)</i>	2010	2009
AT JANUARY 1,	703	395
Addition	252	277
Release	(98)	(6)
Other changes	(16)	21
Translation adjustments	21	16
AT DECEMBER 31,	862	703

e) Tax credit and capital loss carry forwards

At December 31, 2010, the Group has net operating losses (NOLs) and tax credit carry forwards and capital losses carry forwards of approximately 3,602 million euros and 1,001 million euros, respectively, which will expire as follows:

<i>(million euros)</i>	NOLS AND TAX CREDITS CARRY FORWARDS	CAPITAL LOSS CARRY FORWARDS	TOTAL
2011	28	-	28
2012	33	-	33
2013	55	-	55
2014	95	-	95
2015 and thereafter	3,391	1,001	4,392
TOTAL	3,602	1,001	4,603

Deferred tax assets have been recognized on all tax losses and a valuation allowance has been recorded when it is not probable that the deferred tax assets will be recoverable in a foreseeable future.

As at December 31, 2010 as for December 31, 2009, the Group paid particular attention to the impacts that the economic crisis hitting some of its markets could have on the assessment of the recoverability of deferred tax assets positions in these markets.

The analyses performed, based on the most recent forecasts approved by the management, arising from the Group's last strategic review and the Group's budget for the next year, concludes that it is probable that such assets will be recoverable in a foreseeable future, with the exception of assets of the French tax group since 2009.

The deferred tax assets on the French tax credit carry forwards, along with tax assets relating to taxable temporary differences, have been depreciated in 2009 and in 2010 to limit their amount to the amounts of deferred tax liabilities, since the recoverability of these assets in a foreseeable future is not assured considering notably the current structure of the Group's indebtedness.

f) Tax audits

The fiscal year ended December 31, 2010 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 assessments for additional tax in respect of prior years. The Group believes that the settlement of any or all of these assessments will not have a material and unfavorable impact on its result or financial position.

In addition, the Group received in September 2010 a tax reassessment notice regarding the tax exemption conditions for a portion of the disposal gain related to the 2007 sale of its Turkish Ybitas subsidiary. The Group has contested this reassessment that it believes is unfounded and has appealed to the administrative authority (Settlement Committee) which is mandated to negotiate on behalf of the Ministry of Finance.

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

The Group sponsors both defined benefit and defined contribution plans, in accordance with local legal requirements and each specific 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 statement of income. The total contribution paid in 2010 and 2009 (excluding mandatory social security plans organized at state level) for continuing operations is 30 million euros and 31 million euros, respectively.

Only defined benefit plans create future obligations for the Group. Defined benefit pension plans and end of service benefits constitute 93% of the Group's post-retirement obligations. The remaining 7% relates to other post-retirement benefits, mainly post-employment

medical plans. For these plans, the Group's obligations are estimated with the assistance of independent actuaries using assumptions, which may vary over time. The obligations related to these plans are often funded through Group and employee contributions to third party legal entities, which investments are subject to fluctuations in the financial markets. These entities are usually administered by trustees representing both employees and employer.

Based on specific studies conducted by external experts, each Board of Trustees determines an appropriate investment strategy, typically designed to maximize asset and liability matching and limit investment risk by an appropriate diversification. The implementation of this investment strategy is conditioned by market opportunities and is usually conducted by external asset managers selected by trustees. Assets are mostly invested in listed instruments (shares, bonds) with limited use of derivatives or alternative asset classes. 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	
	2010	2009	2010	2009
Equity	68	70	53	56
Bonds	32	30	40	38
Others	-	-	7	6
TOTAL	100	100	100	100



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

AT DECEMBER 31,

(million euros)	PENSION BENEFITS		OTHER BENEFITS		TOTAL	
	2010	2009	2010	2009	2010	2009
COMPONENTS OF NET PERIODIC PENSION COST						
Service cost	76	68	8	9	84	77
Interest cost	244	228	19	18	263	246
Expected return on plan assets	(236)	(203)	-	-	(236)	(203)
Amortization of past service cost	(16)	1	(6)	(1)	(22)	-
Special termination benefits	51	51	2	-	53	51
Curtailement (gain)	(5)	(11)	-	(5)	(5)	(16)
Settlement loss	1	-	-	-	1	-
NET PERIODIC PENSION COST	115	134	23	21	138	155
CHANGE IN DEFINED BENEFIT OBLIGATION						
DEFINED BENEFIT OBLIGATION AT JANUARY 1,	4,117	3,493	282	257	4,399	3,750
Foreign currency translations	210	191	27	2	237	193
Service cost	76	68	8	9	84	77
Interest cost	244	228	19	18	263	246
Employee contributions	8	8	3	3	11	11
Plan amendments *	(17)	3	(6)	-	(23)	3
Curtailements	(5)	(11)	-	(5)	(5)	(16)
Settlements **	-	(9)	-	-	-	(9)
Business combinations/Divestitures	(44)	(16)	-	(2)	(44)	(18)
Special termination benefits	51	51	2	-	53	51
Benefits paid	(314)	(287)	(20)	(21)	(334)	(308)
Actuarial (gain) loss related to change in assumptions	239	573	1	25	240	598
Actuarial (gain) loss related to experience effect	3	(175)	10	(4)	13	(179)
DEFINED BENEFIT OBLIGATION AT DECEMBER 31,	4,568	4,117	326	282	4,894	4,399

* In 2010: change in pension indexation in the UK and renegotiation of medical coverage in Jordan.

** Change in defined contributions plans of Brazilian pension plans in 2009.

AT DECEMBER 31,

<i>(million euros)</i>	PENSION BENEFITS		OTHER BENEFITS		TOTAL	
	2010	2009	2010	2009	2010	2009
CHANGE IN PLAN ASSETS						
FAIR VALUE OF PLAN ASSETS AT JANUARY 1,	3,236	2,761	-	-	3,236	2,761
Foreign currency translations	165	185	-	-	165	185
Expected return on plan assets	236	203	-	-	236	203
Actuarial gain/loss related to experience effect	185	233	-	-	185	233
Employer contributions *	85	62	-	-	85	62
Employee contributions	8	8	-	-	8	8
Benefits paid	(208)	(201)	-	-	(208)	(201)
Settlements	-	(11)	-	-	-	(11)
Business combinations/Divestitures	(53)	(4)	-	-	(53)	(4)
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31,	3,654	3,236	-	-	3,654	3,236
Actual return on plan assets	421	436	-	-	421	436
RECONCILIATION OF PREPAID (ACCRUED) BENEFIT COST						
FUNDED STATUS OF THE PLAN	(914)	(881)	(326)	(282)	(1,240)	(1,163)
Unrecognized actuarial past service cost	6	7	(3)	(4)	3	3
Unrecognized asset due to asset ceiling limitations	(5)	(6)	-	-	(5)	(6)
PREPAID (ACCRUED) PENSION COST AT DECEMBER 31,	(913)	(880)	(329)	(286)	(1,242)	(1,166)
Of which prepaid pension cost at December 31	5	12	-	-	5	12
Of which accrued pension cost at December 31	(918)	(892)	(329)	(286)	(1,247)	(1,178)

* Including: exceptional contributions to the UK pension plan of 10 millions British pound in 2009 and 12 millions British pound in 2010.

Amounts recognized in equity are presented in the table below (before tax and non-controlling interests):

<i>(million euros)</i>	PENSION BENEFITS		OTHER BENEFITS		TOTAL	
	2010	2009	2010	2009	2010	2009
STOCK OF ACTUARIAL GAINS/(LOSSES) RECOGNIZED AT DECEMBER 31,	(757)	(699)	(4)	8	(760)	(691)
AMOUNTS RECOGNIZED IN THE PERIOD	(54)	(154)	(10)	(20)	(64)	(174)
<i>Of which Actuarial Gains/(Losses)</i>	<i>(52)</i>	<i>(165)</i>	<i>(10)</i>	<i>(20)</i>	<i>(62)</i>	<i>(185)</i>
<i>Of which Asset ceiling impact</i>	<i>(2)</i>	<i>11</i>	-	-	<i>(2)</i>	<i>11</i>

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,

<i>(million euros)</i>	2010	2009	2008	2007	2006
Plans wholly unfunded	865	770	699	630	665
Plans wholly or partially funded	4,028	3,629	3,051	4,140	4,593
TOTAL DEFINED BENEFIT OBLIGATION	4,894	4,399	3,750	4,770	5,258
Actuarial (Gain) Loss related to experience effect	13	(179)	83	112	45
Actuarial (Gain) Loss in % of obligation at December 31	0%	(4%)	2%	2%	1%
TOTAL FAIR VALUE OF PLAN ASSETS	3,654	3,236	2,761	4,148	4,201
Gain (Loss) related to experience effect	185	233	(839)	(26)	76
Gain (Loss) in % of fair value of asset at December 31	5%	7%	(30%)	(1%)	2%

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

%	UNITED STATES	CANADA	UNITED KINGDOM	EURO ZONE
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 to 4.00
Expected return rate on assets at January 1	8.00	7.75	7.00	4.75 to 5.25
2009				
Discount rate at December 31	5.80	5.80	5.70	5.00 to 5.25
Salary increase at December 31	4.00	4.50	5.00	2.50 to 4.75
Expected return rate on assets at January 1	8.00	8.00	6.90	4.25 to 4.75

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 2010 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 28 million euros.

Discount rates reflect the rate of long-term high-grade corporate bonds. They are selected based on external indexes, 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, 2010 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 675 million euros.

For the fiscal year 2011, the expected return rates on assets are as follows:

United States	7.75
Canada	7.50
United Kingdom	7.00
Euro zone	4.75

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 55% and 34%, respectively, of the Group's total defined benefit plan obligations.

In the United Kingdom, pension related obligations are principally administered through a unique pension fund, governed by an independent Board. Pension entitlements are calculated based on final carried salaries and the number of service years accomplished with the Group according to benefit formulas which are usually linear. This pension fund receives employer and employee 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 triennial valuation of the plan as at June 30, 2006, additional contributions of 10 million British pounds were called in 2009. The triennial valuation of the plan as at June 30, 2009 has led to review the schedule of additional contributions: based on the funding situation of the plan every end of June, an additional contribution of 12 million British pounds can be called in 2011, as it was in 2010. Required employer contributions in 2011 are expected to be at around 13.9 million British pounds (excluding a possible additional contribution). At the end of 2010, approximately 53% of the pension fund assets are invested in equity instruments, which is consistent with the long-term nature of the pension obligations, approximately 40% are invested in bond portfolios and 7% 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 2010, 68% of the pension fund assets were invested in equity instruments and 32% in bond portfolios. Required employer contributions in 2011 are expected to be 130 million U.S. dollars.

In conformity with the Group's accounting policies (*see Note 2.20*), the difference between actual and expected returns on fund assets is treated as actuarial gains and losses.

As described in Note 2.20, the adoption of IFRS led to the immediate recognition through equity of all accumulated unrecognized actuarial losses as of January 1, 2004.

b) End of service benefits

End of service benefits are generally lump sum payments based upon an individual's years of credited service and annual salary at retirement or termination of employment. The primary obligations for end of service benefits are in France, Greece and Korea. In France, the pension reform at the end of 2010 did not impact significantly the obligation.

c) Other post-retirement benefits

In North America, and to a lesser extent in France and Jordan, certain subsidiaries provide healthcare and insurance benefits to retired employees. These obligations are unfunded, but the federal subsidies expected in the coming years in the United States (Medicare Act) have significantly reduced Group obligations. The health care reform in the United States did not led to significant impact on the obligation of the U.S. plans at the end of 2010.

In North America, the assumed healthcare cost trend rate used in measuring the accumulated postretirement benefit obligation differs between U.S. and Canadian plans. 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.

At the end of 2009, the used rate was 8.5% in the U.S. plan, decreasing to 5% in 2017, and 8.2% in the Canadian plan, decreasing to 5% in 2018.

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

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:

<i>(million euros)</i>	ONE-PERCENTAGE-POINT	
	INCREASE	DECREASE
Increase (decrease) in defined benefit obligation at December 31, 2010	33	(29)
Increase (decrease) in the total of service and interest cost components for 2010	3	(3)

Note 24 Provisions

<i>(million euros)</i>	RESTRUCTURING PROVISIONS	SITE RESTORATION AND ENVIRONMENTAL PROVISIONS	OTHER PROVISIONS	TOTAL
AT JANUARY 1, 2009	56	230	855	1,141
Current year addition	85	8	144	237
Current year release	(72)	(7)	(100)	(179)
Cancellation	(3)	(2)	(121)	(126)
Other changes	8	(7)	(18)	(17)
Translation adjustments	-	7	12	19
AT DECEMBER 31, 2009	74	229	772	1,075
<i>Current portion</i>				136
<i>Non-current portion</i>				939
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
<i>Current portion</i>				146
<i>Non-current portion</i>				633

The restructuring provisions mainly include the employee termination benefits, the contract termination costs and other restructuring costs.



Other provisions include:

- a provision related to the risk arising from the “competition” litigation risk of 26 million euros at December 31, 2010 (357 million euros at December 31, 2009, including 83 million euros of late-payment interests). 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. The variation of the provision in 2009 notably relates to the reversal of provision (43 million euros) further to the June 26, 2009 decision of the Court of Düsseldorf to significantly reduce the fine. Also see Note 29 Legal and arbitration proceedings;
- provisions related to the other litigations for an amount of 54 million euros (45 million euros at December 31, 2009. The variation of the provision in 2009 notably relates to the reversal of the USG provision (25 million U.S. dollars) further to the agreement settled in December 2009 between both parties;
- insurance and re-insurance reserves for an amount of 107 million euros at December 31, 2010 (99 million euros at December 31, 2009).

Note 25 Debt

The debt split is as follows:

	AT DECEMBER 31,	
(million euros)	2010	2009
Long-term debt excluding put options on shares of subsidiaries	14,033	13,634
Put options on shares of subsidiaries, long-term	63	78
LONG-TERM DEBT	14,096	13,712
Short-term debt and current portion of long-term debt excluding put options on shares of subsidiaries	2,980	2,033
Put options on shares of subsidiaries, short-term	204	232
SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT	3,184	2,265
Total debt excluding put options on shares of subsidiaries	17,013	15,667
Total put options on shares of subsidiaries	267	310
TOTAL DEBT	17,280	15,977

a) Analysis of debt excluding put options on shares of subsidiaries by type of financing

(million euros)	2010	2009
Debenture loans	11,323	9,263
Bank loans and credit lines	3,591	3,488
Commercial paper	724	936
Other notes	688	1,168
Other	687	812
TOTAL DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES	17,013	15,667

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 (maximum issuable amount increased from 9,000 millions euros to 12,000 million euros on April 23, 2010). At December 31, 2010, 9,498 million euros had been issued under the EMTN program, including 8,885 million euros of debenture loans and 613 million euros of private placements included under “Other notes”. As of December 31, the weighted average interest rate of EMTN issues is 5.9% with maturities ranging from 2011 to 2020.

During 2010, Lafarge placed two public bond issues under its EMTN program for a total amount of 1.5 billion euros:

- 500 million euros with an 8-year maturity and a coupon of 5.0% (settlement on April 13);
- 1 billion euros with an 8-year maturity and a coupon of 5.375% (settlement on November 29).

On July 6, 2010, the Group also placed a 550 million US dollars bond on the American market, bearing a fixed interest rate of 5.5%, with a 5-year maturity (settlement on July 9).

At December 31, 2010, debenture loans consist of bonds issued mainly in euros, U.S. dollars and British pounds with a weighted average interest rate of 6.1% (6.3% at December 31, 2009). Their maturities range from 2011 to 2036, with an average maturity of 5 years and 10 months (*i.e.* being 2016).

Other notes mainly consist of notes denominated in euros and in U.S. dollars with a weighted average interest rate of 6.3% at December 31, 2010 (4.0% at December 31, 2009).

Bank loans

At December 31, 2010, bank loans total 2,810 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 approximately 5.8% at December 31, 2010 (5.7% at December 31, 2009).

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 3,852 million euros equivalent at December 31, 2010 (including 3,788 million euros at Lafarge S.A. level which are fully undrawn). The average interest rate of these drawdowns, mainly denominated in U.S. dollars, is approximately 5.3% at December 31, 2010.

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 46 basis points at December 31, 2010 (23 basis points at December 31, 2009).

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 2010 and therefore still stands at 768 million

euros. The average interest rate on these drawdowns is approximately 1.5% at December 31, 2010.

Commercial paper

The Group’s euro denominated commercial paper program at December 31, 2010 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, 2010, commercial paper issued under this program totaled 724 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, 2010, the weighted average interest rate of the euro denominated commercial paper is 1.1% (0.9% at December 31, 2009).

b) Analysis of debt excluding put options on shares of subsidiaries by maturity

At December 31, 2010, 724 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.

This 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, 2010, the net variation of this debt amounted to a decrease of 212 million euros (compared to a decrease of 1,088 million euros at December 31, 2009).

	AT DECEMBER 31,
<i>(million euros)</i>	2010
2011 H1	1,878
2011 H2	1,102
2012	1,831
2013	1,579
2014	2,090
2015	1,807
Beyond 5 years	6,726
TOTAL DEBT EXCLUDING PUT OPTIONS ON SHARE OF SUBSIDIARIES	17,013

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, (million euros)	2010		2009	
	BEFORE SWAPS	AFTER SWAPS	BEFORE SWAPS	AFTER SWAPS
Euro (EUR)	10,836	10,467	10,172	8,102
U.S. dollar (USD)	3,068	3,999	2,607	4,647
British pound (GBP)	1,543	830	1,435	1,189
Chinese yuan (CNY)	434	434	315	315
Canadian dollar (CAD)	100	79	108	287
Indian rupee (INR)	52	189	77	195
Other	980	1,015	953	932
TOTAL	17,013	17,013	15,667	15,667

d) Analysis of debt excluding put options on shares of subsidiaries by category and type of interest rate

AT DECEMBER 31, (million euros)	2010		2009	
	BEFORE SWAPS	AFTER SWAPS	BEFORE SWAPS	AFTER SWAPS
Floating rate	4,455	5,723	5,145	5,049
Fixed rate below 6%	6,544	5,150	4,626	4,622
Fixed rate between 6% and 10%	5,831	5,957	5,703	5,803
Fixed rate 10% and over	183	183	193	193
TOTAL	17,013	17,013	15,667	15,667

The average spot interest rate of the debt after swaps, as at December 31, 2010, is 5.5% (5.3% as at December 31, 2009). The average yearly interest rate of the debt after swaps in 2010 is 5.3% (5.1% in 2009).

The other loan contracts do not require any compliance with certain financial covenants.

e) Particular clauses in financing contracts

Financial covenants

At December 31, 2010, the financing contracts of Lafarge S.A. do not contain 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: Algeria, Bangladesh, China, Ecuador, India, Indonesia, Jordan, Nigeria, Qatar, Saudi Arabia, Syria, Thailand, United Arab Emirates, United Kingdom and Vietnam. Debt with such financial covenants represents approximately 8% of the total Group debt excluding put options on shares of subsidiaries. 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.

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 4,555 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 7,031 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 283 million euros at December 31, 2010 (345 million euros at December 31, 2009).

Out of the outstanding put option at year-end 2010, 220 million euros can be exercised in 2011. The remaining 63 million euros can be exercised for part starting 2014 and for part starting 2015.

As explained in Note 2.19, put options granted to non controlling interests of subsidiaries are classified as debt. Out of the total options granted by the Group, the options granted to non controlling interests amounted to 267 million euros and 310 million euros at December 31,

2010 and December 31, 2009, respectively, the remaining options were granted on shares of joint ventures.

This specific debt is recorded by reclassifying the underlying non controlling interests and recording goodwill in an amount equal to the difference between the carrying value of non controlling interests and the value of the debt (128 million euros and 163 million euros at December 31, 2010, and December 31, 2009, respectively).

Put options on shares of joint ventures are presented in Note 28 (c) as "Other commitments".

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 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	2010		2009	
			CARRYING AMOUNT	NET FAIR VALUE	CARRYING AMOUNT	NET FAIR VALUE
ASSETS						
Cash and cash equivalents	<i>Financial assets at fair value recognized in statement of income</i>		3,294	3,294	2,220	2,220
Trade receivables	<i>Loans and Receivables at amortized cost</i>		1,774	1,774	1,686	1,686
Other receivables	<i>Loans and Receivables at amortized cost</i>		971	971	1,008	1,008
Other financial assets			863	863	1,591	1,591
<i>Held-to-maturity investments</i>	<i>Held-to-maturity investments at amortized cost</i>		-	-	8	8
<i>Available for sale investments</i>	<i>Available for sale investments at fair value recognized in equity</i>	See Note 15	319	319	1,023	1,023
<i>Loans and long-term receivables</i>	<i>Loans and Receivables at amortized cost</i>		490	490	498	498
<i>Prepaid pension assets</i>	<i>(excluding the IAS 39 scope)</i>		5	5	12	12
<i>Restricted cash</i>	<i>Financial assets at fair value recognized in statement of income</i>		49	49	50	50
Derivative instruments - assets	<i>Refer below</i>		134	134	67	67
LIABILITIES						
Short-term bank borrowings*	<i>Financial liabilities at amortized cost</i>		1,036	1,036	590	590
Trade payables	<i>Financial liabilities at amortized cost</i>		1,996	1,996	1,652	1,652
Other payables	<i>Financial liabilities at amortized cost</i>		1,642	1,642	1,630	1,630
Debenture loans	<i>Financial liabilities at amortized cost</i>	Lev 2	11,323	11,722	9,263	9,704
Other long-term financial debt (including current portion)	<i>Financial liabilities at amortized cost</i>	Lev 2	4,654	4,706	5,814	5,892
Put options on shares of subsidiaries	-		267	267	310	310
Derivative instruments - liabilities	<i>Refer below</i>		141	141	105	105
DERIVATIVE INSTRUMENTS						
Interest rate derivative instruments			(5)	(5)	1	1
<i>Designated as hedging instruments in cash flow hedge relationship</i>		Lev 2	24	24	5	5
<i>Designated as hedging instruments in fair value hedge relationship</i>		Lev 2	9	9	5	5
<i>Not designated as hedges for accounting purposes</i>		Lev 2	(38)	(38)	(9)	(9)
Foreign exchange derivative instruments			(3)	(3)	(33)	(33)
<i>Designated as hedging instruments in cash flow hedge relationship</i>		Lev 2	1	1	(4)	(4)
<i>Designated as hedging instruments in fair value hedge relationship</i>		Lev 2	(8)	(8)	(3)	(3)
<i>Not designated as hedges for accounting purposes</i>		Lev 2	4	4	(26)	(26)
Commodities derivative instruments			1	1	(6)	(6)
<i>Designated as hedging instruments in cash flow hedge relationship</i>		Lev 2	1	1	(6)	(6)
Other derivative instruments			-	-	-	-
<i>Equity swaps not designated as hedges for accounting purposes</i>			-	-	-	-
<i>Embedded derivatives not designated as hedges for accounting purposes</i>			-	-	-	-

* Of which 209 million euros of bank overdraft as at December 31, 2010 (377 million euros of bank overdrafts as at December 31, 2009) and 533 million euros of securitization.

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 (mainly Cimpor as at December 31, 2009, which was sold in 2010 – See Note 3) 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 (233 million euros as at December 31, 2010 and 196 million euros as at December 31, 2009) 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 was 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 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, 2010, 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)	2010	2009
FORWARD CONTRACT PURCHASES AND CURRENCY SWAPS		
U.S. dollar (USD)	600	300
British pound (GBP)	888	402
Other currencies	307	325
TOTAL	1,795	1,027
FORWARD CONTRACT SALES AND CURRENCY SWAPS		
U.S. dollar (USD)	1,526	2,414
British pound (GBP)	62	122
Other currencies	334	268
TOTAL	1,922	2,804



Details of the statement of financial position value of instruments hedging foreign currency risk

At December 31, 2010 and 2009, 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)	2010			2009		
	DERIVATIVES' FAIR VALUE	UNDERLYING REEVALUATION	NET IMPACT	DERIVATIVES' FAIR VALUE	UNDERLYING REEVALUATION	NET IMPACT
ASSETS	-	-	-	-	-	-
Non-current derivative instruments	-	-	-	-	-	-
Current derivatives instruments	42	-	42	18	-	18
Net reevaluation of financial loans and borrowings denominated in foreign currencies	-	-	-	-	-	-
LIABILITIES	-	-	-	-	-	-
Non-current derivative instruments	6	-	6	2	-	2
Current derivative instruments	39	-	39	49	-	49
Net reevaluation of financial loans and borrowings denominated in foreign currencies	-	4	4	-	(24)	(24)
NET IMPACT ON EQUITY	(3)	(4)	(7)	(33)	24	(9)

d) Interest rate risk

The Group is primarily exposed to fluctuations in interest rates based upon the following:

- price risk with respect to fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of fixed-rate assets and liabilities;
- cash flow risk for floating rate assets and liabilities. Interest rate fluctuations have a direct effect on the financial income or expense of the Group.

In accordance with established policies, the Group seeks to mitigate these risks using, to a certain extent, interest rate swaps 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, 2010 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, 2010 (million euros)	LESS THAN ONE YEAR		1 TO 5 YEARS		MORE THAN 5 YEARS		TOTAL	
	FIXED RATE	FLOATING RATE	FIXED RATE	FLOATING RATE	FIXED RATE	FLOATING RATE	FIXED RATE	FLOATING RATE
Debt *	1,294	1,686	4,648	2,659	6,616	110	12,558	4,455
Cash and cash equivalents	-	(3,294)	-	-	-	-	-	(3,294)
NET POSITION BEFORE HEDGING	1,294	(1,608)	4,648	2,659	6,616	110	12,558	1,161
Hedging instruments	202	(202)	(1,471)	1,471	-	-	(1,269)	1,269
NET POSITION AFTER HEDGING	1,496	(1,810)	3,177	4,130	6,616	110	11,289	2,430

* 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, 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.

MATURITIES OF NOTIONAL CONTRACT VALUES AT DECEMBER 31, 2009 *

(million euros)	AVERAGE RATE	2010	2011	2012	2013	2014	> 5 YEARS	TOTAL
Pay fixed (designated as cash flow hedge)								
Euro	4.5%	-	-	70	58	42	-	170
Other currencies	5.4%	6	108	26	55	102	-	297
Pay floating (designated as fair value hedge)								
Euro	-	-	-	-	-	-	-	-
Other currencies	3.3%	225	-	-	70	-	-	295
Other interest rate derivatives								
Euro	2.4%	5	-	-	-	-	-	5
Other currencies	1.2%	181	218	19	307	-	-	725
TOTAL		417	326	115	490	144	-	1,492

* 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, (million euros)	2010			2009		
	IMPACT ON DERIVATIVES	IMPACT ON UNDERLYING	NET IMPACT	IMPACT ON DERIVATIVES	IMPACT ON UNDERLYING	NET IMPACT
ASSETS						
Non-current derivative instruments	78	-	78	37	-	37
Current derivative instruments	5	-	5	2	-	2
LIABILITIES						
Long-term debt	-	9	9	-	5	5
Non-current derivative instruments	51	-	51	32	-	32
Current derivative instruments	37	-	37	6	-	6
NET IMPACT ON EQUITY	(5)	(9)	(14)	1	(5)	(4)

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, 2010, and 2009, 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, 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.

MATURITIES OF NOTIONAL CONTRACT RESIDUAL VALUES AT DECEMBER 31, 2009 *

(million euros)	2010	2011	2012	2013	2014	> 5 YEARS	TOTAL
Natural Gas (NYMEX)	12	3	-	-	-	-	15
Heating Oil (NYMEX)	14	-	-	-	-	-	14
Sea freight (PANAMAX)	18	18	-	-	-	-	36
Others	26	-	-	-	-	-	26
TOTAL	70	21	-	-	-	-	91

* 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, 2010, and 2009 were all designated as hedging instruments in cash flow hedge relationship.

Statement of financial position values of commodity derivative instruments are as follows:

(million euros)	AT DECEMBER 31,	
	2010	2009
ASSETS		
Non-current derivative instruments	-	6
Current derivative instruments	9	4
LIABILITIES		
Non-current derivative instruments	-	11
Current derivative instruments	8	5
NET IMPACT ON EQUITY	1	(6)

f) Counterparty risk for financial operations

The Group is exposed to credit risk in the event of a counterparty's default. The Group implemented policies to limit its exposure to counterparty risk by rigorously selecting the counterparties with which it executes financial agreements. These policies take into account several

criteria (rating assigned by rating agencies, assets, equity base) as well as transaction maturities.

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

g) 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 2010 financial statements, the cash flow from operations to net debt ratio was 13.0%, compared to 15.8% at year-end 2009.

In section 4.1 “Overview” of the present Annual Report, 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 Annual Report, 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, 2010 on its short-term receivables is presented in the following table:

	AT DECEMBER 31,
(million euros)	2010
Clients (see Note 17)	1,774
Other receivables (see Note 18)	971
TOTAL	2,745

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 490 million euros and 506 million euros as at December 31, 2010 and 2009, respectively (see Note 15).



Note 27 Other payables

Components of other payables are as follows:

(million euros)	AT DECEMBER 31,	
	2010	2009
Accrued payroll expenses	402	382
Accrued interest	333	286
Other taxes	200	167
Payables to suppliers of fixed assets	258	300
Other accrued liabilities	449	495
OTHER PAYABLES	1,642	1,630

"Other accrued liabilities" include payables to suppliers for non-operating services and goods, and payables to associates. It included as at December 31, 2009 the remaining amount to be paid further to the USG litigation settlement for an amount of 25 million U.S. dollars, which was paid in 2010.

Note 28 Commitments and contingencies

The procedures implemented by the Group allow all the major commitments to be collated and prevent any significant omissions.

a) Pledges and other guarantees

The following details securities and assets pledged and other guarantees provided by the Group:

(million euros)	AT DECEMBER 31,	
	2010	2009
Securities pledged	263	315
Assets pledged	775	795
Guarantees given	147	136
TOTAL	1,185	1,246

The pledges of assets provided by the Group at December 31, 2010 are as follows:

(million euros)	AMOUNT OF ASSETS PLEDGED	TOTAL STATEMENT OF FINANCIAL POSITION	% PLEDGED
TANGIBLE ASSETS	775	17,912	4%
Less than one year	84		
Between one and five years	586		
More than 5 years	105		

In addition, 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, 2010 of 395 million euros, a part of which is counter-guaranteed by the minority shareholders in the 2009 Venezuelan transaction.

As part of its acquisition of assets transactions, the Group received indemnification commitments for a maximum amount of:

- 2,240 million euros relating to the acquisition of Orascom Cement in 2008;

- 116 million euros relating to the acquisition L&T Concrete in India in 2008;
- 140 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.

Besides, 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.

b) Contractual obligations

The following details the Group's significant contractual obligations:

<i>(million euros)</i>	PAYMENTS DUE PER PERIOD			AT DECEMBER 31,	
	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	2010	2009
Debt ⁽¹⁾	2,980	7,307	6,726	17,013	15,667
<i>Of which finance lease obligations</i>	11	29	12	52	56
Scheduled interest payments ⁽²⁾	886	2,523	1,572	4,981	4,879
Net scheduled obligation on interest rate swaps ⁽³⁾	11	5	-	16	59
Operating leases	206	480	288	974	940
Capital expenditures and other purchase obligations	515	533	158	1,206	1,447
Other commitments	309	133	22	464	373
TOTAL	4,907	10,981	8,766	24,654	23,365

(1) Debt excluding put options on shares of subsidiaries (see Note 25).

(2) 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.

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

The Group leases land, quarries, building and equipment. Total rental expense under operating leases was 202 million euros and 201 million euros for the years ended December 31, 2010, and 2009, 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.

c) Other commitments

The following details the other commitments of the Group:

<i>(million euros)</i>	AT DECEMBER 31,	
	2010	2009
<i>Commitments received</i>		
Unused confirmed credit lines and acquisition lines	3,839	3,457
<i>Commitments made</i>		
Put options to purchase shares in joint-ventures	16	35

In addition, the European Bank for Reconstruction and Development (EBRD) increased late 2009 by 15% its minority stake in our cement operations in Russia. Starting from December 2015, the Group will have the right to buy back this additional minority stake at fair market

value. Assuming that this call option is not exercised, the Group could be induced to sell all or part of its own stake to a third party or to the EBRD.

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.

Provisions for the charges that could result from these procedures are not recognized until they are probable and their amount can be reasonably estimated. 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.

Europe – Gypsum: On July 8, 2008, the Court of First Instance in Luxembourg confirmed the decision of the European Commission imposing a fine on Lafarge in the amount of 249.6 million euros for having colluded on market shares and prices with competitors between 1992 and 1998 for wallboard, essentially in the United Kingdom and Germany. On June 17, 2010, the European Union Court of Justice rejected Lafarge's appeal against this decision. Therefore, the payment of the fine and accrued interest (additional provisions were recorded in each of our annual financial statements since 2003 in relation to the accrued interests) has been made on July 23, 2010, for a total amount of 338 million euros. This amount was fully reserved.



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 its alleged 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 the year 2011.

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 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 at December 31, 2010.

Competition: also on competition matters, there are 2 industry-wide inquiries which do not constitute legal proceedings and for which no provision has been recorded:

- 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 6 December 2010, the Commission notified the parties of the opening of an official investigation, while reminding them that at that stage, it did not have conclusive evidence. The alleged offences, which will be the subject of the detailed investigation, involve restrictions of commercial trade in or upon entry to the EEA, market sharing, and coordination of prices on the cement and related markets. In the case of Lafarge, six (6) countries are quoted: France, the United Kingdom, Germany, Spain, the Czech Republic and Austria. The Commission's investigation is ongoing. The date of its closure is unknown. No conclusion can be drawn at this stage.
- In South Africa, an inquiry on the cement industry was opened by the competition authorities in 2009. In the absence of new procedural step at that date, the level of risk cannot be appreciated at this stage. Should the Competition Commission of South Africa decide to refer the matter to the Competition Court, this case will be reassessed.

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. At this stage, only individual cases may be tried. 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.

Additionally, in connection with this litigation, one of Lafarge North America Inc.'s insurers, the American Steamship Owners Mutual P&I Association, filed a suit against it in the United States District Court for the Southern District of New York seeking a judgment that these claims are not covered under its insurance policy. Lafarge North America Inc. lodged an appeal against the Court's decision, which had found that this claim was not covered under the insurance policy. Finally, some of Lafarge North America Inc.'s other insurers (the "Other Insurers") filed two suits in the same court seeking a judgment that they are not required to indemnify our subsidiary for these claims and the expenses incurred in connection therewith. The lower court granted judgment on these claims largely in favor of our subsidiary. All three insurance cases were then consolidated before the United States Court of Appeals for the Second Circuit and, on March 15, 2010 the Court upheld the decision in favor of the American Steamship Owners Mutual P & I Association and also found that while the Other Insurers' policies of insurance applied to the incident, the Other Insurers did not have to reimburse Lafarge North America Inc for its legal fees and other litigations costs incurred prior to the Court's ruling (in the event our subsidiary is found to be liable by a court of final review, the policy limits available from the Other Insurers' insurance is approximately 50 million US dollars). Lafarge North America Inc. did not lodge a request to the Supreme Court against the decision of the Court of Appeals.

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. These operations in Bangladesh are consolidated under the proportionate method and contribute to the Group's total assets for an amount of 95 million euros as at December 31, 2010. 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. The procedure for obtaining the new permit continues before the Indian Supreme Court. Having regard to the progress of the hearings before the Supreme Court, it is difficult to determine the date of the decision.

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 74 million euros as at December 31, 2010 (180 million euros as at December 31, 2009).

Transactions with other parties or companies related to the Group are as follows:

Mr. Pébereau 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, 2010.

From time to time Directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

Note 31 Employee costs and Directors' and Executive Officers' compensation for services

a) Employees and employee costs

	AT DECEMBER 31,	
	2010	2009
Management staff	12,859	12,882
Non-management staff	54,177	55,883
TOTAL NUMBER OF EMPLOYEES *	67,036	68,765
<i>Of which:</i>		
<i>companies accounted for using the proportionate method</i>	9,123	9,949

* The headcounts at 100% of our fully consolidated and proportionately consolidated subsidiaries amounted to 75,677 as of December 31, 2010; 77,994 as of December 31, 2009.

	YEARS ENDED DECEMBER 31,	
(million euros)	2010	2009
TOTAL EMPLOYEES COSTS	2,542	2,303
<i>Of which:</i>		
<i>companies accounted for using the proportionate method</i>	127	95

b) Directors' and executive officers' compensation for services

The table below presents the compensation allocated by Lafarge S.A. and its subsidiaries to executives who are, at closing 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 at section 5.2 - Executive Officers – of the Annual Report:

(million euros)	YEARS ENDED DECEMBER 31,	
	2010	2009
Board of Directors ⁽¹⁾	0.7	0.6
Senior Executives	24.4	17.8
Short-term benefits (fixed salary and variable)	11.0	8.1
Post-employment benefits ⁽²⁾	8.8	4.0
Share-based payments ⁽³⁾	4.6	5.7
TOTAL	25.1	18.4

(1) Directors' fees.

(2) Change for the year in 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 2010 and in 2009.

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 statement of income is detailed in Note 5. The main disposals in 2010 are more fully described in Note 3.

	AT DECEMBER 31,	
	2010	2009
CASH FLOWS FROM DISPOSALS OF ASSETS	209	760
Including:		
Disposal of our investment in Chile	-	288
Disposal of some of our Asphalt, Paving and Concrete activities in North America	-	152
Disposal of our investment in Turkey	-	126
Disposal of our investment in Venezuela	22	52
Disposal of some of our Aggregates & Concrete activities in Switzerland	-	50
Disposal of our Cimpor investment in Portugal	21	-
Disposal of our Aggregates & Concrete activities in Alsace (France) and Switzerland	37	-
Others	129	92

b) Cash flow information related to financing activities

The line "Changes in ownership interests with no gain/loss in control" reflects the cash impact of acquisition and disposal of non-controlling interests (see Note 2), net of related acquisition/disposal related costs.

In 2010, "Changes in ownership interests with no gain/loss in control" amount to 139 million euros and essentially include the cash proceeds arising from the disposal of non-controlling interests in Malaysia for an amount of 141 million euros. The impact of partial disposal of interests on equity is described in Note 3.

c) Main transactions with no impact on the Group's statement of cash flows

In 2010, the main transaction with no cash impact relates to the acquisition of the cement operations of Votorantim in Brazil for a purchase price consideration of 755 million euros which was settled in our Cimpor investment (see Note 3). This purchase price consideration is not reflected in the statement of cash flows.

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.

(million euros)	DELOITTE & ASSOCIÉS				ERNST & YOUNG AUDIT			
	AMOUNT (EXCL. TAX)		%		AMOUNT (EXCL. TAX)		%	
	2010	2009	2010	2009	2010	2009	2010	2009
AUDIT FEES								
<i>Audit, review of financial statements</i>	7.4	7.8	84%	89%	6.4	5.8	89%	83%
Lafarge S.A.	1.8	1.9	20%	22%	1.5	1.4	21%	20%
Subsidiaries	5.6	5.9	64%	67%	4.9	4.4	68%	63%
<i>Audit-related Fees *</i>	1.3	0.9	15%	10%	0.7	0.5	8%	7%
Lafarge S.A.	0.4	0.6	5%	7%	0.1	0.3	1%	4%
Subsidiaries	0.9	0.3	10%	3%	0.6	0.2	7%	3%
SUB-TOTAL	8.7	8.7	99%	99%	7.1	6.3	97%	90%
OTHER FEES								
<i>Tax Fees **</i>	0.1	0.1	1%	1%	0.2	0.7	3%	10%
<i>Legal and Employment Fees</i>	-	-	-	-	-	-	-	-
<i>Information Technology</i>	-	-	-	-	-	-	-	-
<i>Others</i>	-	-	-	-	-	-	-	--
SUB TOTAL OTHER FEES	0.1	0.1	1%	1%	0.2	0.7	3%	10%
TOTAL FEES	8.8	8.8	100%	100%	7.3	7	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 Subsequent events

Egypt

Industrial and sales operations were temporarily halted in Egypt at the end of January and restarted as of the 6 of February. The Group's plant, which is located outside of Cairo, has remained secure and is operating with normal staffing levels. For 2010, Egypt's revenues represented 4% of total Group revenues and long-term fundamentals remain strong.

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.

Note 35 List of significant subsidiaries, joint ventures and investments in associates at December 31, 2010

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; or
- over 250 million euros contribution to the Group total assets.

COMPANIES	COUNTRIES	CEMENT	AGGREGATES AND CONCRETE	GYPSUM	OTHERS	OWNERSHIP %	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
Lafarge Industries South Africa (Pty.) Ltd.	South Africa	–	■	–	–	100.00	Full
Algerian Cement Company S.P.A.	Algeria	■	–	–	–	99.99	Full
Algerian Concrete Technologies	Algeria	–	■	–	–	99.50	Full
Ciment Blanc d'Algérie S.P.A.	Algeria	■	–	–	–	99.99	Full
Lafarge Gips GmbH	Germany	–	–	■	–	100.00	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	Proportionate
Lafarge Plasterboard Pty. Ltd.	Australia	–	–	■	–	100.00	Full
Lafarge Perlmooser GmbH	Austria	■	–	–	–	100.00	Full
Lafarge Beton GmbH	Austria	–	■	–	–	100.00	Full
Lafarge Surma Cement Limited	Bangladesh	■	–	–	–	29.44	Proportionate
GROUPEMENT SCB LAFARGE	Bénin	■	–	–	–	50.00	Proportionate
Central Beton LTDA	Brazil	–	■	–	–	94.95	Full
Indústria E Comércio De Extração De Areia Khouri LTDA	Brazil	■	–	–	–	94.95	Full
Cia De Cimento Portland Lacim	Brazil	■	–	–	–	94.95	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 Company Limited	China	■	–	–	–	41.25	Proportionate
Yunnan State Assets Cement Honghe Co., Ltd.	China	■	–	–	–	44.00	Proportionate
Lafarge Halla Cement Corporation	Korea	■	–	–	–	71.47	Full
Lafarge Plasterboard System Co., Ltd.	Korea	–	–	■	–	50.00	Proportionate
Lafarge Cement Egypt SAE	Egypt	■	–	–	–	53.70	Full
Lafarge Ready Mix SAE	Egypt	–	■	–	–	100.00	Full
National Bag Company	Egypt	■	–	–	–	75.00	Full
Lafarge Emirates Cement LLC	U.A Emirates	■	–	–	–	50.00	Proportionate
Lafarge Cementos SA	Ecuador	■	–	–	–	98.57	Full
Lafarge Aridos y Hormigones S.A.	Spain	–	■	–	–	100.00	Full
Lafarge Cementos S.A.	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

COMPANIES	COUNTRIES	CEMENT	AGGREGATES AND CONCRETE	GYPSUM	OTHERS	OWNERSHIP %	CONSOLIDATION METHOD
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
Lafarge Ciments	France	■	–	–	–	100.00	Full
Lafarge Ciments Distribution	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
Lafarge (Mauritius) Cement Ltd	France	■	–	–	–	58.36	Full
Lafarge Plâtres	France	–	–	■	–	99.97	Full
Lafarge Plâtres Commercialisation	France	–	–	■	–	99.97	Full
Société des Ciments Antillais	France	■	–	–	–	69.44	Full
Heracles General Cement Company S.A.	Greece	■	–	–	–	88.99	Full
Lafarge Beton Industrial Commercial SA	Greece	–	■	–	–	88.99	Full
Lafarge Cementos de C.V.	Honduras	■	–	–	–	53.11	Full
Lafarge India PVT Limited	India	■	–	–	–	94.38	Full
Lafarge Aggregates and Concrete PVT Ltd.	India	–	■	–	–	100.00	Full
PT Lafarge Cement Indonesia	Indonesia	■	–	–	–	100.00	Full
Bazian Cement Company Ltd.	Iraq	■	–	–	–	70.00	Full
United Cement Corporation	Iraq	■	–	–	–	60.00	Full
Lafarge Gessi S.P.A.	Italy	–	–	■	–	100.00	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	■	–	–	–	75.17	Full
Lafarge Betons	Morocco	–	■	–	–	34.64	Proportionate
Lafarge Cementos	Morocco	■	–	–	–	34.32	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
Lafarge cement WAPCO Nigeria Plc.	Nigeria	■	–	–	–	60.00	Full
Hima Cement Ltd.	Uganda	■	–	–	–	71.01	Full
Pakistan Cement Company	Pakistan	■	–	–	–	73.22	Full
Lafarge Gips B.V.	Netherlands	–	–	■	–	100.00	Full
Lafarge Philippines	Philippines	■	–	–	–	100.00	Full
Lafarge Cement S.A.	Poland	■	–	–	–	100.00	Full



CONSOLIDATED STATEMENTS

Note 35 List of significant subsidiaries, joint ventures and investments in associates at December 31, 2010

COMPANIES	COUNTRIES	CEMENT	AGGREGATES AND CONCRETE	GYP SUM	OTHERS	OWNERSHIP %	CONSOLIDATION METHOD
Lafarge Gips SP. Z O.O.	Poland	–	–	■	–	100.00	Full
Lafarge Kruszywa i Beton	Poland	–	■	–	–	100.00	Full
Lafarge Betoos SA	Portugal		■			100.00	Full
Readymix Qatar W.L.L.	Qatar		■			49.00	Proportionate
Lafarge Cement AS	Czech Republic	■	–	–	–	97.12	Full
Lafarge Arcrom GIPS	Romania			■		88.82	Full
Lafarge Ciment (Romania) S.A.	Romania	■		–	–	98.56	Full
Lafarge Aggregates Limited	United Kingdom	–	■	–	–	100.00	Full
Lafarge Cement UK PLC	United Kingdom	■	–	–	–	100.00	Full
Lafarge Plasterboard Limited	United Kingdom	–	–	■	–	100.00	Full
Redland Readymix Holdings Limited	United Kingdom		■			100.00	Full
OAO Lafarge Cement	Russia	■	–	–	–	75.00	Full
Lafarge Beocinska Fabrika Cementa	Serbia	■	–	–	–	50.00	Full
Lafarge Cement D.D.	Slovenia	■	–	–	–	55.92	Full
Lafarge Mahawelli Cement (Private) Limited	Sri Lanka	■	–	–	–	85.08	Full
Cementia Trading AG	Switzerland	■	–	–	–	100.00	Full
Marine Cement AG/Ltd..	Switzerland	■	–	–	–	100.00	Full
Syrian Cement Company	Syria	■	–	–	–	98.67	Full
Mbeya Cement Company Limited	Tanzania	■	–	–	–	62.76	Full
Siam Gypsum Industry (Saraburi)	Thailand			■		35.50	Proportionate
OJSC Mykolaivcement	Ukraine	■	–	–	–	79.41	Full
Lafarge Cement Zambia PLC	Zambia	■	–	–	–	84.00	Full

STATUTORY ACCOUNTS DECEMBER 31, 2010

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 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.

Statutory Auditor's Report on the annual financial statements

I For the year ended December 31, 2010

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, 2010 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, 2010 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 affecting some of the Group's markets. 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 favor, 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 28, 2011

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIÉS

Frédéric Gourd

Pascal Pincemin

ERNST & YOUNG Audit

Christian Mouillon

Nicolas Macé

Comments on the income statement and the balance sheet

The financial statements for the year ended December 31, 2010 show net income of 49 million euros compared to 254 million euros the previous year.

- These results reflect the following events:
 - the slight increase in operating income of 11 million euros;
 - the decrease in dividends collected (-202 million euros) and the near stability of net financial expenses (-1million euros) explain the decrease in net financial income of 203 million euros;
 - exceptional income reported a loss of 8 million euros in 2010 and mainly comprised a provision to cover the new performance share allocation plan;
 - finally, income tax includes 107 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 (down 45 million euros) may be explained by, in particular:
 - the Lafarge North America capital increase (+ 1,255 million euros),
 - the Sabelfi capital decrease (-1,300 million euros);

- the decrease in provisions of 338 million euros corresponds to the reversal of the provision for competition risk. This amount was paid to the European Commission on July 23, 2010;
- the net decrease of 148 million euros in short and long-term loans, borrowings and current accounts granted to Group companies;
- the decrease in equity of 321 million euros before profit or loss, resulting from the appropriation of the previous year's net income (254 million euros) and a dividend payment (-575 million euros);
- the increase in net debt of 731 million euros which stood at 12,984 million euros at year-end 2010.

As of December 31, 2010, gross debt was composed of bonds for 11,347 million euros, negotiable debt instruments of 1,361 million euros, borrowings from Group companies for 399 million euros and other bank borrowings for 1,760 million euros.

Appropriation of earnings

It will be proposed to the General Meeting an appropriation of the earnings for fiscal year 2010 that allows a normal dividend of 1.00 euro per share and a loyalty dividend of 1.10 euro per share, as follows:

ORIGINS	
Earnings	49,031,533.70
Retained earnings*	1,942,314,548.80
TOTAL	1,991,346,082.50
APPROPRIATION	
Legal reserve	2,451,576.69
Dividend	
- First dividend (5% of the par value of the share)	57,218,044.20
- Additional dividend (total dividend - first dividend)	228,872,176.80
- Maximum amount of the 10% increase	1,849,475.20
- Total Dividend	287,939,696.20
Retained Earnings	1,700,954,809.61
TOTAL	1,991,346,082.50

* After inclusion:

- the dividends received on treasury shares, which total 32,940.00 euros;

- the 10% increase not collected on the registered shares transferred in to a bearer account between January 1 and June 30, 2010, i.e., 332,309.00 euros.

We remind the Shareholders' Meeting that the dividends distributed in previous years were as follows:

YEAR	2009	2008	2007
Number of shares	286,453,316	195,236,534	172,564,575
Normal dividend per share	2.00	2.00	4.00
Loyalty dividend per share	2.20	2.20	4.40

Statements of income

YEARS ENDED DECEMBER 31,

<i>(million euros)</i>	NOTES	2010	2009
Production sold (services)		422	397
Provision reversals	3	23	15
Operating Revenue		445	412
Other purchases and external charges		(386)	(385)
Duties and taxes		(2)	(5)
Employee expenses		(141)	(113)
Depreciation and amortization	3	(21)	(22)
Provision allowance	3	(21)	(24)
Operating expenses		(571)	(549)
OPERATING INCOME		(126)	(137)
Income from investments	4	791	998
Interest and similar income	5	51	82
Foreign exchange gains		19	16
Provision reversals	6	89	-
Financial Income		950	1,096
Interest and similar expenses	7	(815)	(732)
Foreign exchange losses		(9)	(25)
Provision allowance	6	(19)	(29)
Financial Expenses		(843)	(786)
NET FINANCIAL INCOME/(COST)		107	310
CURRENT OPERATING INCOME BEFORE TAX		(19)	173
EXCEPTIONAL INCOME/(LOSS)	8	(8)	(38)
Income tax credit/(expense)	9	76	119
NET INCOME		49	254



Balance sheets

ASSETS

AT DECEMBER 31,

<i>(million euros)</i>	NOTES	2010			2009
		GROSS AMOUNT	DEPRECIATION, AMORTIZATION, IMPAIRMENT	NET AMOUNT	NET
NON-CURRENT ASSETS					
Intangible assets and property, plant and equipment	10	208	104	104	106
Financial assets *	11	26,479	9	26,470	26 701
Investments	28	24,854	5	24,849	24 895
Long-term receivables from investments	21	1,611	4	1,607	1 792
Other financial assets		14	-	14	14
		26,687	113	26,574	26 807
CURRENT ASSETS					
Other receivables	21	3,508	-	3,508	3 933
Marketable securities	12	26	-	26	27
Cash and cash equivalents		1,303	-	1,303	541
		4,837	-	4,837	4 501
Debenture redemption premiums	14	58	-	58	65
Cumulative translation adjustments	14	421	-	421	492
TOTAL ASSETS		32,003	113	31,890	31 865
* Of which less than one year				488	281

EQUITY AND LIABILITIES (BEFORE APPROPRIATION)

AT DECEMBER 31,

<i>(million euros)</i>	NOTES	2010	2009
NET EQUITY	15		
Common stock		1,146	1,146
Additional paid-in capital		9,828	9,828
Revaluation reserves		88	88
Legal reserve		91	78
Other reserves		649	649
Retained earnings		1,942	2,276
Net income for the year		49	254
Tax-driven provisions		2	2
		13,795	14,321
PROVISIONS FOR LOSSES AND CONTINGENCIES	16	104	420
FINANCIAL DEBT	18		
Debenture issues		11,347	9,255
Bank borrowings *		1,206	1,168
Other loans and commercial paper		1,760	2,398
		14,313	12,821
Tax and employee-related liabilities		48	44
Other liabilities	21	3,089	3,547
LIABILITIES **		17,450	16,412
Cumulative translation adjustments	14	541	712
TOTAL EQUITY AND LIABILITIES		31,890	31,865
<i>* Of which current bank overdrafts</i>		56	70
<i>** Of which less than one year</i>		1,936	988



STATUTORY ACCOUNTS

Statements of cash flows

Statements of cash flows

YEARS ENDED DECEMBER 31,

<i>(million euros)</i>	2010	2009
CASH FLOW FROM OPERATIONS *	(235)	325
Change in working capital	(132)	723
NET CASH FROM OPERATING ACTIVITIES (I)	(367)	1,048
Capital expenditure	(28)	(24)
Investments	(1,255)	(11,006)
Repayment of investments	1,300	3,855
Net decrease in loans and miscellaneous	185	(225)
Disposals of assets	9	8,458
NET CASH FROM INVESTING ACTIVITIES (II)	211	1,058
Proceeds from issuance of common stock	–	1,496
Dividends paid	(575)	(393)
NET CASH USED IN/FROM CAPITAL TRANSACTIONS (III)	(575)	1,103
INCREASE/(DECREASE) IN NET DEBT (I + II + III)	(731)	3,209
Net debt at year end	12,984	12,253
Debt	14,313	12,821
Marketable securities	(26)	(27)
Cash and cash equivalents	(1,303)	(541)

* Cash flow from operations mainly comprises net income (+ 49 million euros) before depreciation and amortization (34 million euros), provisions (320 million euros) and a gain on investment disposal (2 million euros).

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Note 1 Significant events of the period

Following the dismissal on June 17, 2010 of the appeal lodged before the Court of Justice of the European Union, Lafarge S.A. paid a fine, including accrued interest, of 338 million euros, to the European

Commission. This amount had been fully provided for in the accounts (*Note 16*).

Lafarge S.A. then carried out three bond offerings totaling 1.9 billion euros (*Note 18*) in order to refinance its short-term debt.

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 approach (multiple of gross operating income). It is established based on currently available information and is in keeping with the current economic crisis affecting some of the Group's markets.

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 exchange gains or losses are recorded in the translation adjustment accounts in the balance sheets.

Unrealized 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 Retirement Benefit Obligation

Provisions are recognized to cover end-of-service 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)	2010	2009
DEPRECIATION AND AMORTIZATION		
Intangible assets	(17)	(18)
Property, plant and equipment	(4)	(4)
	(21)	(22)

3.2 Operating provision (allowance) reversal

(million euros)	2010		2009	
	ALLOWANCE	REVERSAL	ALLOWANCE	REVERSAL
Pensions obligations and end-of-service benefits	(21)	19	(19)	12
Other operating provisions	-	4	(5)	3
	(21)	23	(24)	15

Note 4 Financial income from investments

<i>(million euros)</i>	2010	2009
DIVIDEND RECEIVED		
Dividend received from French subsidiaries	530	870
Dividend received from foreign subsidiaries	171	33
	701	903
INCOME ON LONG-TERM RECEIVABLES FROM INVESTMENTS	90	95
TOTAL FINANCIAL INCOME FROM INVESTMENTS	791	998

Note 5 Interest and similar income

Interest and similar income breaks down as follows:

<i>(million euros)</i>	2010	2009
INTEREST AND SIMILAR INCOME		
Revenue from current account advances to Group companies	38	76
Other	13	6
	51	82

Note 6 Financial provision (allowance) reversal

Financial provision (allowances) reversals break down as follows:

<i>(million euros)</i>	2010		2009	
	ALLOWANCE	REVERSAL	ALLOWANCE	REVERSAL
IMPAIRMENT OF ASSETS				
Investments	-	-	(4)	-
	-	-	(4)	-
PROVISIONS FOR LOSSES AND CONTINGENCIES				
Accrued penalties	(6)	89	(12)	-
Treasury shares	-	-	-	-
Foreign exchange loss	-	-	(1)	-
Other	-	-	-	-
	(6)	89	(13)	-
REDEMPTION PREMIUMS	(13)	-	(12)	-
TOTAL	(19)	89	(29)	-

In 2009, the impairment of investments was related to Lafarge Zement.

Note 7 Interest and similar expenses

Interest and similar expenses break down as follows:

<i>(million euros)</i>	2010	2009
INTEREST AND OTHER EXPENSES ON INVESTMENTS		
Expenses on payables related to investments	(20)	(19)
Expenses on current account advances from Group companies	(26)	(37)
	(46)	(56)
OTHER INTEREST AND SIMILAR EXPENSES		
Interest on bond issues	(602)	(463)
Interest on bank borrowings	(21)	(155)
Interest on negotiable debt instruments	(53)	(53)
Other interest and financial expenses	(93)	(5)
	(769)	(676)
TOTAL INTEREST AND SIMILAR EXPENSES	(815)	(732)

Other interest and similar expenses include the payment of accrued interest (89 million euros) on the competition fine (see Note 16).

Note 8 Exceptional income (loss)

<i>(million euros)</i>	2010	2009
Gain (loss) on the disposal of investments	-	-
Termination of the share liquidity agreement	(1)	(5)
Risk related to performance share allotment plan	(6)	(24)
Risk related to the competition litigation	250	-
Other net exceptional items	(251)	(9)
	(8)	(38)

In 2010, this item includes the payment of the competition fine for 249.6 million euros and the reversal of the corresponding provision. (See Note 16).

Note 9 Income tax

<i>(million euros)</i>	2010	2009
INCOME TAX		
Gain or (loss) from tax group regime	107	127
Income tax, withholding tax, other	(31)	(8)
	76	119

At December 31, 2010, tax loss carry forwards attributable to the Group totaled 1,425 million euros.

Note 10 Intangible assets and property, plant & equipment

The change in intangible assets and property, plant and equipment in the period breaks down as follows:

(million euros)	DECEMBER 31, 2009	INCREASE	DECREASE	DECEMBER 31, 2010
INTANGIBLE ASSETS				
Gross amount	138	25	19	144
Accumulated amortization	(69)	(17)	(17)	(69)
Net amount	69	8	2	75
PROPERTY, PLANT & EQUIPMENT				
Gross amount	68	3	8	63
Accumulated amortization	(31)	(4)	(1)	(34)
Net amount	37	(1)	7	29
TOTAL	106	7	9	104

No impairment is recorded for intangible assets and property, plant and equipment.

Note 11 Financial assets

(million euros)	DECEMBER 31, 2009	INCREASE	DECREASE	DECEMBRE 31, 2010
Investments ⁽¹⁾	24,895	1,255	1,300	24,849
Long-term receivables from investments	1,792	97	282	1,607
Other financial assets				
Other investment securities	10	-	-	10
Security deposit	4	-	-	4
Lafarge S.A. treasury shares ⁽²⁾	0	-	-	-
Other		-	-	-
	14	-	-	14
FINANCIAL ASSETS	26,701	1,352	1,582	26,470

(1) The list of subsidiaries and investments is presented in Note 28 "Investments".

(2) See Note 13 "Lafarge S.A. treasury shares" for more information.

The increase in investments primarily concerns the capitalization of our subsidiary, Lafarge North America Inc. for 1,255 million euros. The capital decrease of Sabelfi SNC for 1,300 million euros explains the decrease.

Long-term receivables comprise short and long-term loans granted to directly or indirectly-held affiliated companies. In 2010, Lafarge Cementos (Spain), Lako Ltd. et Lafarge Vostok repaid their loans which had reached maturity for respectively 231 million euros, 7 million euros and 8 million euros.

Note 12 Marketable securities

(million euros)	DECEMBER 31, 2009	INCREASE	DECREASE	DECEMBER 31, 2010
Lafarge S.A. treasury shares ⁽¹⁾	27	-	1	26
MARKETABLE SECURITIES	27	-	1	26

(1) See Note 13 "Lafarge S.A. treasury shares" for more information.

Note 13 Lafarge S.A. treasury shares

<i>(number of shares)</i>	DECEMBER 31, 2009	INCREASE	DECREASE	RECLASSI- FICATION	DECEMBER 31, 2010
LONG-TERM INVESTMENTS	-	-	-	-	-
Share purchase option plan	-	-	-	-	-
Performance share plans	356,393	-	(16,590)	23,755	363,558
Shares available for allotment	23,755	-	-	(23,755)	-
MARKETABLE SECURITIES	380,148	-	(16,590)	-	363,558

<i>(in million euros)</i>	DECEMBER 31, 2009	INCREASE	DECREASE	RECLASSI- FICATION	DECEMBER 31, 2010
LONG-TERM INVESTMENTS	-	-	-	-	-
Share purchase option plan	-	-	-	-	-
Performance share plans	26	-	(1)	1	26
Shares available for allotment	1	-	-	(1)	-
MARKETABLE SECURITIES	27	-	(1)	-	26

The 363,558 Lafarge S.A. treasury shares earmarked to hedge the share purchase option and performance share plans had a market value of 17 million euros as of December 31, 2010.

Note 14 Translation adjustments and bond redemption premiums

<i>(million euros)</i>	2010	2009
ASSETS		
Bond redemption premiums	58	65
Cumulative translation adjustments	421	492
LIABILITIES		
Cumulative translation adjustments	541	712

Bond redemption premiums total 58 million euros as of December 31, 2010 compared to 65 million euros as of December 31, 2009. The decrease of 7 million euros may be explained by a 13 million euro depreciation and amortization expense and premiums totaling 6 million euros related to the three new bond issues.

Cumulative translation adjustments result from the remeasurement of trade receivables, trade payables, loans and borrowings in local currencies at the end of fiscal year 2010.

Note 15 Net equity

15.1 Share capital

On December 31, 2010, the Company's share capital amounted to 1,145,815,116 euros, divided into 286,453,779 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 (81,193,714), the total number of voting rights attaching to the shares was 367,647,493 at December 31, 2010.

Changes in the share capital during the fiscal year ended December 31, 2010

The Company's share capital at December 31, 2009 amounted to 1,145,813,264 euros, divided into 286,453,316 shares with a nominal value of four euros each. Since December 31, 2009, the Company's share capital has increased by a total of 463 shares as a result of the following:

AMOUNT OF SUBSCRIPTIONS OR DEDUCTIONS (EUROS)

	NUMBER OF SHARES ISSUED	CAPITAL	SHARE PREMIUM	TOTAL
Share subscription options exercised between January 1, 2010 and December 31, 2010	463	1,852	24,539	26,391
TOTAL AT DECEMBER 31, 2010	463	1,852	24,539	26,391

Potential Share capital at December 31, 2010

The number of shares as at December 31, 2010 could be increased by a maximum of 9,099,072 shares in the hypothetical scenario that stock-options granted to employees existing on that date were exercised. 5,870,238 out of these existing stock-options could have been exercised at December 31, 2010. The remaining 3,228,834 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 AS OF DECEMBER 31, 2009 (Before appropriation of 2009 income)	1,146	9,828	817	2,276	254	14,321
Appropriation of 2009 income	-	-	13	(334)	(254)	(575)
Net income for 2010	-	-	-	-	49	49
NET EQUITY AS OF DECEMBER 31, 2010 (Before appropriation of 2010 income)	1,146	9,828	830	1,942	49	13,795

Note 16 Provisions for losses and contingencies

Change in provisions for losses and contingencies break down as follows:

(million euros)	DECEMBER 31, 2009	ADDITION	UTILIZATION	REVERSAL	DECEMBER 31, 2010
Provision related to Competition litigation *	332	6	338	-	-
Provisions for retirement benefit obligations **	51	20	19	-	52
Provision for share-based payment	24	8	1	-	31
Other provisions for losses and contingencies	13	13	5	-	21
PROVISIONS FOR LOSSES AND CONTINGENCIES	420	47	363	-	104
<i>Of which employee expenses</i>		1	1	-	
<i>Of which operating</i>		20	19	-	
<i>Of which financial</i>		6	89	-	
<i>Of which exceptional</i>		7	250	-	
<i>Of which Tax</i>		13	4	-	
		47	363	-	

* On December 3, 2002, the European Commission fined Lafarge 249.6 million euros on the grounds that certain of its subsidiaries had allegedly colluded with competitors in fixing wallboard market shares and prices between 1992 and 1998, mainly in the United Kingdom and Germany. On July 8, 2008, the Court of First Instance confirmed the decision of the European Commission. Lafarge then lodged an appeal before the Court of Justice of the European Commission. On June 17, 2010, the Court of Justice dismissed this appeal. As a result, on July 23, 2010, Lafarge paid the fine and accrued interest totaling 338 million euros.

** See Note 17 "Retirement benefit obligations" for more information.

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 6 December 2010, the Commission notified the parties of the opening of an official

investigation, while reminding them that at that stage, it did not have conclusive evidence. The alleged offences, which will be the subject of the detailed investigation, involve restrictions of commercial trade in or upon entry to the EEA, market sharing, and coordination of prices

on the cement and related markets. In the case of Lafarge, six (6) countries are quoted: France, the United Kingdom, Germany, Spain, the Czech Republic and Austria. The Commission's investigation is

ongoing. The date of its closure is unknown. No conclusion can be drawn at this stage.

Note 17 Retirement benefit obligations

Lafarge S.A.'s pension obligation comprises supplementary pension regimes and end-of-service 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 2010 against 12 million euros in

2009. 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 regimes and end-of service benefits were valued using the projected unit credit method.

The main assumptions underlying these valuations are outlined below:

<i>(million euros, unless otherwise indicated)</i>	2010	2009
Discount rate	4.00 - 4.75%	5.00 - 5.25%
Wage increase	2 à 5.5%	2 à 5.5%
Long-term return expected on pension fund assets	-	-
Discounted value of the obligation	153	128
Fair value of pension fund assets	-	-
Actuarial gains/losses and impact of plan modifications not recognized	(101)	(77)
PROVISION FOR RETIREMENT BENEFIT OBLIGATIONS	52	51

Note 18 Financial debt

18.1 Financial debt by nature

<i>(million euros)</i>	AMOUNT OUTSTANDING AT DECEMBER 31, 2009	INCREASE	DECREASE	OTHER MOVEMENTS *	AMOUNT OUTSTANDING AT DECEMBER 31, 2010
BOND ISSUES					
Bond issues (excluding accrued interest)	9,014	1,912	-	140	11,066
Accrued interest on bond issues	241	281	241	-	281
	9,255	2,193	241	140	11,347
BANK BORROWINGS	1,168	55	17	-	1,206
OTHER FINANCIAL DEBT					
Other loans and commercial paper	2,057	13	709	-	1,361
Long-term payables from investments	341	58	10	10	399
	2,398	71	719	10	1,760
TOTAL FINANCIAL DEBT	12,821	2,319	977	150	14,313

* Of which translation adjustments.

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.

18.2 Bond issues

(million euros)	CURRENCY	INITIAL AMOUNT	RATE	MATURITY	AMOUNT OUTSTANDING AT DECEMBER 31, 2010	AMOUNT OUTSTANDING AT DECEMBER 31, 2009
2001 bond	GBP	538	6.875%	11 years	407	394
2002 bond	GBP	307	6.625%	15 years	232	225
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	417
2006 bond	USD	444	7.125%	30 years	449	417
2006 bond	USD	592	6.500%	10 years	599	555
2007 bond	EUR	500	5.375%	10 years	500	500
2008 bond	EUR	750	5.750%	3 years	750	750
2008 bond	EUR	750	6.125%	7 years	750	750
2009 bond	EUR	1,000	7.625%	5 years	1,000	1,000
2009 bond	GBP	411	8.750%	8 years	406	394
2009 bond	EUR	750	5.500%	10 years	750	750
2009 bond	EUR	750	7.625%	7 years	750	750
2010 bond	USD	412	5.500%	5 years	412	-
2010 bond	EUR	500	5.000%	8 years	500	-
2010 bond	EUR	1,000	5.375%	8 years	1,000	-
					11,066	9,014
Accrued interest on bond issues					281	241
BOND ISSUES					11,347	9,255

18.3 Bank borrowings

As of December 31, 2010, bank borrowings amount to 1,206 million euros and include draw-downs of 768 million euros, maturity 2012, on the credit facility set-up to finance the OBMHE acquisition.

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, 2010, most forward exchange contracts had a maturity date of less than one year.

The nominal and fair values of derivatives at the balance sheet date were as follows:

(million euros)	AT DECEMBER 31, 2010		AT DECEMBER 31, 2009	
	NOTIONAL	FAIR VALUE *	NOTIONAL	FAIR VALUE *
FORWARD PURCHASES AND CURRENCY SWAPS				
US dollar (USD)	205	1	162	3
British pound (GBP)	887	(16)	402	4
Other currencies	79	1	86	-
	1,171	(14)	650	7
FORWARD SALES AND CURRENCY SWAPS				
US dollar (USD)	699	6	947	(20)
British pound (GBP)	44	1	7	-
Other currencies	131	(1)	157	(3)
	874	6	1,111	(23)

* 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 balance sheet date were as follows:

AT DECEMBER 31, 2010		NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE *								FAIR VALUE **
(million euros, unless otherwise indicated)	AVERAGE INTEREST RATE	2011	2012	2013	2014	2015	> 5 YEARS	TOTAL		
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	-	-	-	-	-	-	-	-	-	
AT DECEMBER 31, 2009		NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE *								FAIR VALUE **
(million euros, unless otherwise indicated)	AVERAGE INTEREST RATE	2010	2011	2012	2013	2014	> 5 YEARS	TOTAL		
INTEREST RATE SWAP										
Fixed-rate payer	4.5%	-	-	70	58	42	-	170	(11)	
Fixed-rate receiver	-	-	-	-	-	-	-	-	-	
Other interest-rate derivatives	9.7%	10	-	-	-	-	-	10	1	

* 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 1,697 million euros include financial guarantees given for 1,637 million euros and vendor warranties given in connection with asset sales for 60 million euros. As of December 31, 2010, there are no securities or assets pledged.

Note 21 Maturity of receivables and liabilities at the balance sheets date

	NET AMOUNT AT DECEMBER 31, 2010	FALLING DUE IN		
		LESS THAN ONE YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
RECEIVABLES				
NON-CURRENT RECEIVABLES				
Long-term receivables from investments	1,607	488	670	449
Other financial assets	14	-	-	14
	1,621	488	670	463
Current receivables				
Loans and current accounts granted to subsidiaries	3,455	3,455	-	-
Other	53	53	-	-
	3,508	3,508	-	-
	5,129	3,996	670	463
LIABILITIES				
Financial Debt				
Bond issues	11,347	1,480	3,680	6,187
Bank borrowings	1,206	57	1,149	-
Negotiable debt instruments	1,361	-	961	400
Long-term payables owed to investments	399	399	-	-
	14,313	1,936	5,790	6,587
TAX AND EMPLOYEE-RELATED LIABILITIES	48	48	-	-
OTHER LIABILITIES				
Borrowings and current accounts received from Group companies	2,955	2,955	-	-
Other	134	134	-	-
	3,089	3,089	-	-
	17,450	5,073	5,790	6,587

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 L144-6-1 of the French Commercial Code.

The 134 million euros of other liabilities include trade payables for an amount of 26.1 million euros as of December 31, 2010 (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 31,2010
Trade payables (including debt to suppliers of fixed assets)	0.0	4.0	18.5	3.6	26.1
(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 31,2009
Trade payables (including debt to suppliers of fixed assets)	0.2	3.7	8.6	0.0	12.5

Note 22 Related parties

<i>(million euros)</i>	NET AMOUNT	OF WHICH RELATED PARTIES	OF WHICH OTHER INVESTMENTS
FINANCIAL ASSETS			
Investments	24,849	24,849	
Long-term receivables from investments	1,607	1,607	
FINANCIAL DEBT			
Other loans and commercial paper	1,760	399	
OTHER RECEIVABLES			
Loans and current accounts	3,455	3,452	3
Other receivables	53	23	
OTHER LIABILITIES			
Borrowings and current accounts	2,955	2,954	1
Other	134	65	
NET INCOME FROM INVESTMENTS	791	791	
INTEREST AND SIMILAR INCOME	51	38	
INTEREST AND SIMILAR EXPENSES	(815)	(46)	

Pursuant to new 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 transaction covered by these regulations during 2010.

Note 23 Compensation of the Board of Directors and Executive Management

<i>(million euros)</i>	2010	2009
Board of Directors	0.61	0.61
Executive Management *	10.01	7.89

* Executive Management comprises 10 members, including the Chief Executive Officer as of December 31.

Note 24 Average number of employees during the year

	2010	2009
Management	356	338
Supervisors and technicians	124	121
Other employees	22	11
TOTAL EMPLOYEES	502	470

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, 2010. Rights acquired at year-end 2010 are estimated at 35,436 hours.

Note 26 Deferred tax position - tax base (holding company only)

<i>(million euros)</i>	2010	2009
DEFERRED TAX LIABILITIES		
Tax-driven provisions	2	2
Capital gains rolled over - Long-term	1,764	1,764
DEFERRED TAX ASSETS		
Provision for pensions	52	51
Other provisions	4	7
Temporarily non-deductible expenses	26	42
TAX LOSSES CARRIED FORWARD		
Tax group losses	1,425	921
Revaluation account (1976) - tax free	88	88

Note 27 Subsequent events

There are no subsequent events to report.

Note 28 Investments

Subsidiaries and investments at December 31, 2010

(in million of currency unit)	CURRENCY	COMMON STOCK ^(A)	RESERVES AND RETAINED EARNINGS ^{(A) (B)}	SHARE OF CAPITAL HELD %	BOOK VALUE OF SHARES HELD ^(C)		LOANS AND ADVANCES GRANTED AND NOT REPAYED ^(C)	GUARANTEES & ENDORSEMENTS 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)
					GROSS	NET					

A. DETAILED INFORMATION ON SUBSIDIARIES (1) AND INVESTMENTS (2) ET (3) BELOW

1. SUBSIDIARIES (OVER 50% OF CAPITAL HELD BY THE COMPANY)

Sofimo	EUR	1,041	16,711	100.00	16,469	16,469	1,939	-	-	535	344
Lafarge Ciments *	EUR	135	219	99.99	162	162	131	-	484	25	38
Lafarge Ciments Distribution *	EUR	17	18	99.99	45	45	-	-	783	121	143
Lafarge Gypsum International *	EUR	798	45	99.99	934	934	224	-	-	31	-
Sabelfi	EUR	3,273	-	99.99	3,280	3,280	-	-	-	139	126
Cimento Portland Lacim	BRL	1,312	36	56.43	341	341	23	-	775	97	41
Lafarge North America Inc.	USD		5,318	80.43	3,565	3,565	542	-	4,389	(39)	-

2. INVESTMENTS (10 TO 50% OF CAPITAL HELD BY THE COMPANY)

Ciments du Cameroun	CFA	5,600	16,663	43.65	15	15	-	-	93,338	8,098	3
Lafarge Zement GmbH	EUR	26	34	10.00	29	25	-	-	-	19	-

3. INVESTMENTS (LESS THAN 10% OF CAPITAL HELD BY THE COMPANY)

B. GENERAL INFORMATION CONCERNING OTHER SUBSIDIARIES AND INVESTMENTS

1. SUBSIDIARIES NOT INCLUDED UNDER A.1)

French subsidiaries (total)					8	8	-				6
Foreign subsidiaries (total)					5	5	-				-

2. INVESTMENTS NOT INCLUDED UNDER A.2) AND A.3)

French (total)					-	-	-				-
Foreign (total)					1	-	-				-
TOTAL					24,854	24,849	2,859				701

(A) In local currency for foreign subsidiaries.

(B) Before appropriation of net income and interim dividend.

(C) In million euros.

* The value of these investments includes the 1976 revaluation of Lafarge Ciments for 67 million euros, of Lafarge Ciments Distribution for 18 million euros and of Lafarge Gypsum Int for 2 million euros.

Change in the financial income of the company during the last five years (articles R225-81, R225-83, R225-102 of the French Commercial Code)

	2010	2009	2008	2007	2006
1. CAPITAL STOCK					
Capital stock <i>(in euros)</i>	1,145,815,116	1,145,813,264	780,946,136	690,258,300	706,500,568
Number of existing shares of common stock	286,453,779	286,453,316	195,236,534	172,564,575	176,625,142
Maximum number of future shares to be created	9,099,072	8,060,756	7,033,553	6,502,420	6,957,586
through conversion of bonds					
through exercise of stock-options	9,099,072	8,060,756	7,033,553	6,502,420	6,957,586
2. TRANSACTIONS FOR THE YEAR <i>(in thousands of euros)</i>					
a) Gross sales revenues ⁽¹⁾	1,322,722	1,625,520	1,878,341	1,634,956	1,232,191
b) Income before taxes, profit-sharing and amortization, depreciation and provisions	(320,834)	213,495	709,856	492,565	2,055,625
c) Income taxes	76,060	118,439	151,900	159,648	152,584
d) Employee profit-sharing owed for the year					
e) Income after taxes, profit sharing and amortization, depreciation and provisions	49,032	254,309	780,352	668,817	2,129,712
f) Income distributed	287,940	575,207	392,654	784,026	521,087
including 10% increase ⁽²⁾	1,849	3,028	2,942	5,524	3,872
Earnings per share <i>(in euros)</i>					
a) Income after taxes, employee profit-sharing but before amortization, depreciation and provisions	(0.85)	1.16	4.41	3.78	12.50
b) Income after taxes, employee profit-sharing and amortization, depreciation and provisions	0.17	0.89	4.00	3.88	12.06
c) Net dividend	1.000	2.000	2.000	4.000	3.000
Net loyalty dividend	1.100	2.200	2.200	4.400	3.300
3. PERSONNEL					
Number of employees at December 31	510	485	448	435	447
Payroll <i>(in thousands of euros)</i> ⁽³⁾	92,799	78,315	87,421	91,934	87,679
Social benefits <i>(in thousands of euros)</i> ⁽⁴⁾	48,098	35,088	33,261	37,383	34,715
Bonuses and profit-sharing paid <i>(in thousands of euros)</i>	2,142	1,592	3,382	2,806	1,903

(1) Gross sales revenues represent the revenues from ordinary activities, which include the sold production (services) and finance 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; 1,385,570 in 2006.

(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 costs for impatriates, etc.



CONSOLIDATED STATEMENTS

Special Report of the Statutory Auditors on Related-Party Agreements and Commitments

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.

I Year ended December 31, 2010

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 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 as of 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 joint venture. 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 joint venture and (ii) stipulate that these steps will be implemented without any prejudice to the rights and claims of each party to the Agreement, which are preserved and maintained.

Agreements and commitments already approved by the General Meeting of Shareholders

Agreements and commitments approved in prior years

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

Mr. Michel Pébereau and Ms. Hélène Ploix.

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 2010 in respect of this agreement totaled €12,225.

b. Loan of €2.4 billion 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 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. Under this agreement, the costs relating to the set-up of this line of credit correspond to the €13.8 million in commissions paid by your company to BNP Paribas in 2007.

As a result of this commitment, a €78 million debt payable to BNP Paribas was recorded in your company's balance sheet as at December 31, 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 2010, the total amount of contributions (allocated to retirement capital, expenses and other taxes) paid by your company in respect of the three current contracts with Cardif Assurances amounted to €16.1 million for the financial year ended December 31, 2010.

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 2010 in respect of this agreement totaled €7.5 million.

2. With Mr. Bruno Lafont

a. 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 which is not yet in force.

b. Amendment to Mr. Bruno Lafont's suspended employment contract and severance indemnity

At its meeting on May 7, 2008, the Board of Directors authorized an amendment to Mr. Bruno Lafont's employment contract, whereby he would undertake to remain in the company until June 30, 2011. At its meeting on February 19, 2009, and in addition to the decisions made at its meeting on May 7, 2008, 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 governing the guarantee to maintain the employment contract until June 30, 2011, (ii) 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 (iii) 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). This agreement is not yet in force.

Neuilly-sur-Seine and Paris-La Défense, February 28, 2011

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIÉS

Frédéric Gourd

Pascal Pincemin

ERNST & YOUNG Audit

Christian Mouillon

Nicolas Macé



CONSOLIDATED STATEMENTS

AMF Cross-reference table

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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 Annual Report.

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The introduction of Chapter 5 and Sections 2.2, 5.1, 5.2, 5.4, 8.5.5 and 9.1 of this Annual Report constitute the Chairman's report provided for by article L. 225-37 of the Commercial Code regarding the terms of preparation and organization of the Board of Directors, the rules set for remuneration and benefits granted to senior management and the internal control procedures implemented by the Company.

The Group management report for the purposes of the Commercial Code is comprised of (i) the information presented in this Annual Report under Chapters 1 to 6 and 8, (ii) the data on health and safety, environment and employees contained in Chapter 7 and in our Sustainable Development Report, (iii)

comments on the statutory accounts of Lafarge S.A. set out in page F74 and (iv) note 21 (Maturity of receivable and liabilities at the balance sheet dates) to the statutory accounts of Lafarge S.A. page F89.

In accordance with article 28 of Commission rule (EC) n° 809/2004, the following information has been incorporated for reference in this *Document de Référence*:

- 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 F-3 to F-78 of the 2009 *Document de Référence* filed with the Autorité des marchés financiers on March 10, 2010 under number D.10.0104;

- consolidated financial statements for the financial year ending December 31, 2008, including the notes to the financial statements and the reports of the statutory auditors, set out on pages F-3 to F-86 of the 2008 *Document de Référence* filed with the Autorité des marchés financiers on March 26, 2009 under number D.09.0122.

The sections of the *Document de Référence* 2009 and 2008 which have not been incorporated by reference are either not significant for the investor or already covered in another section of the present *Document de Référence*.

Glossary

In this document, the following terms have the meanings indicated below:

"ANNUAL REPORT" and "REGISTRATION DOCUMENT": 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.

"DIVISION": one of our three businesses: Cement, Aggregates & Concrete, and Gypsum. Each Division, as well as our "Other activities" and our holdings, constitutes a business segment for the purpose of reporting our results of operations.

"BUSINESS UNIT": a management organization for one of our three businesses in one designated geographic area, generally one country.

"EMERGING MARKETS" or "GROWING MARKETS": all 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.

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.

www.lafarge.com



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