Nine Month Financial Report at September 30, 2011

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The Board of Directors of Lafarge, chaired by Bruno Lafont, met on November 3, 2011 and approved the accounts at September 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 nine month financial report.

This interim management report should be read in conjunction with the interim condensed consolidated financial statements (including note 9 "Transactions with related parties") and the company's Annual Report (Registration Document) for the fiscal year 2010 filed with the Autorité des Marchés Financiers on March 22, 2011 under number D.11.0163. 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. A detailed description of these risk factors and uncertainties is included in chapter 2 "Risk factors" of the company's Annual Report. The materialization of these risks could have a material adverse effect on our operations, our financial condition, our results, our prospects or our share price, particularly during the remaining three months of the fiscal year. There may be other risks that have not yet been identified or whose occurrence is not considered likely to have such a material adverse effect as of the date hereof.

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

Hereinafter, and in our other shareholder and investor communications, "current operating income" refers to the subtotal "operating income before capital gains, impairment, restructuring and other" on the face of the Group's consolidated statement of income. This measure excludes from our operating results those elements 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 future periods. The Group believes that the subtotal "current operating income" 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, current operating income 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 averaged 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 the use of this measure 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.

1.1. Consolidated key figures

Sales

(million euros)	9 months 2011	9 months 2010	% Variance	3rd quarter 2011	3rd quarter 2010	% Variance
By geographic area of destination						
Western Europe	2,723	2,786	-2%	885	965	-8%
North America	2,309	2,361	-2%	1,073	1,069	-
Middle East and Africa	2,909	2,957	-2%	968	987	-2%
Central and Eastern Europe	910	719	27%	408	349	17%
Latin America	771	588	31%	274	235	17%
Asia	1,849	1,791	3%	603	556	8%
By business line						
Cement	7,486	7,303	3%	2,664	2,629	1%
Aggregates & Concrete	3,921	3,829	2%	1,525	1,509	1%
Other	64	70	nm(1)	22	23	nm(1)
TOTAL	***11,471***	***11,202***	***2%***	***4,211***	***4,161***	***1%***

(1) Not meaningful

Current operating income

(million euros)	9 months 2011	9 months 2010	% Variance	3rd quarter 2011	3rd quarter 2010	% Variance
By geographic area of destination						
Western Europe	372	387	-4%	138	136	1%
North America	109	129	-16%	172	181	-5%
Middle East and Africa	635	763	-17%	214	267	-20%
Central and Eastern Europe	205	182	13%	127	118	8%
Latin America	155	147	5%	57	63	-10%
Asia	165	263	-37%	42	63	-33%
By business line						
Cement	1,507	1,727	-13%	616	702	-12%
Aggregates & Concrete	165	163	1%	136	140	-3%
Other	(31)	(19)	nm(1)	(2)	(14)	nm(1)
TOTAL	***1,641***	***1,871***	***-12%***	***750***	***828***	***-9%***

(1) Not meaningful

Other key figures

(million euros, except per share data)	9 months 2011	9 months 2010	% Variance	3rd quarter 2011	3rd quarter 2010	% Variance
Net income – Group share	596	765	-22%	336	372	-10%
Earnings per share (in euros) (1)	2.08	2.67	-22%	1.17	1.30	-10%
Free Cash Flow (2)	507	935 (3)	-46%	640	452 (3)	42%
Net Debt	14,262	14,660	-3%			

(1) Basic average number of shares outstanding of 286.1 million and 286.3 million year-to-date 2010 and 2011, respectively, and 286.1 million and 286.8 million for the third quarter 2010 and 2011
(2) Defined as the net cash generated or used by continuing operating activities less sustaining capital expenditures
(3) Including a €338m one-time payment for the Gypsum competition fine paid in the third quarter 2010

1.2. Review of operations and financial results (unaudited)

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

Group highlights for the first nine months of 2011

- Sales increased for both the quarter and year-to-date thanks to the strength of volume growth in emerging markets.
- Cement prices have moved up from year-end, although average year-to-date pricing was slightly lower than last year.
- Cost inflation and foreign exchange lowered overall results. The Group achieved 50 million euros of structural cost savings in the quarter and 150 million euros year-to-date, on pace with the 200 million euros full-year target.
- The Group made the strategic decision to divest its Gypsum activities. In total, the Group has secured over 2 billion euros of divestment proceeds for 2011 for debt reduction.
- The Group is launching a new cost savings program of 500 million euros for 2012 and plans to realize most of these savings next year.

Overview of operations: sales and current operating income

Consolidated sales and current operating income

Compared to 2010, consolidated sales for the first nine months of 2011 increased by 2.4% to 11,471 million euros, and were up 1.2% at 4,211 million euros in the third quarter. Net changes in the scope of consolidation had a positive impact on our sales of 1.8% year-to-date (0.4% in the quarter), reflecting the consolidation of our new cement Brazilian assets from July 2010 and the impact of our new cement plant in Syria. Currency fluctuations were unfavorable (-3.3% year-to-date and -5.0% in the third quarter), driven by the depreciation of the Egyptian pound and most currencies in Middle East and Africa, along with the depreciation of the US dollar and Indian rupee.

At constant scope and exchange rates, consolidated sales increased 3.9% year-to-date and 5.8% in the third quarter, helped by strong volume increases in most emerging markets while volumes in mature markets showed mixed trends. Western Europe benefited from Northern Europe rising volumes but was negatively impacted by the tougher economic environment in Greece and Spain. In North America, the subdued economic recovery for construction activity and the wet summer softened the positive trends experienced in the first part of the year.

Year-to-date, the current operating income decreased by 12% (-9% in the third quarter). Net changes in the scope of consolidation were positive, benefiting from the effect of the new cement capacities and with the stopping of depreciation of the UK assets as of March 1st 2011 due to their scheduled contribution to the joint-venture with Tarmac UK (36 million euros[1], see Note 3.1.2 to the interim condensed consolidated financial statements), but they were more than offset by adverse currency fluctuations.
At constant scope and exchange rates, current operating income decreased 12% (-7% in the third quarter), as the impact of improved volumes and cost containment measures only partially offset the impact of higher cost inflation.

Our Cement division benefited from higher volumes, with solid volume growth in most emerging markets while mature markets experienced contrasted trends, but rising costs lowered our earnings. Cement prices moved marginally higher compared to the third quarter 2010 and were slightly down year-to-date.
Our Aggregates and Concrete division benefited from growth in France, in the United Kingdom, in Central and Eastern Europe and in Canada, while trends were contrasted in the other regions. Solid prices overall and strong cost cutting helped to partially offset cost inflation.

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[1] *Impact of 22 million euros for cement and 14 million euros for A&C*

Sales and Current operating income by segment

Individual segment sales information is discussed below before elimination of interdivisional sales.

Cement

(million euros)	9 months				3rd quarter			
	2011	2010	% Variation	% Change at constant scope and exchange rates	2011	2010	% Variation	% Change at constant scope and exchange rates
Sales before elimination of interdivisional sales	7,960	7,766	2%	3%	2,826	2,803	1%	5%
Current operating income	1,507	1,727	-13%	-12%	616	702	-12%	-9%

Sales were up 2% year-to-date, driven by solid market trends in most emerging markets but Egypt, while mature markets experienced contrasted trends, with subdued volume growth in Northern Europe and North America while Greece and Spain continued to be affected by the difficult economic environment.

Sales benefited from our new capacities in Syria and Brazil but were negatively impacted by currency fluctuations (-4% year-to-date, -5% on the third quarter sales). At constant scope and exchange rates, sales increased 3% year-to-date and 5% in the third quarter.

At constant scope and foreign exchange rates, current operating income decreased 12% (-9% in the third quarter), as the impact of volume increases only partially mitigated higher cost inflation and lower average prices versus the first nine months of the year 2010. However, prices moved slightly higher in the third quarter compared to the same quarter last year.

WESTERN EUROPE

Sales: ***€ 1,415 million at end of September 2011 (€ 1,466 million in 2010)***
€ 470 million in the third quarter of 2011 (€ 498 million in 2010)

Current operating income: ***€ 343 million at end of September 2011 (€ 357 million in 2010)***
€ 125 million in the third quarter of 2011 (€ 134 million in 2010)

At constant scope and exchange rates, domestic sales decreased 3% in the first nine months (-4% in the third quarter). The region benefited from positive volume trends in the UK and in France, partly due to some carry-over work from the fourth quarter last year when weather was poor and despite some labor disruptions in France in June. By contrast, Spain and Greece continued to be affected by the difficult environment and lowered the region sales. The current operating income decreased 10% in the first nine months (14% in the third quarter) due to cost inflation, lower prices and the impact of the low level of activity in Greece and Spain, partly mitigated by cost control measures and higher carbon credit sales (incrementally 27 million euros higher compared with the first nine months 2010).

NORTH AMERICA

Sales: ***€ 967 million at end of September 2011 (€ 1,009 million in 2010)***
€ 428 million in the third quarter of 2011 (€ 439 million in 2010)

Current operating income: ***€ 36 million at end of September 2011 (€ 66 million in 2010)***
€ 67 million in the third quarter of 2011 (€ 81 million in 2010)

At constant scope and exchange rates, domestic sales were flat versus the first nine months of 2010 (+3% in the third quarter), with a slow economic recovery in the region that is keeping the construction market at low levels. Domestic shipments were flat year to date (+2% in the third quarter), with a decrease of 1% in the United States, while in Canada domestic shipments increased 4%, helped by project work and continuing demand in the oil sector. Average prices were below the first nine months of 2010 levels mostly due to declines that occurred in the second half of 2010 in the United States, while prices in Canada were solid overall. Despite cost-containment, the impact of these lower prices combined with higher variable costs resulted in a lower current operating income.

EMERGING MARKETS

Sales:	***€ 5,578 million at end of September 2011 (€ 5,291 million in 2010)*** ***€ 1,928 million in the third quarter of 2011 (€ 1,866 million in 2010)***
Current operating income:	***€ 1,128 million at end of September 2011 (€ 1,304 million in 2010)*** ***€ 424 million in the third quarter of 2011 (€ 487 million in 2010)***

In the Middle East and Africa region, domestic sales at constant scope and exchange rates increased 3% (+1% in the third quarter), benefiting from solid market trends in most countries. The major exception was Egypt, where our domestic volumes were down 16% year-to-date, as the impact of a lower demand in the current environment was amplified by a challenging competitive environment. Jordan also continued to be affected by new capacities, and significant cost reduction actions were taken, including temporary kiln shutdowns.

Elsewhere, we experienced higher sales. In Algeria, we were able to increase our production levels and our domestic volumes grew 20% year-to-date. In Nigeria, our domestic volumes increased 29% year-to-date on the back of strong market trends and with the start-up of our new line in September 2011. In Iraq, our domestic sales increased 5% year-to-date, with a slower market in the third quarter due to very high temperatures, while in South Africa, they were up 5%, helped by positive prices. Additionally, the new line started last year in Uganda and our new plant in Syria allowed us to further capture market growth opportunities.
Prices move up from 2010 year-end levels but were still lower than the first nine months 2010 levels. At constant scope and exchange rates, the current operating income decreased 8% year-to-date, and 12% in the third quarter, hindered by the specific situation in Egypt and cost inflation. Current operating income was also negatively impacted by the depreciation of the Egyptian pound and most of the other currencies of this region.

In Central and Eastern Europe, sales at constant scope and exchange rates increased 19% year-to-date (+16% in the third quarter), bolstered by strong volume increases in most markets. Poland domestic volumes increased 24% year-to-date, helped by the European Union funding for infrastructure projects and the structural deficit in housing. In Russia, domestic volumes grew 9% due to improved economic environment and pre-election construction spending. Romania experienced a 3% domestic sales increase. Prices improved overall, notably in Russia. The current operating income grew 12% at constant scope and exchange rates (+14% in the third quarter), as higher volumes and prices successfully more than offset cost inflation. Carbon credit sales were stable year-to-date.

In Latin America, positive market trends and well-oriented prices drove the 10% sales increase at constant scope and exchanges rates (8% in the third quarter). The region continued to benefit from the contribution of our new assets in north-east Brazil, even if some production issues at one plant lowered the expected incremental contribution. At constant scope and exchange rates, current operating income decreased 5% both year-to-date and in the quarter, as higher sales and cost cutting measures only partially offset significantly higher variable costs.

In Asia, sales were up 5% (+11% in the third quarter) at constant scope and exchange rates while current operating income decreased 35% (-26% in the third quarter) due to higher cost inflation, particularly fuel costs, compounded by lower prices. While down compared to the average levels of the first nine months of 2010, pricing was flat versus the fourth quarter 2010 levels, and the seasonal effect due to monsoon was lower than last year.
In China, our domestic volumes were up 23% year-to-date, on the back of strong demand and the stabilization of our new plants that started at the end of 2010 and fully offset the higher coal costs. Prices moved up versus the year-end 2010 levels. Malaysia benefited from solid market trends almost offsetting the strong rise in input costs. In the Philippines, demand was affected by the Government’s temporary suspension of key infrastructure projects and two strong typhoons in September. The lower demand combined with new cement capacities weighed on prices. In India, our domestic volumes increased 3%, as the market growth was somewhat subdued in the first nine months for our regions as government spending slowed. Our earnings in India were also impacted by the strong increase of input costs and lower prices. In South Korea, volume improvements, price gains and cost-cutting measures fully offset higher fuel costs.

Aggregates & Concrete

(million euros)	9 months 2011	9 months 2010	% Variation	% Change at constant scope and exchange rates	3rd quarter 2011	3rd quarter 2010	% Variation	% Change at constant scope and exchange rates
Sales before elimination of interdivisional sales	3,929	3,833	3%	5%	1,528	1,512	1%	6%
Current operating income	165	163	1%	-6%	136	140	-3%	-4%

At constant scope and exchange rates, Aggregates and Concrete sales increased 5% year-to-date with positive volumes trends in France, UK, Central and Eastern Europe and Canada, while the other countries experienced contrasted trends. Overall, prices were well-oriented across most of our regions and activities.

At constant scope and exchange rates, current operating income decreased 6% year-to-date (-4% in the third quarter), as the impact of higher prices only partly offset cost inflation. In particular, distribution costs were significantly impacted by the increase in fuel prices.

AGGREGATES AND OTHER RELATED PRODUCTS

Sales: ***€ 1,972 million at end of September 2011 (€ 1,887 million in 2010)***
€ 843 million in the third quarter of 2011 (€ 807 million in 2010)

Current operating income: ***€ 137 million at end of September 2011 (€ 128 million in 2010)***
€ 115 million in the third quarter of 2011 (€ 113 million in 2010)

At constant scope and exchange rates, sales of pure aggregates increased 6% year-to-date, helped by well-oriented prices and despite a slowing down of volumes in the third quarter in most markets, with the noticeable exceptions of Western Canada and Poland remaining strong. Significant cost cutting measures continued to be implemented in all regions and helped limit the impact of delivery cost increases.

In Western Europe, higher volumes in France and to a lesser extent in the United Kingdom partially mitigated the increase in costs and the impact of government austerity measures and lower private construction activity on Greek and Spanish results.

In North America, while West Canada volumes continued to be positive, they were overall down 2% for the region year-to-date due to lower construction demand and a wet summer in the United States, while price gains and cost cutting almost offset cost rises.

In the other regions, improvements were observed in Central and Eastern Europe, notably in Poland, while other markets showed contrasted trends, with South Africa and Egypt being down.

CONCRETE AND OTHER RELATED PRODUCTS

Sales:	***€ 2,244 million at end of September 2011 (€ 2,222 million in 2010)*** ***€ 794 million in the third quarter of 2011 (€ 811 million in 2010)***
Current operating income:	***€ 28 million at end of September 2011 (€ 35 million in 2010)*** ***€ 21 million in the third quarter of 2011 (€ 27 million in 2010)***

At constant scope and exchange rates, sales of ready-mix concrete increased 3% year-to-date (+4% in the third quarter), due to the strong benefit of favourable prices, and positive volume trends in the key markets of France, North America and India, while other countries experienced contrasted trends. Cost containment measures and sales of our value-added products helped earnings, but price increases only partially offset cost inflation, leading to lower current operating income.

In Western Europe, earnings improved strongly with the combined effect of higher volumes in France, cost-cutting and price gains to offset cost inflation.

In North America, strong cost containment and improved volumes fully absorbed cost inflation, slightly lower prices and unfavourable product mix.

Elsewhere in the world, trends were contrasted, with India and Poland showing higher volumes, but earnings were impacted by a slower South African market, the slowdown of infrastructure projects in Egypt and cost inflation.

Other consolidated income statement items

Other elements of the operating income — ***€ -90 million at end of September 2011 (€ -141 million in 2010)***
€ -42 million in the third quarter of 2011 (€ -32 million in 2010)

Other elements of the operating income primarily reflect the impact of disposals, impairments, restructuring, and legal actions. In the first nine months of 2011, net gains on disposals were 26 million euros compared to 50 million euros in 2010, and mainly include the gain on the sale of the A&C business in Portugal. Other operating expenses were 116 million euros in the first nine months of 2011 versus 191 million euros in 2010, and mainly comprise restructuring costs, costs on on-going disposals and accelerated depreciation of some assets in Western Europe. In the first nine months of 2010, the Group recorded closure and impairment costs of a paper plant in Sweden, the impairment of assets located in Western Europe and South Korea due to the impact of the economic environment, and restructuring costs in various locations.

Net Finance costs — ***€ 649 million at end of September 2011 (€ 491 million in 2010)***
€ 246 million in the third quarter of 2011 (€ 212 million in 2010)

The largest part of net finance costs are financial expenses on net indebtedness which increased to 623 million euros in the first nine months of 2011, compared with 574 million euros in 2010, mainly reflecting the increase in interest rates. The decisions of Standard & Poor's and Moody's to downgrade our credit rating on March 17th, 2011 and August 8th, 2011 respectively, triggered step-up clauses on certain of our bonds, increasing the rate of interest to be paid. On a full year basis, the application of these step-up clauses will generate 21 million euros and 65 million euros of additional financial costs for 2011 and 2012, respectively.

The average interest rate on our gross debt was 5.6% during the first nine months of 2011 as compared to 5.3% in the first nine months of 2010.

Foreign exchange resulted in a gain of 26 million euros in the first nine months of 2011 (loss of 22 million euros in 2010), mostly relating to loans and debts denominated in currencies for which no hedging market is available.

Other finance costs and income included the gain of the disposal of Cimpor shares for 161 million euros in 2010. Excluding this one-off item, other financial costs slightly decreased to 52 million euros, compared to 56 million euros in the first nine months of 2010 and mainly comprise bank commissions and the amortization of debt issuance costs.

Income taxes — ***€ 271 million at end of September 2011 (€ 272 million in 2010)***
€ 167 million in the third quarter of 2011 (€ 126 million in 2010)

The effective tax rate was 30% in the first nine months of 2011, impacted by a retroactive adjustment on the Egyptian opening deferred tax position to reflect the newly applicable tax rate. It was 22% in the first nine months of 2010, due to the gain on the disposal of Cimpor shares that was not taxable.

Non-controlling interests — ***€ 114 million at end of September 2011 (€ 204 million in 2010)***
€ 22 million in the third quarter of 2011 (€ 88 million in 2010)

Certain subsidiaries with minority interests generated lower earnings in the first nine months 2011 than in 2010, under the combined effect of lower volumes, notably in Egypt and Jordan, and the effect of the increase in the Egyptian tax rate, with a retroactive effect to reevaluate the opening deferred tax position.

Net income from continuing operations — ***€ 621 million at end of September 2011 (€ 948 million in 2010)***
€ 289 million in the third quarter of 2011 (€ 452 million in 2010)

Net income from continuing operations was 621 million euros versus 948 million euros under the combined effect of the decrease of the current operating income and a one time gain of 161 million euros relating to the sale of the investment in Cimpor recorded in 2010.

Net income from discontinued operations — ***€ 89 million at the end of September 2011 (€ 21 million in 2010)***
€ 69 million in the third quarter of 2011 (€ 8 million in 2010)

Net income from discontinued operations increased to 89 million euros from 21 million euros, helped by a net non-recurring gain of 48 million euros.

Net income, Group share [2] ***€ 596 million at end of September 2011 (€ 765 million in 2010)***
€ 336 million in the third quarter of 2011 (€ 372 million in 2010)

Net income, Group share decreased 169 million euros, mostly reflecting the lower current operating income. Additionally, the first nine months of 2011 benefited from the net non-recurring gain of 48 million euros on discontinued operations, while the first nine months of 2010 benefited from a one time gain for the sale of the investment in Cimpor for 161 million euros.

Earnings per share ***€ 2.08 at end of September 2011 (€ 2.67 in 2010)***
€ 1.17 in the third quarter of 2011 (€ 1.30 in 2010)

The earnings per share calculated on the basis of the net income – attributable to the owners of the parent company decreased to €2.08 versus €2.67 in the first nine months 2010, reflecting the decrease in net income, Group share, while the average number of shares was stable at 286 million.

Consolidated statement of cash flows

Net cash provided by continuing operating activities was € 723 million in the first nine months of 2011 (€ 1,108 million at the end of September 2010).

Excluding the non-recurring payment of the Gypsum competition fine for 0.3 billion euros in July 2010, net cash provided by the operations decreased 0.7 billion euros, reflecting the decrease of cash flows from operations and the evolution of the change in strict working capital.

The decrease of cash flows from operations comes from the decrease in operating earnings and the increase in tax paid, notably due the impact of the progressive withdrawal of temporary tax holidays in certain countries.

Due to the particularly optimized level of the working capital level at the end of 2010 and the usual impact of seasonality of our sales, the variation of working capital increased in the first nine months by 0.6 billion euros, versus an increase of 0.3 billion euros last year.

Net cash used in investing activities from continuing operations amounted to € 601 million (€ 931 million in the first nine months of 2010).

Sustaining capital expenditures were 216 million euros, representing an increase of 25% when compared to the low base level of 173 million euros of the first nine months of 2010.

Capital expenditures for the building of new capacity decreased to 546 million euros from 763 million euros in the first nine months of 2010, and reflect mainly major cement projects such as the extension of our capacities in Eastern India, China and Nigeria.

Including the acquisitions of ownership interests with no gain of control[3], acquisitions had a net impact of 130 million euros on our net debt, versus 41 million euros in the first nine months of 2010.

Net of debt disposed of, and including the proceeds of the disposals of ownership interests with no loss of control, the divestment operations performed as at September 30, 2011 have reduced, net of selling costs, the Group's net financial debt by 364 million euros (285 million euros in the first nine months of 2010). In addition to the proceeds of the sale of some minority interests, disposals mainly comprise the proceeds of the sale of our A&C business in Portugal, our Gypsum operations in Australia, and the third instalment of the divestment of our Venezuelan operations.

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[2] Net income/loss attributable to the owners of the parent company

[3] Acquisitions of ownership interests with no gain of control were 52 million euros year-to-date, excluding two third-party puts, already recorded as debt, that were exercised in the period (a 51 million euros third-party put exercised in the first quarter, and a 111 million euros third-party put exercised in the third quarter).

Consolidated statement of financial position

At September 30, 2011 total equity stood at € 17,742 million (€18,224 million at the end of December 2010) **and net debt at € 14,262 million** (€13,993 million at the end of December 2010).

The decrease in equity reflects mostly the non cash impact of translating our foreign subsidiaries assets into euros, given the depreciation of various currencies in countries where we operate against the euro between December 31, 2010 and September 30, 2011 (negative impact of 0.8 billion euros in equity).

As most of the proceeds from the divestments recently secured will be received in the fourth quarter, the net consolidated debt increased 0.3 billion euros from December 2010 level. Indeed, the net cash provided by operating activities and by the divestments as of September 2011 was more than offset by capital expenditures and dividends paid during the period.

Update on our divestments

Over the period, Lafarge has pursued its actions to reduce debt while optimizing its portfolio. In this respect, four significant divestment operations were announced, representing 1.9 billion euros of net cash proceeds, out of which 0.1 billion euros were received as of September 30, 2011, with the remaining part to be received before the year-end.

On May 12, 2011, Lafarge announced the sale of its cement and concrete assets in the southeast United States to the Colombia-based conglomerate Cementos Argos for an enterprise value of 760 million dollars. This deal was closed and cash proceeds received in October 2011.

On July 14, 2011, Lafarge announced that the Group had entered into exclusive negotiations with Etex Group for the sale of its European and South American Gypsum assets at an enterprise value of 1 billion euros. Under this agreement, Lafarge will receive net cash proceeds of approximately 850 million euros and in addition will receive a 20% interest in the new partnership, which will combine the European and South American Gypsum activities of both Groups. This agreement is expected to close in November 2011.

On July 22, 2011, Lafarge announced the sale of its Australian Gypsum operations to Knauf for net proceeds of 120 million euros. This deal was completed and cash received in August 2011.

On August 17, 2011, Lafarge agreed with Boral to sell them its stake in their common Asian Gypsum joint-venture LBGA (Lafarge Boral Gypsum Asia) for 429 million euros (representing the enterprise value of Lafarge's 50%-stake in the joint-venture). This agreement is expected to close prior to year-end.

In addition, on October 12, 2011, Lafarge North America announced an asset exchange agreement of its aggregates, ready-mix concrete and asphalt & paving operations in the Colorado Front Range and Wyoming markets with Martin Marietta. As part of this transaction, Lafarge will receive Martin Marietta's aggregates quarries and distribution facilities along the Mississippi River as well as a cash payment. This agreement is expected to close prior to year-end.

Outlook for 2011

Overall the Group continues to see cement demand moving higher and maintains its estimate of market growth of between 2 to 5 percent in 2011 versus 2010. Emerging markets continue to be the main driver of demand and growth 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 higher cost inflation environment.

This document 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). 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), under Regulated Information.

2. Interim condensed consolidated financial statements

Consolidated statement of income

(million euros, except per share data)	9 months		3rd quarter		At December 31,
	2011	**2010***	**2011**	**2010***	**2010***
Revenue	**11,471**	11,202	**4,211**	4,161	**14,834**
Cost of sales	(8,695)	(8,210)	(3,092)	(2,937)	(10,920)
Selling and administrative expenses	(1,135)	(1,121)	(369)	(396)	(1,521)
Operating income before capital gains, impairment, restructuring and other	**1,641**	**1,871**	**750**	**828**	**2,393**
Gains on disposals, net	26	50	1	4	45
Other operating income (expenses)	(116)	(191)	(43)	(36)	(304)
Operating income	**1,551**	**1,730**	**708**	**796**	**2,134**
Finance costs	(809)	(787)	(280)	(245)	(1,055)
Finance income	160	296	34	33	343
Income from associates	(10)	(19)	(6)	(6)	(23)
Income before income tax	**892**	**1,220**	**456**	**578**	**1,399**
Income tax	(271)	(272)	(167)	(126)	(305)
Net income from continuing operations	**621**	**948**	**289**	**452**	**1,094**
Net income / (loss) from discontinued operations	89	21	69	8	20
Net income	**710**	**969**	**358**	**460**	**1,114**
Out of which part attributable to:					
- Owners of the parent of the Group	**596**	**765**	**336**	**372**	**827**
- Non-controlling interests	114	204	22	88	287
Earnings per share					
Net income - attributable to the owners of the parent company					
Basic earnings per share	2.08	2.67	1.17	1.30	2.89
Diluted earnings per share	2.08	2.67	1.17	1.30	2.89
Out of which continuing operations					
Basic earnings per share	1.78	2.60	0.93	1.28	2.83
Diluted earnings per share	1.78	2.60	0.93	1.28	2.83
Basic average number of shares outstanding (in thousands)	**286,345**	**286,086**	**286,766**	**286,086**	**286,087**

**Figures have been adjusted as mentioned in Note 3.1.1 "Disposal of Gypsum Division operations" following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 annual report and the interim financial report as of at September 30, 2010.*

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Consolidated statement of comprehensive income

	9 months		3rd quarter		December 31,
(million euros)	2011	2010	2011	2010	2010
Net income	**710**	**969**	**358**	**460**	**1,114**
Available for sale investments	-	(138)	-	-	(138)
Cash-flow hedge instruments	(2)	-	(2)	-	12
Actuarial gains / (losses)	(330)	(179)	(331)	(64)	(64)
Currency translation adjustments	(808)	816	441	(1,497)	1,175
Income tax on other comprehensive income	91	52	97	16	5
Other comprehensive income for the period, net of income tax	**(1,049)**	**551**	**205**	**(1,545)**	**990**
Total comprehensive income for the period	**(339)**	**1,520**	**563**	**(1,085)**	**2,104**
Out of which part attributable to:					
- **Owners of the parent of the Group**	*(381)*	*1,241*	*479*	*(1,025)*	*1,712*
- Non-controlling interests	*42*	*279*	*84*	*(60)*	*392*

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Available-for-sale investments

In 2010, the unrealized gain on the shares of Cimentos de Portugal (CIMPOR), which amounts to 148 million euros, was transferred to the consolidated statements of income further to the sale of this asset.

Actuarial gains or losses

The evolution of the Group's net position on pension obligations resulted in an actuarial loss of 330 million euros in equity during the first nine months 2011 (loss of 240 million euros net of tax effect), which essentially arises from the defined benefit pension plans in the United-Kingdom, in the United-States and in Canada. The actuarial losses on these plans result notably from the impacts of differences between the actual and expected return on plan assets and lower discount rates on the pension obligations.

Currency translation adjustments

Change in cumulative exchange differences on translating foreign operations from January 1, 2011 to September 30, 2011 (closing rate) comprises 380 million euros due to the depreciation of the Egyptian pound, the South African rand and the Brazilian real compared with the euro currency.
During the third quarter, change in cumulative exchange differences on translating foreign operations is a gain of 441 million euros, mainly due to the appreciation of the Egyptian pound, the U.S. dollar and the Algerian dinar from July 1, 2011 to September 30, 2011 (closing rate).

Consolidated statement of financial position

(million euros)	At September 30,		At December 31,
	2011	2010	2010
Assets			
NON CURRENT ASSETS	**31,278**	**34,208**	**34,752**
Goodwill	13,134	14,200	14,327
Intangible assets	603	627	661
Property, plant and equipment	15,745	17,523	17,912
Investments in associates	273	355	422
Other financial assets	718	958	863
Derivative instruments	63	69	78
Deferred income tax	696	476	489
Other receivables	46	-	-
CURRENT ASSETS	**10,208**	**7,762**	**7,742**
Inventories	1,586	1,806	1,647
Trade receivables	2,229	2,392	1,774
Other receivables	940	1,080	971
Derivative instruments	47	134	56
Cash and cash equivalents	1,958	2,350	3,294
Assets held for sale	3,448	-	-
TOTAL ASSETS	**41,486**	**41,970**	**42,494**
EQUITY & LIABILITIES			
Common stock	1,149	1,146	1,146
Additional paid-in capital	9,678	9,636	9,640
Treasury shares	(17)	(26)	(26)
Retained earnings	6,215	5,784	5,816
Other reserves	(796)	(635)	(555)
Foreign currency translation	(613)	(206)	123
Equity attributable to owners of the parent company	**15,616**	**15,699**	**16,144**
Non-controlling interests	2,126	1,950	2,080
EQUITY	**17,742**	**17,649**	**18,224**
NON CURRENT LIABILITIES	**17,026**	**17,272**	**16,765**
Deferred income tax	869	966	871
Pension & other employee benefits liabilities	1,336	1,274	1,108
Provisions	591	589	633
Long-term debt	14,116	14,366	14,096
Derivative instruments	37	77	57
Other payables	77	-	-
CURRENT LIABILITIES	**6,718**	**7,049**	**7,505**
Pension & other employee benefits liabilities	137	113	139
Provisions	71	143	146
Trade payables	1,854	2,019	1,996
Other payables	1,576	1,715	1,642
Income tax payable	196	289	314
Short term debt and current portion of long-term debt	2,096	2,674	3,184
Derivative instruments	81	96	84
Liabilities associated with assets held for sale	707	-	-
TOTAL EQUITY AND LIABILITIES	**41,486**	**41,970**	**42,494**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Consolidated statement of cash flows

(million euros)	9 months		3rd quarter		December 31,
	2011	2010*	2011	2010*	2010*
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Net income	**710**	**969**	**358**	**460**	**1,114**
Net income / (loss) from discontinued operations	**89**	**21**	**69**	**8**	**20**
Net income from continuing operations	**621**	**948**	**289**	**452**	**1,094**
Adjustments for income and expenses which are non cash or not related to operating activities, financial expenses or income taxes:					
Depreciation and amortization of assets	778	819	256	281	1,093
Impairment losses	48	94	23	14	154
Income from associates	10	19	6	6	23
(Gains) on disposals, net	(26)	(50)	(1)	(4)	(45)
Finance costs (income)	649	491	246	212	712
Income taxes	271	272	167	126	305
Others, net (including dividends received from equity affiliates)	(4)	(244)	-	(264)	(305)
Change in operating working capital items, excluding financial expenses and income taxes (see analysis below)	(648)	(319)	(21)	(10)	361
Net operating cash generated by continuing operations before impacts of financial expenses and income taxes	**1,699**	**2,030**	**965**	**813**	**3,392**
Cash payments for financial expenses	(624)	(645)	(136)	(215)	(911)
Cash payments for income taxes	(352)	(277)	(95)	(82)	(383)
Net operating cash generated by continuing operations	**723**	**1,108**	**734**	**516**	**2,098**
Net operating cash generated by discontinued operations	**(6)**	**43**	**16**	**28**	**74**
Net cash generated by operating activities	**717**	**1,151**	**750**	**544**	**2,172**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES					
Capital expenditures	(772)	(951)	(286)	(304)	(1,272)
Investment in subsidiaries and joint ventures*	(42)	4	(34)	18	(27)
Investment in associates	(4)	(1)	1	-	(3)
Investment in available for sale investments	(3)	(23)	(1)	1	(19)
Disposals**	263	142	157	38	208
Net decrease (increase) in long-term receivables and other debtors	(43)	(102)	(21)	(19)	(73)
Net cash provided by (used in) investing activities from continuing operations	**(601)**	**(931)**	**(184)**	**(266)**	**(1,186)**
Net cash provided by (used in) investing activities from discontinued operations	**(42)**	**(44)**	**(21)**	**(13)**	**(58)**
Net cash provided by (used in) investing activities	**(643)**	**(975)**	**(205)**	**(279)**	**(1,244)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES					
Capital increase (decrease) - owners of the parent company	11	19	7	6	26
Capital increase (decrease) - non-controlling interests	-	1	-	1	15
Acquisitions of ownership interests with no gain of control	(214)	-	(112)	-	-
Disposal of ownership interests with no loss in control	101	141	105	141	139
Dividends paid	(288)	(575)	(288)	(575)	(575)
Dividends paid by subsidiaries to non-controlling interests	(183)	(245)	(42)	(35)	(273)
Proceeds from issuance of long-term debt	740	1,491	585	692	2,224
Repayment of long-term debt	(1,610)	(933)	(643)	(699)	(1,174)
Increase (decrease) in short-term debt	139	11	(134)	(109)	(323)
Net cash provided by (used in) financing activities from continuing operations	**(1,304)**	**(90)**	**(522)**	**(578)**	**59**
Net cash provided by (used in) financing activities from discontinued operations	40	(29)	26	(17)	(21)
Net cash provided by (used in) financing activities	**(1,264)**	**(119)**	**(496)**	**(595)**	**38**

**Figures have been adjusted as mentioned in Note 3.1.1 "Disposal of Gypsum Division operations" following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 annual report and the interim financial report as of at September 30, 2010.*

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

	9 months		3rd quarter		At December 31,
(million euros)	2011	2010*	2011	2010*	2010*
Increase / (decrease) in cash and cash equivalents from continuing operations	**(1,182)**	**87**	**28**	**(328)**	**971**
Increase (decrease) in cash and cash equivalents from discontinued operations	(8)	(30)	21	(2)	(5)
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts	(66)	73	29	(93)	108
Cash and cash equivalents at beginning of year/period	3,294	2,220	1,960	2,773	2,220
Reclassification of cash and cash equivalents from discontinued operations	(80)	-	(80)	-	-
Cash and cash equivalents at end of the year/period	**1,958**	**2,350**	**1,958**	**2,350**	**3,294**
** Net of cash and cash equivalents of companies acquired*	*3*	*35*	*1*	*35*	*35*
*** Net of cash and cash equivalents of companies disposed of*	*8*	*2*	*-*	*-*	*23*
SUPPLEMENTAL DISCLOSURES					
Analysis of changes in operating working capital items	**(648)**	**(319)**	**(21)**	**(10)**	**361**
(Increase) / decrease in inventories	(161)	(27)	(18)	(21)	109
(Increase) / decrease in trade receivables	(782)	(570)	(77)	(105)	71
(Increase) / decrease in other receivables – excluding financial and income taxes receivables	(112)	(53)	(99)	(97)	31
Increase / (decrease) in trade payables	235	237	10	94	167
Increase / (decrease) in other payables – excluding financial and income taxes payables	172	94	163	119	(17)

**Figures have been adjusted as mentioned in Note 3.1.1 "Disposal of Gypsum Division operations" following the disposal operations of Gypsum activities and are therefore not comparable with those presented in the 2010 annual report and the interim financial report as of September 30, 2010.*

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Consolidated statement of changes in equity

	Outstanding shares	of which: Treasury shares	Common stock	Additional paid-in capital	Treasury shares	Retained earnings	Other reserves	Foreign currency translation	Equity attributable to owners of the parent company	Non-controlling interests	Equity
	(number of shares)		(million euros)								
Balance at January 1, 2010	**286,453,316**	**380,148**	**1,146**	**9,620**	**(27)**	**5,555**	**(370)**	**(947)**	**14,977**	**1,823**	**16,800**
Net income						765			**765**	204	**969**
Other comprehensive income, net of income tax							(265)	741	**476**	75	**551**
Total comprehensive income for the period	-	-	-	-	-	765	(265)	741	**1,241**	279	**1,520**
Dividends						(575)			**(575)**	(257)	**(832)**
Issuance of common stock (exercise of stock options)	463										
Share based payments				16					**16**		**16**
Treasury shares		(16,470)			1	(8)			**(7)**		**(7)**
Changes in ownership interests with no gain/loss of control		-			-	47			**47**	92	**139**
Other movements – non-controlling interests									-	13	**13**
Balance at September 30, 2010	**286,453,779**	**363,678**	**1,146**	**9,636**	**(26)**	**5,784**	**(635)**	**(206)**	**15,699**	**1,950**	**17,649**
Balance at January 1, 2011	**286,453,779**	**363,558**	**1,146**	**9,640**	**(26)**	**5,816**	**(555)**	**123**	**16,144**	**2,080**	**18,224**
Net income						596			**596**	114	**710**
Other comprehensive income, net of income tax							(241)	(736)	**(977)**	(72)	**(1,049)**
Total comprehensive income for the period	-	-	-	-	-	596	(241)	(736)	**(381)**	42	**(339)**
Dividends						(288)			**(288)**	(180)	**(468)**
Issuance of common stock	793,739		3	24					27	25	**52**
Share based payments				14					**14**		**14**
Treasury shares		(130,110)			9	(9)			-		-
Changes in ownership with no gain/loss of control						108			**108**	157	**265**
Other movements – non-controlling interests						(8)			**(8)**	2	**(6)**
Balance at September 30, 2011	**287,247,518**	**233,448**	**1,149**	**9,678**	**(17)**	**6,215**	**(796)**	**(613)**	**15,616**	**2,126**	**17,742**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Notes to the interim condensed 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, 75116 Paris, France. The company is registered under the number "542105572 RCS Paris" with the registrar of the Paris Commercial Court (Tribunal de Commerce de Paris).

The Group organizes its operations into three divisions: Cement, Aggregates & Concrete and Gypsum. The Group is committed in a disposal project of the Gypsum Division which impacts in the financial statements are presented in the Note 3.1- " Discontinued Operations and Assets held for sale".

The Group's shares have been traded on the Paris stock exchange since 1923 and have been a component of the French CAC-40 market index since its creation, and 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 companies included in the scope of consolidation.

Interim condensed consolidated financial statements are presented in euros rounded to the nearest million.

The Board of Directors approved these interim condensed consolidated financial statements on November 3, 2011.

Note 2. Summary of significant accounting policies

2.1 – Interim condensed consolidated financial statements

The Group's interim condensed consolidated financial statements at September 30, 2011 have been prepared in accordance with IAS 34 – Interim Financial Reporting. They do not include all the IFRS required information and should therefore be read in connection with the 2010 annual report.

The accounting policies retained for the preparation of the Group interim condensed consolidated financial statements are compliant with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union as of September 30, 2011 and available on http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

These accounting policies are consistent with the ones applied by the Group at December 31, 2010 and described in the Note 2 of the Group consolidated financial statements of the 2010 Annual Report except for the points presented in paragraph 2.2 New IFRS standards and interpretations.

The measurement procedures used for the interim condensed consolidated financial statements are the followings:

- Interim period income tax expense results from the estimated annual Group effective income tax rate applied to the pre-tax result of the interim period excluding unusual material items. The income tax charge related to any unusual item of the period is accrued using its specific applicable taxation (i.e. specific taxation for gains on disposals).

- Compensation costs recorded for stock options, employee benefits are included on a prorata basis of the estimated costs for the year. For the countries where the Group's pension and other post-retirement benefit obligations and related plan assets are the most significant – i.e. the United States of America, Canada and the United Kingdom – actuarial valuations are updated at the end of September and the related amounts of pensions and other employee benefits recognized in the interim statement of financial position are adjusted accordingly. For the other countries, actuarial valuations are performed annually and amounts recognized in the interim statement of financial position are based on estimates made at the end of the previous year.

In addition, within the framework of the current context of economic crisis affecting some of its markets, the Group performed as of September 30, 2011, a review of indicators of impairment relating to goodwill allocated to Cash Generating Units (CGUs) or group of CGUs. This review included Greek CGUs and did not indicate an impairment situation as of September 30, 2011, based on a discount rate above 10% equivalent to the one used as of December 31, 2010, which included a country risk premium factoring in the effects of the crisis.
The annual impairment test will be performed during the last quarter of the year.

2.2 – New IFRS standards and interpretations

IFRS standards and IFRIC interpretations applicable from January 1st, 2011

The new IFRS and interpretations published as of December 31, 2010 and effective from January 1st, 2011, listed in the Note 2.27 – Accounting pronouncements at the closing date not yet effective – to the notes of the Group consolidated financial statements of the 2010 Annual Report (page F 22), had no material impact on the Group interim condensed consolidated financial statements at September 30, 2011.

Early application of standards

The Group has not early adopted standards and interpretations that are not yet mandatorily effective at January 1st, 2011.

2.3 – Seasonality

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 Europe and North America, and an increase in sales in the second and third quarters, reflecting the summer construction season.

Note 3. Significant events of the period

3.1 – Discontinued Operations and Assets held for sale

3.1.1- Disposal of Gypsum Division operations

The Group is committed, after approval in early July 2011 by the Group's Executive Directors and Board of Directors, in a disposal project of the Gypsum Division for its operations in Western Europe, Central and Eastern Europe, North America, Latin America and Asia, which are a Group's specific business segment. Accordingly, these operations are presented according to IFRS 5 (*see Note 2.26 of the Group consolidated financial statements of the 2010 Annual Report – page F 21)* in the financial statements as of September 30, 2011.

As of September 30, the following transactions have been announced:

- On July 14, 2011, the Group announced the project to sell to Etex Group its European and South American Gypsum operations. The Group will receive cash proceeds of approximately 850 million euros for this disposal. The Group will retain a 20% interest in the new partnership, which would combine the European and South American Gypsum activities of both Groups. This deal is expected to be completed before year-end.

- On August 5, 2011, the Group disposed of the integrality of its Australian Gypsum operations to Knauf for 124 million euros (net of cash disposed of).

- On August 17, 2011, the Group agreed with Boral to sell them its stake in their common Asian Gypsum joint-venture LBGA (Lafarge Boral Gypsum Asia) for 429 million euros. This deal is expected to be completed before year-end.

As of September 30, 2011, interests for which the disposal is not completed continue to be consolidated, and are presented in two separate lines in the consolidated statement of financial position (i.e. assets held for sale and liabilities associated with assets held for sale with no restatement for previous years), in one single line in the consolidated statement of income (net income/loss from discontinued operations) and in one separate line in the consolidated statement of cash flows for each nature of flow.

The following tables provide the net income and liabilities attributable to the discontinued operations:

STATEMENTS OF INCOME FROM DISCONTINUED OPERATIONS	9 months		3rd quarter		December 31,
(million euros, except per share data)	2011	2010	2011	2010	2010
Revenue	**1,051**	**1,008**	**338**	**337**	**1,335**
Cost of sales	(867)	(821)	(283)	(279)	(1,094)
Selling and administrative expenses	(122)	(147)	(28)	(47)	(193)
Operating income before capital gains, impairment, restructuring and other	**62**	**40**	**27**	**11**	**48**
Other operating income (expenses) (of which gains on disposal)	48	(4)	50	(3)	(13)
Operating income	**110**	**36**	**77**	**8**	**35**
Finance income (loss)	(8)	(8)	(1)	(4)	(11)
Income from associates	3	5	-	5	7
Income before income tax	**105**	**33**	**76**	**9**	**31**
Income tax	(16)	(12)	(7)	(1)	(11)
Net income / (loss) from discontinued operations	**89**	**21**	**69**	**8**	**20**
Earnings per share from discontinued operations (euros)					
- basic earnings per share	0.3	0.07	0.24	0.02	0.06
- diluted earnings per share	0.3	0.07	0.24	0.02	0.06
Basic average number of shares outstanding (in thousands)	286,345	286,086	286,766	286,086	286,087

The depreciation charge on depreciable assets also ceased from the 1st July 2011 (19 million euros impact as of September 30, 2011).

(million euros)	At September 30, 2011
Goodwill	215
Intangible assets	16
Property, plant and equipment	913
Other financial assets	147
Inventories	140
Cash and cash equivalents	80
Other current assets	197
Assets held for sale - Gypsum Division operations	**1,708**
Assets held for sale - Lafarge UK See Note 3.1.2	**1,740**
Assets held for sale	**3,448**
Trade payables	155
Provisions	83
Other liabilities	147
Liabilities associated with assets held for sale - Gypsum Division operations	**385**
Liabilities associated with assets held for sale - Lafarge UK See Note 3.1.2	**322**
Liabilities associated with assets held for sale	**707**

3.1.2 – Agreement between Lafarge and Anglo American

On February 18, 2011, the Group and Anglo American plc announced their agreement to combine their cement, aggregates, ready-mixed concrete, and asphalt & contracting businesses in the United Kingdom, comprising Lafarge Cement UK, Lafarge Aggregates and Concrete UK ("Lafarge UK") and Tarmac Quarry Materials ("Tarmac UK"). The completion of this transaction, which will form a 50:50 joint venture, is conditional upon regulatory approvals.

In compliance with IFRS 5 – Non-current assets held for sale and discontinued operations, Lafarge UK 's assets and liabilities that will be contributed to this joint venture have been grouped since February 18, 2011 in the consolidated statement of financial position on the lines " Assets held for sale " and " Liabilities directly associated with assets held for sale", respectively, with no restatement for previous years. The depreciation charge on depreciable assets also ceased from that date (36 million euros impact as of September 30, 2011).

As of September 30, 2011, the assets held for sale of Lafarge UK amount to 1,740 million euros and essentially comprise goodwill and property, plant and equipment. The liabilities directly associated with assets held for sale of Lafarge UK amount to 322 million euros and notably comprise trade payables.

Lafarge UK's businesses that will contribute to the joint venture are not discontinued operations according to IFRS 5 (*see Note 2.26 of the Group consolidated financial statements of the 2010 Annual Report – page F 21).* Accordingly, the amounts included in the statements of income and the statements of cash flows related to these businesses are not presented separately for the current period and all prior periods presented in the financial statements.

3.2 – Acquisitions of additional interests

These acquisitions have no impact on the evolution of the Group's net financial debt over the period since, minority shareholders held a put option and in accordance with accounting principles related to put options on shares of subsidiaries, the Group recorded as at December 31, 2010 a debt for these put exercise prices.

3.2.1 - Lafarge India PVT Limited

Following the exercise by the minority shareholder of its put option, the Group acquired 5.62% of additional interests in Lafarge India PVT Limited for an amount of 51 million euros, reflected on the statement of cash flows on the line "Acquisition of ownership interests with no gain of control".

3.2.2 – Cement activities in Serbia

The Group now holds 100% of Cement activities in Serbia. This acquisition made for an amount of 111 million euros, is reflected on the statement of cash flows on the line "Acquisition of ownership interests with no gain of control".

3.3 – Disposal of the Aggregates & Concrete activities in Portugal

The Group has disposed of the integrality of its Aggregates & Concrete business in Portugal (29 concrete plants and 4 aggregates quarries) to the Portuguese construction group Secil. The approval by the Portuguese competition authorities has been obtained in June 2011. The net impact of this disposal is 62 million euros, net of cash disposed of, in the statement of cash flows on the line “Disposals” and 19 million euros for the net gain on disposal, in the statement of income on the line “Gains on disposals, net”.

3.4 – Capital increase reserved for Group’s employees

The Group launched in May 2011 a share capital increase reserved for Group’s employees. The settlement and delivery took place on July 29, 2011. The employees have the option to pay upfront, or over a 12-month or 24-month period. The net impact in equity is 27 million euros.

Note 4. Business segment and geographic area information

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 two operating segments (Cement and Aggregates & Concrete), defined as continuing business segments and one discontinued business segment (Gypsum excepted activities in Middle East and Africa), each of which represents separately managed strategic operating segments that have different capital requirements and marketing strategies. Each segment develops, manufactures and sells distinct products.

Continuing business segments

- The Cement segment produces and sells a wide range of cement and hydraulic binders adapted to the needs of the construction industry;
- The Aggregates & Concrete segment produces and sells aggregates, ready mix concrete, other concrete products and, relating to paving activities, other products and services.

Discontinued business segment

- The Gypsum segment mainly produces and sells drywall for the commercial and residential construction sectors.

Other and holding activities (namely the activities in Middle East and Africa of the Gypsum division), not allocated to our core operating segments, are summarized in the "other" segment).

Group management internally evaluates its performance based upon:

- operating income before capital gains, impairment, restructuring and other, 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 to the Consolidated Financial Statements of the 2010 annual report.

The Group accounts for intersegment sales and transfers at market prices.

For the geographical information, the revenue is presented by region or country of destination of the revenue.

Business segment and geographical information, presented below, reflects the elements mentioned in Note 3.1 "Discontinued operations and Assets held for sale".

(a) Segment information

September 30, 2011 (million euros)	Cement	Aggregates & Concrete	Other	Total
Statement of income				
Gross revenue	7,960	3,929	64	11,953
Less: intersegment	(474)	(8)	-	(482)
Revenue	**7,486**	**3,921**	**64**	**11,471**
Operating income before capital gains, impairment, restructuring and other	1,507	165	(31)	1,641
Gains on disposals, net	4	24	(2)	26
Other operating income (expenses)	(64)	(23)	(29)	(116)
Including impairment on assets and goodwill	*(35)*	*(13)*	-	*(48)*
Operating income	**1,447**	**166**	**(62)**	**1,551**
Finance costs				(809)
Finance income				160
Income from associates	(10)	1	(1)	(10)
Income taxes				(271)
Net income from continuing operations				**621**
Net income from discontinued operations				**89**
Net income				**710**
Other information				
Depreciation and amortization	(574)	(170)	(34)	(778)
Other segment non cash income (expenses) of operating income	(63)	6	34	(23)
Capital expenditures	604	110	58	772
Capital employed	25,620	4,916	317	30,853
Statement of financial position				
Segment assets	29,832	6,107	1,293	37,232
Of which investments in associates	*219*	*33*	*21*	*273*
Assets held for sale - Lafarge UK	1,175	466	99	1,740
Assets held for sale - Gypsum Division operations				1,708
Unallocated assets [(a)]				806
Total Assets				**41,486**
Segment liabilities	2,663	1,064	2,111	5,838
Liabilities associated with assets held for sale - Lafarge UK	126	157	39	322
Liabilities associated with assets held for sale - Gypsum Division operations				385
Unallocated liabilities and equity [(b)]				34,941
Total Equity and Liabilities				**41,486**

[(a)] *Deferred tax assets and derivative instruments*

[(b)] *Deferred tax liability, financial debt, derivatives instruments and equity*

September 30, 2010 (millions d'euros)	Cement	Aggregates & Concrete	Other*	Total
Statement of income				
Gross revenue	7,766	3,833	70	11,669
Less: intersegment	(463)	(4)	-	(467)
Revenue	**7,303**	**3,829**	**70**	**11,202**
Operating income before capital gains, impairment, restructuring and other	1,727	163	(19)	1,871
Gains on disposals, net	53	(3)	-	50
Other operating income (expenses)	(135)	(16)	(40)	(191)
Including impairment on assets and goodwill	*(71)*	*(7)*	*(16)*	*(94)*
Operating income	**1,645**	**144**	**(59)**	**1,730**
Finance costs				(787)
Finance income				296
Income from associates	(21)	3	(1)	(19)
Income taxes				(272)
Net income from continuing operations				**948**
Net income from discontinued operations				**21**
Net income				**969**
Other information				
Depreciation and amortization	(583)	(196)	(40)	(819)
Other segment non cash income (expenses) of operating income	(90)	12	240	162
Capital expenditures	811	115	25	951
Capital employed	26,675	5,408	1,877	33,960
Statement of financial position				
Segment assets	30,904	6,722	3,665	41,291
Of which investments in associates	*182*	*32*	*141*	*355*
Unallocated assets [(a)]				679
Total Assets				**41,970**
Segment liabilities	2,736	1,191	2,216	6,143
Unallocated liabilities and equity [(b)]				35,827
Total Equity and Liabilities				**41,970**

Out of which 1,514 M€ of capital employed, 1,910 M€ of segment assets (namely 135 M€ in investments in associates) and 334 M€ of segment liabilities related to the Gypsum Division

[(a)] *Deferred tax assets and derivative instruments*

[(b)] *Deferred tax liability, financial debt, derivatives instruments and equity*

December 31, 2010 (million euros)	Cement	Aggregates & Concrete	Other*	Total
Statement of income				
Gross revenue	10,280	5,093	90	15,463
Less: intersegment	(624)	(5)	-	(629)
Revenue	**9,656**	**5,088**	**90**	**14,834**
Operating income before capital gains, impairment, restructuring and other	2,230	216	(53)	2,393
Gains on disposals, net	50	(5)	-	45
Other operating income (expenses)	(249)	(28)	(27)	(304)
Including impairment on assets and goodwill	*(126)*	*(11)*	*(17)*	*(154)*
Operating income	**2,031**	**183**	**(80)**	**2,134**
Finance costs				(1,055)
Finance income				343
Income from associates	(26)	5	(2)	(23)
Income taxes				(305)
Net income from continuing operations				**1,094**
Net income from discontinued operations				**20**
Net income				**1,114**
Other information				
Depreciation and amortization	(775)	(266)	(52)	(1,093)
Other segment non cash income (expenses) of operati	(100)	22	249	171
Capital expenditures	1,060	168	44	1,272
Capital employed	26,780	5,200	1,782	33,762
Statement of financial situation				
Segment assets	31,330	6,384	4,157	41,871
Of which investments in associates	*236*	*34*	*152*	*422*
Unallocated assets [(a)]				623
Total Assets				**42,494**
Segment liabilities	2,797	1,107	2,075	5,979
Unallocated liabilities and equity [(b)]				36,515
Total Equity and Liabilities				**42,494**

**Out of which 1,511 M€ of capital employed, 1,900 M€ of segment assets (namely 134 M€ in investments in associates) and 313 M€ of segment liabilities related to the Gypsum Division*

(a) *Deferred tax assets and derivative instruments*

(b) *Deferred tax liability, financial debt, derivatives instruments and equity*

(b) Geographic area information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Non-current assets are allocated to segments based on their geographical locations.

Non-current assets include goodwill, intangible assets, property, plant and equipment and investments in associates.

	September 30, 2011		September 30, 2010		December 31, 2010	
(million euros)	Revenue	Non-current assets*	Revenue	Non-current assets	Revenue	Non-current assets
Western Europe	**2,723**	**4,632**	**2,786**	**6,882**	**3,606**	**6,855**
Of which:						
France	1,441	2,233	1,382	2,329	1,800	2,345
United Kingdom	653	2	621	1,556	787	1,550
Spain	188	881	217	1,015	284	1,012
North America	**2,309**	**5,482**	**2,361**	**5,986**	**3,153**	**6,127**
Of which:						
United States	1,059	4,380	1,184	4,838	1,553	4,917
Canada	1,250	1,102	1,177	1,148	1,600	1,210
Middle East and Africa	**2,909**	**12,230**	**2,957**	**12,393**	**3,883**	**12,621**
Of which:						
Egypt	365	2,621	562	2,785	714	2,804
Algeria	394	3,153	338	3,120	444	3,071
Central and Eastern Europe	**910**	**2,289**	**719**	**1,961**	**942**	**2,015**
Latin America	**771**	**1,313**	**588**	**1,450**	**838**	**1,527**
Of which:			-			
Brazil	496	951	343	1,010	504	1,072
Asia	**1,849**	**3,809**	**1,791**	**4,033**	**2,412**	**4,177**
Total	**11,471**	**29,755**	**11,202**	**32,705**	**14,834**	**33,322**

**the decrease in non current assets relates to the reclassification as "Assets held for sale" of the elements mentioned in Note 3.1 "Discontinued operations and Assets held for sale"*

Note 5. Earnings per share

The computation and reconciliation of basic and diluted earnings per share from continuing operations for the periods ended September 30, 2011, September 30, 2010 and December 31, 2010 are as follows:

	9 months		December 31,
	2011	**2010**	**2010**
Numerator (in million euros)			
Net income, attributable to owners of the parent company	596	765	827
Out of which net income from continuing operations	509	746	810
Denominator (in thousands of shares)			
Weighted average number of shares outstanding	286,345	286,086	286,087
Total potential dilutive shares	859	260	249
Weighted average number of shares outstanding — fully diluted	287,204	286,346	286,336
Basic earnings per share (euros)	**2.08**	**2.67**	**2.89**
Diluted earnings per share (euros)	**2.08**	**2.67**	**2.89**
Basic earnings per share from continuing operations (euros)	**1.78**	**2.60**	**2.83**
Diluted earnings per share from continuing operations (euros)	**1.78**	**2.60**	**2.83**

Note 6. Debt

The debt split is as follows:

	At September 30,		At December 31,
(million euros)	**2011**	**2010**	**2010**
Long-term debt excluding put options on shares of subsidiaries	14,035	14,296	14,033
Put options on shares of subsidiaries, long-term	81	70	63
Long-term debt	**14,116**	**14,366**	**14,096**
Short-term debt and current portion of long-term debt excluding put options on shares of subsidiaries	2,055	2,450	2,980
Put options on shares of subsidiaries, short-term	41	224	204
Short-term debt and current portion of long-term debt	**2,096**	**2,674**	**3,184**
Total debt excluding put options on shares of subsidiaries	16,090	16,746	17,013
Total put options on shares of subsidiaries	122	294	267
Total debt	**16,212**	**17,040**	**17,280**

Analysis of debt excluding Put options on shares of subsidiaries by maturity:

	At September 30,		At December 31,
(million euros)	2011	2010	2010
Repayable in more than five years	5,573	5,752	6,726
Repayable between one and five years	8,462	8,544	7,307
Long-term debt	**14,035**	**14,296**	**14,033**
Repayable between six months and one year	473	482	1,102
Repayable in less than six months	1,582	1,968	1,878
Total debt	**16,090**	**16,746**	**17,013**

At September 30, 2011, 50 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. In addition, the drawdown for an amount of 1,000 million euros on the 1,654 million euros syndicated credit line of which the final expiration date is July 2013, is also classified as a long-term debt.

The short-term debt that the Group can refinance on a medium and long-term basis through its committed credit facilities is classified in the statement of financial position under the section "Long-term debt". The net variation of this short-term debt is shown in the statement of cash flows in "Proceeds from issuance of long-term debt" when it is positive, and in "Repayment of long-term debt" when it is negative. At September 30, 2011, the net variation of this debt amounted to a decrease of 326 million euros (compared with an increase of 366 million euros at September 30, 2010 and a decrease of 212 million euros at December 31, 2010).

Interest rate

The average spot interest rate of the debt after swaps, as at September 30, 2011, is 5.7% (5.3% as of September 30, 2010 and 5.5% as of December 31, 2010).

The average interest rate on net debt after swaps is 6.1% during the first nine months of 2011 compared with 5.8% for the first nine months of 2010 and 5.8% for the full year 2010.

Securitization program

The Group entered into multi-year securitization agreements with respect to trade receivables as described in the Note 17 of the Group consolidated financial statements of the 2010 Annual Report.

Under the programs, some of the French, North American, British and Spanish subsidiaries agree to sell on a Trade receivables therefore include sold receivables totaling 639 million euros as of September 30, 2011 (714 million euros as of September 30, 2010 and 680 million euros as of December 31, 2010).

The current portion of debt includes 498 million euros as of September 30, 2011, related to these programs (368 million euros as of September 30, 2010 and 533 million euros as of December 31, 2010) and the non current portion of debt (209 million euros at September 30, 2010, corresponding to the North American securitization agreement) has been completely reclassified in the current portion of debt as at December 31, 2010.

The European securitization agreements are guaranteed by subordinated deposits and units totaling 141 million euros as of September 30, 2011 (137 million euros as of September 30, 2010 and 147 million euros as of December 31, 2010).

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 acquiring 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 138 million euros at September 30, 2011 (283 million euros at December 31, 2010).

Out of the outstanding put options at September 30, 2011, 57 million euros can be exercised until September 30, 2012. The remaining 81 million euros can be exercised for part starting 2014 and for part starting 2015.

Put options granted to non-controlling interests of subsidiaries are classified as debt. Out of the total options granted by the Group, the options granted to non-controlling interests amounted to 122 million euros and 267 million euros at September 30, 2011 and December 31, 2010, respectively, the remaining options were granted on shares of joint ventures. The debt decrease related to put options granted to non-controlling interests of subsidiaries is due to the acquisitions of additional interests mentioned in Note 3.2.

This specific debt is recorded by reclassifying the underlying non-controlling interests and recording goodwill, since no put option was granted since January 1st, 2010, in an amount equal to the difference between the carrying value of non-controlling interests and the value of the debt (42 million euros and 128 million euros at September 30, 2011 and December 31, 2010, respectively).

Note 7. Equity

(a) Dividends

The following table indicates the dividend amount per share the Group approved in 2011 for the year 2010 (paid in July 2011) and the one approved in 2010 for the year 2009 (paid in July 2010).

(euros, except otherwise indicated)	2010	2009
Total dividend (million euros)	288	575
Base dividend per share	1.00	2.00
Increased dividend per share	1.10	2.20

(b) Other comprehensive income – part attributable to the owners of the parent company

The roll forward for the period of other comprehensive income, for the part attributable to the owners of the parent company, is as follows:

	At December 31, 2010	Gains/(losses) arising during the year	Recycling to income statement	At September 30, 2011
Change in unrealized gains/(losses) on available for sale investments	22	-	-	22
Gross value	31	-	-	31
Deferred taxes	(9)	-	-	(9)
Change in unrealized gains/(losses) on cash flow hedge instruments	(34)	(1)	-	(35)
Gross value	(43)	(2)	-	(45)
Deferred taxes	9	1	-	10
Change in actuarial gains/(losses)	(543)	(240)	-	(783)
Gross value	(725)	(330)	-	(1,055)
Deferred taxes	182	90	-	272
Total Other reserves	***(555)***	***(241)***	**-**	***(796)***
Total Foreign currency translation	***123***	***(726)***	***(10)***	***(613)***
Total other comprehensive income	***(432)***	***(967)***	***(10)***	***(1,409)***

(c) Changes in ownership interests with no gain / loss of control

As of September 30, 2011, changes in ownership interests with no gain/loss of control have an impact of 265 million euros on equity and essentially reflect the purchase price consideration of ownership interests.

Note 8. 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.

Germany – Cement: Following investigations on the German cement market, the German competition authority, the Bundeskartellamt, announced on April 14, 2003, that it was imposing fines on the major German cement companies, including one in the amount of 86 million euros on Lafarge Zement, our German cement subsidiary for anti-competitive practices in Germany. Considering that the amount of the fine was disproportionate in light of the actual facts, Lafarge Zement has brought the case before the Higher Regional Court, the Oberlandesgericht, in Düsseldorf. Moreover, on August 15, 2007, Lafarge Zement partially withdrew its appeal. Consequently Lafarge Zement paid an amount of 16 million euros on November 2, 2007 and reduced the related provision of the same amount.

Finally, the Court's decision related to the remaining part of the appeal has been given on June 26, 2009, exempting Lafarge Zement partly and reducing the remaining fine very significantly to 24 million euros. Lafarge Zement has appealed to the Supreme Court on the basis of legal grounds. The decision of the Supreme Court should be given in the year 2012.

Assessment on the merits of a potential civil action brought by third parties to obtain damages may depend on the outcome of the above mentioned procedure. There has been no development on this potential civil action at this stage further to the decision of the Düsseldorf Appeal Court.

The global provision in connection with this case amounts to 24 million euros as of September 30, 2011.

Competition: Also on competition matters, there are three 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 (which do not constitute a statement of objection), while reminding them that at that stage, it did not have conclusive evidence of anti-competitive practices. The alleged offences, which will be the subject of the detailed investigation, involve 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, seven (7) countries are quoted: France, the United Kingdom, Germany, Spain, the Czech Republic, Greece and Austria. The Commission's investigation is ongoing and Lafarge is answering to its requests. The date of its closure is unknown and 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 recent procedural step, 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.

- In India, on June 15, 2011, our subsidiary Lafarge India PVT Ltd has been notified by the Competition Commission of India (CCI) of an investigation report alleging violations of the Indian competition laws since 2005 by the national and regional cement market players, including our subsidiary. The latter, which is the least significant player in terms of market share among the implicated companies, vigorously defends itself against the allegations. Until this date our subsidiary has not received any official communication on the status of these proceedings. No conclusion on the outcome of this procedure can be drawn at this stage.

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. These plaintiffs filed a Notice of Appeal, but then withdrew it. A new

case was filed against Lafarge North America Inc on September 16, 2011 in Louisiana State Court. Our subsidiary has moved to remove the case to Federal Court before the same Judge and has filed a Motion for Summary Judgment against all the remaining plaintiffs. A Hearing should be held and a decision given before the end of the year.

Lafarge North America Inc. vigorously defends itself in these actions. Lafarge North America Inc. believes that the claims against it are without merit and that these matters will not have a materially adverse effect on its financial condition

India / **Bangladesh:** The Group holds, jointly with Cementos Molins, 59% of Lafarge Surma Cement which is operating a cement plant in Bangladesh. This cement plant is supplied by its Indian affiliate with limestone extracted from a quarry in the Meghalaya region of India. At a hearing on February 5th, 2010, the Supreme Court of India decided to suspend the mining activities of the quarry, due to the fact that its location is today regarded as a forest area, making it necessary to obtain a new mining permit.
By a favourable decision dated July 6th, 2011, the Supreme Court has declared to see no reason to interfere with the past decisions of the Ministry of Environment and Forest granting the clearances to our subsidiary during the course of the project (including site clearance dated June 1999, Environmental Impact Assessment clearance dated August 2001 and revised in April 2010 and the Stage 1 Forest Clearance dated April 2010). Accordingly the Court decides to stand vacated its interim order dated February 5 2010 suspending the mining activities of our subsidiary and to allow the application filed by our subsidiary to obtain a new clearance from the Ministry of Environment and Forest. Further to this decision, and pending to the granting of a Stage 2 Forest Clearance for which the procedures are continuing before the Ministry of Environment and Forest, by a letter dated August 5th, the State Government of Meghalaya allowed our Indian subsidiary to immediately restart its mining activities in the already broken-up area of the quarry. Therefore, Lafarge Surma Cement has restarted in a normal way the operations of its cement plant, thanks to the supply of limestone extracted from this area of its Indian affiliate's quarry.

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 9. Transactions with related parties

There were no significant related-party transactions during the period nor an evolution in the nature of the transactions as described in note 30 of the Consolidated Financial Statements included in the Group 2010 annual report.

Note 10. Subsequent events

Agreement between Lafarge and Cementos Argos
On October 3, 2011, the Group completed the disposal of its cement and concrete assets in the southeast United States to the Colombia-based conglomerate Cementos Argos for a net amount of 760 million US dollars. The cement assets sold include the Harleyville cement plant in South Carolina and the Roberta cement plant in Alabama, a cement grinding station in Atlanta (Georgia), associated supporting cement terminals and its ready-mix concrete units.

Statutory auditors' review report on the interim condensed consolidated financial statements

To the Chairman and Chief Executive Officer,

In our capacity as statutory auditors of Lafarge SA and in accordance with your request, we have reviewed the interim condensed consolidated financial statements of Lafarge SA contained in the accompanying report for the period from January 1, 2011 to September 30, 2011.

These interim condensed consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently can only provide moderate assurance that the financial statements, taken as a whole, do not contain any material misstatements. This level of assurance is less than that obtained from an audit.

Based on our review, nothing has come to our attention that causes us to believe that these interim condensed consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Neuilly-sur-Seine and Paris-La Défense, November 4, 2011

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES

ERNST & YOUNG AUDIT

Arnaud de Planta

Frédéric Gourd

Christian Mouillon

Nicolas Macé