



# Press release

Paris, July 28, 2011

NYSE Euronext Paris: LG

RESULTS AS OF JUNE 30, 2011

## STRONG CEMENT VOLUME GROWTH IN THE SECOND QUARTER AND FIRST-HALF

### HIGH COST INFLATION ENVIRONMENT

### GROUP POSITIONED FOR SUBSTANTIAL DELEVERAGING IN 2011

#### SECOND-QUARTER KEY FIGURES

<ul style="list-style-type: none"> <li>▪ Sales stable at € 4,416m</li> <li>▪ Current operating income down 16% to € 702m</li> </ul>	<ul style="list-style-type: none"> <li>▪ Net income group share down 12% to € 289m</li> <li>▪ Net earnings per share down 12% to € 1.01 per share</li> </ul>
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#### YEAR-TO-DATE KEY FIGURES

<ul style="list-style-type: none"> <li>▪ Sales up 3% to € 7,973m</li> <li>▪ Current operating income down 14% to € 926m</li> </ul>	<ul style="list-style-type: none"> <li>▪ Net income group share down 34% to € 260m<sup>(1)</sup></li> <li>▪ Net earnings per share down 34% to € 0.91<sup>(1)</sup></li> </ul> <p><small><sup>(1)</sup> Comparison is impacted by Cimpor gain of € 160m in 2010, representing €0.56 per share.</small></p>
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#### GROUP HIGHLIGHTS

- Sales increased on a like for like basis in all product lines for both the quarter and first-half, thanks to strong volume growth driven by continued strength in emerging markets.
- Cement prices moved progressively higher from the fourth quarter 2010 to second quarter 2011, but were slightly down compared to the first-half last year.
- Cost inflation and foreign exchange lowered overall results and is expected to impact earnings growth for the full year. The Group achieved €50 million of structural cost savings in the quarter and €100 million year-to-date, on pace with the €200 million full-year target.
- The Group announced a project to sell its European and South American Gypsum operations to Etex Group for an enterprise value of one billion euros while also maintaining a stake of 20% in the new entity.
- In addition to the significant divestment to Etex, the Group has secured €700 million out of the €750 million divestments targeted for 2011 and is on track to achieve at least €2 billion of debt reduction in 2011.

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

*"While I am encouraged by the return to cement volume growth for the last several quarters, the impact of high inflation and a slow recovery of mature markets weighed on the cement sector. The Group is focused on its priorities, including price actions in response to a high cost environment and strategic moves with its asset portfolio, to support profitability and reduce debt by at least two billion euros this year. The business will continue to benefit from volume growth thanks to our continued development in emerging markets."*



## OUTLOOK

Overall the Group continues to see cement demand moving higher and estimates market growth of between 2 to 5 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.

Overall pricing is expected to be stable to slightly higher for the year in the context of a high cost inflation environment.

## CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors of Lafarge, chaired by Bruno Lafont, met on July 27, 2011 and approved the accounts for the period ended June 30, 2011. Further to their limited review of the interim condensed consolidated financial statements of Lafarge, the auditors have established a report which is included in the half-year financial report.

(€m)	SECOND QUARTER				FIRST-HALF			
	2010	2011	Variation		2010	2011	Variation	
			Gross	Like for like			Gross	Like for like
Sales	4,436	4,416	0%	2%	7,712	7,973	3%	3%
EBITDA <sup>(1)</sup>	1,134	971	-14%	-13%	1,650	1,485	-10%	-10%
Current operating income	836	702	-16%	-16%	1,072	926	-14%	-15%
Operating margin (%)	18.8%	15.9%	-290bps		13.9%	11.6%	-230bps	
Net income Group share <sup>(2)</sup>	329	289	-12%		393	260	-34%	
Earnings per share (€) <sup>(3)</sup>	€1.15	€1.01	-12%		€1.37	€0.91	-34%	
Free cash flow	577	159	-72%		491	(163)	nm	
Group net debt					15,160	14,260	-6%	

<sup>(1)</sup> EBITDA is defined as the current operating income before depreciation and amortization on tangible and intangible assets and is a non-GAAP financial measure.

<sup>(2)</sup> Net income group share for the first-half of 2010 includes a one-time € 160 million net capital gain on the disposal of the Cimpor investment.

<sup>(3)</sup> Basic average number of shares outstanding of 286 million in both the quarter and first-half 2010 and 2011. Earnings per share for the first-half 2010 includes a one-time €0.56 per share capital gain on the disposal of the Cimpor investment.



### CURRENT OPERATING INCOME

(€m)	SECOND QUARTER			FIRST-HALF		
	2010	2011	Variation	2010	2011	Variation
Cement	726	621	-14%	1,025	891	-13%
Aggregates & Concrete	95	87	-8%	23	29	26%
Gypsum	24	23	-4%	34	41	21%
Other	(9)	(29)	nm	(10)	(35)	nm
<b>TOTAL</b>	<b>836</b>	<b>702</b>	<b>-16%</b>	<b>1,072</b>	<b>926</b>	<b>-14%</b>

### HIGHLIGHTS BY BUSINESS

#### CEMENT

- Sales were stable in the quarter (up 3% like for like) and up 3% in the first-half (up 3% like for like), reflecting volume improvements in emerging markets and new capacities acquired in Brazil, offset by the negative impact of foreign exchange.
- Volumes increased 9% in the quarter (up 6% like for like) and 8% in the first-half (up 5% like for like), with growth driven by the Middle East Africa region and other emerging markets.
- Pricing was below first half 2010 levels, but progressively moved higher compared to fourth quarter 2010.
- Despite the Group's cost reduction program, higher cost inflation and foreign exchange put pressure on results and margins.

#### AGGREGATES & CONCRETE

- Sales moved down 2% in the quarter (up 1% like for like) but were up 3% in the first-half (up 4% like for like) as higher pricing was offset by foreign exchange in the second quarter.
- Current operating income declined in the quarter compared to last year as better pricing and significant cost saving measures could not compensate for lower volumes and higher cost inflation.

#### GYPSUM

- Sales were up 2% in the quarter and up 5% in the first-half due to volume growth.
- Current operating income moved higher in the first-half as market activity improved and strong cost reduction mitigated the impact of cost inflation.

### INVESTMENTS, DIVESTMENTS AND LIQUIDITY

- Investments totaled €587 million in the first-half, compared to €718 million in 2010.
  - Sustaining capital expenditures increased from €116 million in 2010 to €130 million in 2011.
  - Internal development capital expenditures declined from €550 million in 2010 to €368 million in 2011.
  - Acquisitions were €89 million in the first-half of 2011 excluding a €51 million third-party put, already recorded as debt, that was exercised in the first quarter.
- The Group increased its estimated capital spending for 2011 from €1 billion to €1.2 billion for productivity and development needs.
- Lafarge received €106 million in cash for divestments in the first-half.
- As of June 30, 2011, the Group had €4 billion in committed credit lines, of which only €0.5 billion was drawn, with an average maturity of around 3 years in addition to €2 billion of cash on hand. There are no financial covenants on debt at the Lafarge SA level.



## ADDITIONAL INFORMATION

### Practical information:

There will be an analyst conference call at 9:00 CET, on July 28, 2011 hosted by Jean-Jacques Gauthier, Chief Financial Officer. The presentation will be made in English with slides that can be downloaded from the Lafarge website ([www.lafarge.com](http://www.lafarge.com)).

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

- Dial in (France): +33 (0)1 70 99 42 85
- Dial in (UK or International): +44 (0)20 7136 2056
- Dial in (US): +1 212 444 0895

Please note that in addition to the web cast replay, a conference call playback will be available until the 6<sup>th</sup> of August 2011 midnight at the following numbers:

- France playback number: +33 (0)1 74 20 28 00 (pin code: 4591488#)
- UK or International playback number: +44 (0)20 7111 1244 (pin code: 4591488#)
- US playback number: +1 347 366 9565 (code: 4591488#)

**Lafarge's next financial publication – 3<sup>rd</sup> Quarter 2011 results – will be on November 4, 2011 (before the NYSE Euronext Paris stock market opens).**

### NOTES TO EDITORS

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

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

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

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

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

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

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