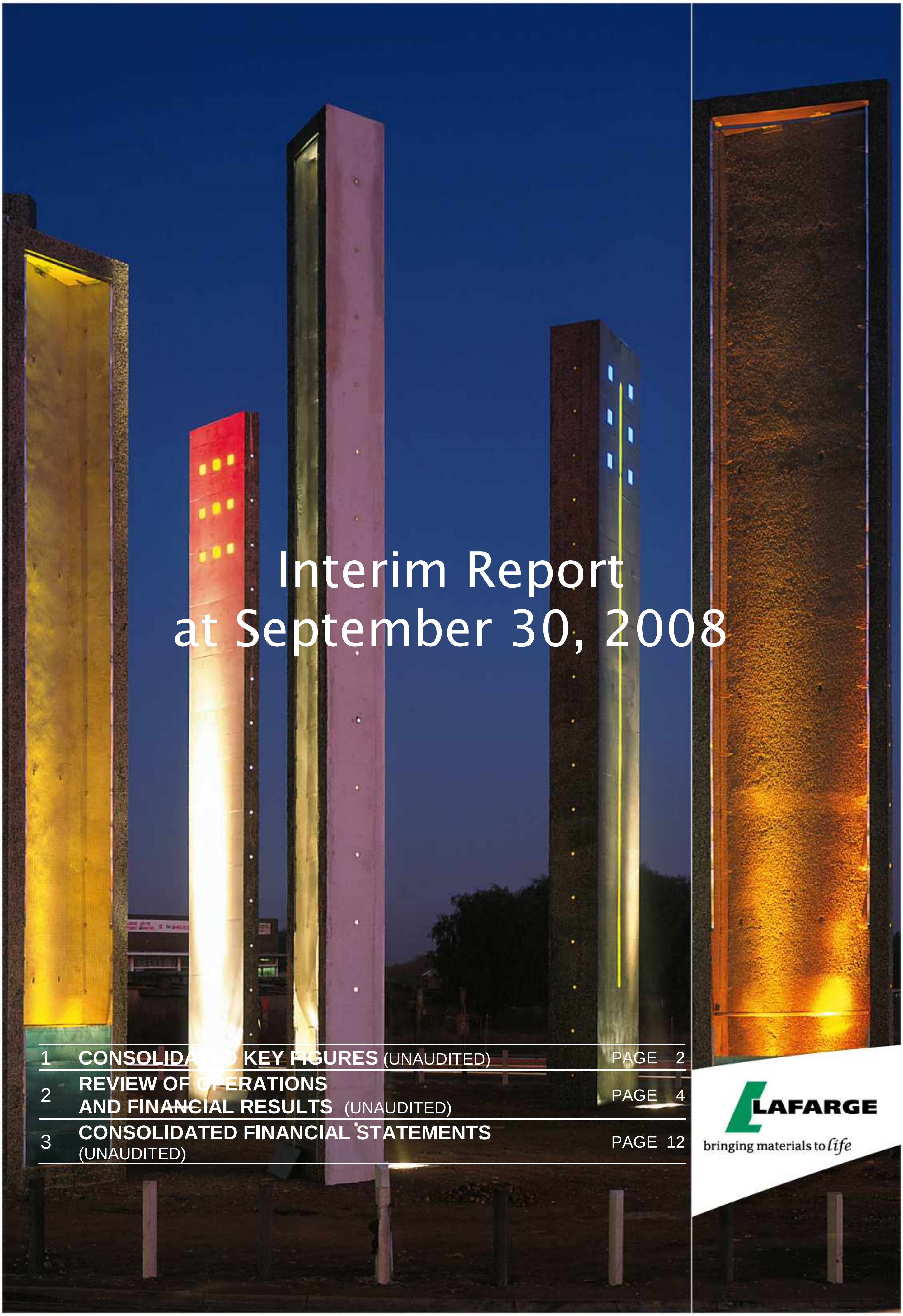

Interim Report at September 30, 2008

LAFARGE

bringing materials to life

1. Consolidated key figures *(unaudited)*

In order to reflect its divestment effective in February 2007, the Roofing division is presented in 2007 as discontinued operations in the Group's financial statements. In compliance with IFRSs, the contribution of the Roofing Division to the Group's consolidated statement of income and statement of cash flows is presented on specific lines. Pursuant to the disposal, the 35% investment in the new Roofing activity is accounted for as an associate in the Group's financial statements since February 2007.

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.

Following the Orascom acquisition in the first quarter 2008, the Group adjusted the presentation of its geographical information for all periods presented:

- *Western Europe, North America, Central and Eastern Europe, Latin America and Asia remain unchanged from previous presentations.*
- *The former Mediterranean Basin is transformed into a "Middle East" region after the reclassification of Algeria and Morocco to the new "Africa" which replaces the former Sub-Saharan Africa.*
- *The countries of the ex-Orascom operations will be classified as follows:*
    - *Egypt, Iraq, UAE and Turkey in the Middle East*
    - *Algeria and Nigeria in Africa*
    - *North Korea and Pakistan in Asia*
    - *Spain in Western Europe*

Sales

(million euros)	9 months 2008	9 months 2007	% Variance	3rd quarter 2008	3rd quarter 2007	% Variance
By geographic area of destination						
Western Europe	4,742	4,780	-1%	1,535	1,599	-4%
North America	3,179	3,635	-13%	1,415	1,567	-10%
Middle East	1,055	397	nm (1)	425	141	nm (1)
Central and Eastern Europe	1,402	1,091	29%	549	448	23%
Latin America	727	641	13%	244	217	12%
Africa	1,809	1,438	26%	645	500	29%
Asia	1,472	1,297	13%	504	422	19%
By business line						
Cement	8,349	7,118	17%	3,015	2,550	18%
Aggregates & Concrete	4,846	4,958	-2%	1,916	1,961	-2%
Gypsum	1,164	1,190	-2%	376	376	-
Other	27	13		10	7	
TOTAL	***14,386***	***13,279***	***8%***	***5,317***	***4,894***	***9%***

(1) Not meaningful

Current operating income

(million euros)	9 months 2008	9 months 2007	% Variance	3rd quarter 2008	3rd quarter 2007	% Variance
By geographic area of destination						
Western Europe	823	826	-	301	303	-1%
North America	337	510	-34%	252	331	-24%
Middle East	305	109	nm (1)	111	43	nm
Central and Eastern Europe	533	397	34%	236	195	21%
Latin America	143	114	25%	45	37	22%
Africa	449	333	35%	162	123	32%
Asia	199	153	30%	71	50	42%
By business line						
Cement	2,302	1,860	24%	922	790	17%
Aggregates & Concrete	496	531	-7%	259	287	-10%
Gypsum	40	97	-59%	9	15	-40%
Other	(49)	(46)		(12)	(10)	
TOTAL	***2,789***	***2,442***	***14%***	***1,178***	***1,082***	***9%***

(1) Not meaningful

Other key figures

(million euros, except per share data)	9 months 2008	9 months 2007	% Variance	3rd quarter 2008	3rd quarter 2007	% Variance
Net income – Group share	1,558	1,534	nm	647	600	
Excluding one-off items (1)	1,420	1,273	12%	647	600	8%
Earnings per share (in euros)	8.08	8.86	nm	3.33	3.48	
Excluding one-off items (1)	7.37	7.35	-	3.33	3.48	-4%
Free Cash Flow (2)	1,091	862	27%	962	786	22%
Net Debt	17,802	9,103	96%			

(1) Excluding net capital gains on sale of Turkish assets and Roofing in 2007, of Egypt-Titan JV in Q2 2008, and legal provision adjustment for the 2002 Gypsum case.
(2) Defined as the net operating cash generated by continuing operations less sustaining capital expenditures

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 2008

- Strong contribution from emerging markets, with current operating income up 47% in the first nine months and 40% in the third quarter (+ 55% and + 45% respectively, at constant exchange rate).
- Strong resilience of our operations in developed markets.
- Improved pricing in a context of higher input costs.
- Contribution of the Orascom acquisition, finalized at the end of January, to earnings growth. Technical delays experienced in the first half now resolved.
- Innovation strategy contributed to mitigate the impact of volumes slowdown in developed markets.
- Growth in current operating income despite a negative currency effect. At constant exchange rate, current operating income increased by 20% in the first nine months and 15% in the third quarter.
- Solid liquidity position with 1.0 billion euros of free cash flow generated in the 3rd quarter, 1.5 billion euros in cash at the end of September, 3.1 billion euros of committed revolving credit facilities, and a balanced schedule of debt maturities.

Overview of operations: sales and current operating income

Consolidated sales and current operating income

In the first nine months of 2008, consolidated sales increased by 8.3% over 2007 to 14,386 million euros. Sales benefited from positive pricing trends and solid growth in emerging markets that more than offset the severe decrease in volumes observed in some developed markets, notably in the United States, Spain and the United Kingdom. This led to a 5.0% organic growth in the third quarter (5.2% in the first quarter, 6.8% in the second quarter) and 5.7% for the first nine months of the year. The consolidation as of the end of January of the acquired Orascom operations, mostly in cement, positively contributed to the growth in sales (net impact of changes in the scope of consolidation of 8.6%). Currency impacts were strongly unfavorable, reducing sales by 6.0% in the first nine months (-4.9% in the first quarter, -7.1% in the second quarter, -5.7% in the third quarter), mainly reflecting the depreciation of the US and Canadian dollars, the British pound and the South African rand against the euro, despite the recent weakening of the euro against these currencies.

In the same period, the current operating income increased by 14.2%. The impact of the severe downturn in some developed markets, notably the United States, the United Kingdom and Spain was more than offset by solid growth in emerging markets, favorable supply-demand balance for our main products, strict cost control in a context of high inflation, and the impact of the consolidation of Orascom operations. At constant scope and exchange rates, the current operating income increased 5.6% in the first nine months of the year (increasing by 26.6% in the first quarter, 1.4% in the second quarter and 2.6% in the third quarter), with emerging markets growth more than offsetting decline in Gypsum results and lower volumes in North America, Spain and the United Kingdom across all Divisions.

Sales and Current operating income by segment

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

Cement

(million euros)	9 months 2008	9 months 2007	% Variation	% Variation at constant scope and exchange rates	3rd quarter 2008	3rd quarter 2007	% Variation	% Variation at constant scope and exchange rates
Sales before elimination of interdivisional sales	8,926	7,744	+ 15.3%	9.0%	3,196	2,770	15.4%	7.7%
Current operating income	2,302	1,860	+ 23.8%	11.4%	922	790	16.7%	7.4%

Despite decelerated trends in volumes in developed markets, led by severe declines in the United States, the United Kingdom and Spain markets, the cement division still achieved a solid improvement in current operating income, benefiting from sustained growth in emerging markets, favourable supply-demand balance overall and cost reduction efforts in a context of high inflation. The consolidation of the Orascom cement operations since end of January contributed to the increase in the results of the division.

WESTERN EUROPE

Sales: ***€ 2,190 million at end of September 2008 (€ 2,271 million in 2007)***
€ 706 million in the third quarter of 2008 (€ 753 million in 2007)

Current operating income: ***€ 628 million at end of September 2008 (€ 594 million in 2007)***
€ 245 million in the third quarter of 2008 (€ 229 million in 2007)

At constant scope and exchange rates, domestic sales declined slightly (decreasing by 0.5% in the first nine months of the year, by 2.5% in the third quarter) while current operating income was up 7.3% in the first nine months compared to 2007 (up 8.7% in the third quarter). Strict cost control across the countries, reduced import volumes thanks to network optimization in a context of decelerating markets, price increases in a context of inflationary pressures, notably in energy, and positive one-offs in the third quarter contributed to this improvement. These factors more than compensated for volume softness in Spain and the United Kingdom, both affected by a severe downturn in the housing market, and in Greece which slowed after the record levels of past years.

NORTH AMERICA

Sales: ***€ 1,193 million at end of September 2008 (€ 1,413 million in 2007)***
€ 495 million in the third quarter of 2008 (€ 574 million in 2007)

Current operating income: ***€ 180 million at end of September 2008 (€ 294 million in 2007)***
€ 106 million in the third quarter of 2008 (€ 167 million in 2007)

At constant scope and exchange rates, domestic sales and current operating income decreased respectively by 6.6% and 33.5% (respectively by 5.6% and 29.6% in the third quarter). In the United States, the softness of the residential market drove an 11.5% decline in shipments, while in Canada, sales volumes were up 1.0%. Cost reduction actions and prices remaining stable in the United States and increasing in Canada only partially mitigated the combined impact of rising costs, notably energy costs, and significantly reduced volumes. The weaker US dollar had a negative impact of 136 million euros on sales and 23 million euros on current operating income for the first nine months.

EMERGING MARKETS

Sales:	***€ 5,543 million at end of September 2008 (€ 4,060 million in 2007)*** ***€ 1,995 million in the third quarter of 2008 (€ 1,443 million in 2007)***
Current operating income:	***€ 1,494 million at end of September 2008 (€ 972 million in 2007)*** ***€ 571 million in the third quarter of 2008 (€ 394 million in 2007)***

Sales of our operations in emerging markets grew by 36.5% (by 38.3% in the third quarter), benefiting from strong organic growth in most of our markets that experienced sustained demand in a favorable supply-demand environment and from the impact of the Orascom Cement acquisition. In all of these regions, sales experienced double-digit growth rates at constant scope and exchange rates. Current operating income in these markets went up 53.7% (up 44.9% in the third quarter), reflecting the good performance of all our regions, notably Central and Eastern Europe, Latin America and Asia and the impact of the consolidation of the Orascom Cement operations since end of January. For these regions, at constant scope and exchange rates, sales and current operating income increased strongly by respectively 20.3% and 27.4% (respectively by 19.0% and 20.9% in the third quarter).

In the Middle East, our domestic sales at constant scope and exchange rates grew substantially (up 14.0% for the first nine months of the year and up 7.8% in the third quarter). The current operating income of our legacy operations remained almost stable, the pricing effect being offset by higher input costs and some softness in volumes, notably in Jordan in the third quarter. The acquisition of Orascom Cement had a strong positive impact on the results. Market conditions showed continued strength in key markets, notably in Egypt and Iraq, with, however, lower activity due to seasonality in the month of September. In Iraq, the development of the distribution network limited the benefit of the new plant production in the first half. In Egypt, on May 6 we finalized the disposal of our ownership interest in the joint venture we previously managed with Titan. The results of the region consequently include only four months of results for this joint venture in 2008.

In Central and Eastern Europe, sales and current operating income further improved. At constant scope and exchange rates, domestic sales grew by 29.9% (22.6% in the third quarter) and current operating income was up 37.7% (up 23.9% in the third quarter). Strong demand from all construction sectors combined with pricing gains, and excellent operational performance drove these strong results. In Poland, after a relatively low second quarter affected by the postponement of certain infrastructures projects that resumed since then, volumes recorded a solid growth of 6.0% in the third quarter. In Russia, following some softness in the market in the third quarter, prices relented from the record highs observed in May of this year, albeit still higher than last year, in a context of strongly rising costs.

In Latin America, domestic sales grew by 21.3% at constant scope and exchange rates (23.2% in the third quarter). Driven by good market trends, our volumes and prices grew in most countries. At constant scope and exchange rates, the current operating income for the region increased 37.8% (24.4% in the third quarter), mainly driven by a price recovery and strong market growth in Brazil.

In Africa, sales grew solidly, driven by both the impact of the Orascom Cement acquisition, and positive market trends in most countries (domestic sales grew 12.4% at constant scope and exchange rates in the first nine months of the year and 13.2% in the third quarter). Positive pricing trends and market demand overall helped to improve results, despite the significant increase in energy costs in most countries and the lower activity due to seasonality in the month of September. At constant scope and exchange rates, the current operating income grew 10.3% (6.5% in the third quarter): Morocco was the main contributor to this improvement, benefiting from positive market conditions, strong industrial performance and efficient control over costs. The Kenya market was hampered in January and February by the post-election situation but since then has recovered, contributing to the improvement in the results of the region.

At constant scope and exchange rates, in Asia, domestic sales and current operating income were up strongly (16.6% and 47.1% respectively in the first nine months of the year; up 21.9% and 67.6% in the third quarter). In China, the exceptionally harsh weather in the first quarter and the impact of the Sichuan earthquake in the second quarter temporarily affected our volumes. Despite rising energy costs, positive pricing trends and closure of wet process lines contributed to increase in earnings. Insurance indemnity has been recognized to compensate for operating losses at damaged plants in Sichuan. Repairs at these plants are actually progressing fast with one kiln resuming production at Dujiangyan in September (a second one is expected to resume in November). India, benefiting from good market trends, good plant performance and tight cost control, also contributed significantly to the higher results of the region. In the Philippines, current operating income improved year on year thanks to better pricing and volumes in the third quarter, recovering from a weak first semester. In Malaysia, in a context of high inflation on costs, the government lifted the price control effective June 5 2008, allowing some pricing gains from June that mitigated the impact of rising energy costs. Volumes in this country grew solidly, led by the commencement of certain projects under the 9th Malaysian Plan, despite some contraction in September.

Aggregates & Concrete

(million euros)	9 months				3rd quarter			
	2008	2007	% Variation	% Variation at constant scope and exchange rates	2008	2007	% Variation	% Variation at constant scope and exchange rates
Sales before elimination of interdivisional sales	4,852	4,966	-2.3%	-0.1%	1,919	1,964	-2.3%	-0.8%
Current operating income	496	531	-6.6%	-4.7%	259	287	-9.8%	-7.9%

AGGREGATES AND OTHER RELATED PRODUCTS

Sales: ***€ 2,448 million at end of September 2008 (€ 2,579 million in 2007)***
€ 1,059 million in the third quarter of 2008 (€ 1,117 million in 2007)

Current operating income: ***€ 292 million at end of September 2008 (€ 319 million in 2007)***
€ 177 million in the third quarter of 2008 (€ 195 million in 2007)

Solid pricing trends combined with strict cost control only partly mitigated the impact of the sharp decline in volumes, primarily caused by the slowdown in the United States, Spain and the United Kingdom, rising energy and transport costs and unfavorable exchange rates.

In Western Europe, good pricing trends and strict cost control offset most of the impact of market softness in Spain and in the United Kingdom and strong rise in energy and transport cost.

In North America, strict cost control in a context of rising energy and transport cost and improved prices partly compensated the volume decline resulting from soft markets in the United States and from the poor weather conditions in the first half of the year, especially in Canada and in the third quarter in the south east of the United States.

Elsewhere in the world, results were up, driven by improved pricing and cost containment, with particularly good volumes in Romania and Brazil.

CONCRETE AND OTHER RELATED PRODUCTS

Sales: ***€ 2,745 million at end of September 2008 (€ 2,751 million in 2007)***
€ 985 million in the third quarter of 2008 (€ 983 million in 2007)

Current operating income: ***€ 204 million at end of September 2008 (€ 212 million in 2007)***
€ 82 million in the third quarter of 2008 (€ 92 million in 2007)

Solid pricing, increased share of value-added products and strict cost control helped offset volume declines mainly in the United States, Spain and the United Kingdom, impact of rising energy and transport cost and unfavorable impact of exchange rates.

In Western Europe, strong cost control and price improvement partly offset the volume impact of a softer demand in Spain and in the United Kingdom and increasing energy and transport costs.

In North America, improved prices and tight cost management mitigated the effect of the market slowdown in the United States, of poor weather in the first half of the year, especially in Canada and in the third quarter in the south east of the United States, and of rising energy and transport costs.

Elsewhere in the world, solid pricing and cost control offset higher costs, notably delivery costs.

Gypsum

(million euros)	9 months 2008	9 months 2007	9 months % Variation	9 months % Variation at constant scope and exchange rates	3rd quarter 2008	3rd quarter 2007	3rd quarter % Variation	3rd quarter % Variation at constant scope and exchange rates
Sales before elimination of interdivisional sales	1,184	1,208	-2.0%	2.9%	383	382	0.3%	4.6%
Current operating income	40	97	-58.8%	-58.3%	9	15	-40.0%	-51.2%

Gypsum's results were affected by the downturn in the United States where prices were significantly lower than last year and softening markets in Western Europe. Elsewhere, the Division experienced good volume growth, and price increases which more than mitigated the sharp rise in energy and transport costs.

WESTERN EUROPE

Sales: ***€ 688 million at end of September 2008 (€ 688 million in 2007)***
€ 211 million in the third quarter of 2008 (€ 215 million in 2007)

Current operating income: ***€ 56 million at end of September 2008 (€ 71 million in 2007)***
€ 12 million in the third quarter of 2008 (€ 17 million in 2007)

The current operating income was adversely affected by higher energy and transport costs.

NORTH AMERICA

Sales: ***€ 144 million at end of September 2008 (€ 201 million in 2007)***
€ 51 million in the third quarter of 2008 (€ 55 million in 2007)

Current operating income: ***€ -49 million at end of September 2008 (€ -5 million in 2007)***
€ -17 million in the third quarter of 2008 (€ -12 million in 2007)

Despite our improved cost position, the current operating income was severely impacted by the unfavorable market conditions that led to lower mill-net prices compared to last year, although some slight recovery was experienced in the third quarter. Variable costs increases have been offset by performance improvements at our plants. To further reduce our fixed costs base, we mothballed in July our plant in Newark, New Jersey. As for all countries, the current operating income includes Lafarge corporate cost allocation.

OTHER COUNTRIES

Sales: ***€ 352 million at end of September 2008 (€ 319 million in 2007)***
€ 121 million in the third quarter of 2008 (€ 112 million in 2007)

Current operating income: ***€ 33 million at end of September 2008 (€ 31 million in 2007)***
€ 14 million in the third quarter of 2008 (€ 10 million in 2007)

In other countries, despite the sharp increase in energy costs, results improved partly thanks to our new capacities, notably in Romania and Ukraine.

Other income statement items

Other elements of the operating income ***€ 108 million at end of September 2008 (€ 54 million in 2007)***
€ -28 million in the third quarter of 2008 (€ -28 million in 2007)

Gains on disposals, net, amounted to 197 million euros in the first nine months of 2008 as compared to a gain of 165 million euros last year. In 2008, this is primarily the gain on the sale of our ownership interest in the joint venture we previously managed with Titan in Egypt, effective on May 6 (184 million euros). In 2007, it included mainly the gain realized on the sale of our participation interest in a joint venture operating in Turkey in February 2007.

Other operating expenses amounting to 89 million euros, compared to 111 million euros in 2007, mainly related to restructuring. They also include a of 36 million euros adjustment to the provision connected to the fine imposed on our European gypsum activities in 2002. This adjustment was recorded following a decision of the European Court of First Instance on July 8 2008 that has been appealed by the Group.

Finance costs ***€ 626 million at end of September 2008 (€ 397 million in 2007)***
€ 236 million in the third quarter of 2008 (€ 153 million in 2007)

Financial expenses on net indebtedness increased to 611 million euros, from 388 million euros in 2007. This increase is mainly due to the acquisition of Orascom on January 23, 2008. The debt part for this acquisition was financed through a 7.2 billion euros credit facility underwritten by three banks prior to the acquisition. The syndication of this credit facility was completed in February 2008.

The average interest rate on our gross debt was 5.4% during the first nine months of 2008 as compared to 5.8% in the first nine months of 2007, favourably impacted by the weight of the short-term floating rate drawings under the Orascom acquisition facility, the recent rise in interest rates only impacting the month of September. The acquisition debt of Orascom, which has an average maturity of 3 years, is planned to be progressively refinanced by medium and long term debt issuances. 1.5 billion euros was refinanced on May 28 through the issuance of two bonds of 750 million euros each, bearing an average interest rate of 6% with maturities of 3 and 7 years.

Foreign exchange resulted in a gain of 44 million euros (loss of 7 million euros in 2007) reflecting in particular gains on debt denominated in US dollar in foreign subsidiaries.

Other finance costs increased to 59 million euros, compared to 2 million euros in the first nine months of 2007. This increase mainly relates to the financing of the Orascom acquisition and to a provision for additional late interest payment on the 2002 gypsum case mentioned above.

Income from associates ***€ 7 million at end of September 2008 (€ 39 million in 2007)***
€ 6 million in the third quarter of 2008 (€ 12 million in 2007)

Our 35% stake in the new Roofing affiliate negatively contributed 25 million euros, compared to a positive 3 million euros in the first nine months of 2007 (the disposal of our majority stake was effective only as of the end of February 2007). The contribution of the roofing entity is affected by soft markets in the United Kingdom and in Germany and by high financing costs.

Income tax ***€ 454 million at end of September 2008 (€ 548 million in 2007)***
€ 179 million in the third quarter of 2008 (€ 241 million in 2007)

The effective tax rate is 20% vs. 26% in 2007. In 2007 the low taxation of the gain on the sale of our Turkish assets favorably impacted the tax rate. In 2008, our effective tax rate is favorably impacted by the acquisition of Orascom operations, which benefit from tax exemptions in several countries (-4% impact on the Group's effective tax rate) and by one-off impact of changes in tax rates in some countries (-2% impact on the Group's effective tax rate). The low taxation of the gain on the sale of our participation in the joint venture we previously managed with Titan in Egypt (3 million euros) and continuous tight monitoring of our tax positions also contributed positively.

Income from discontinued operations ***€ 0 million at end of September 2008 (€ 131 million in 2007)***
€ 0 million in the third quarter of 2008 (€ 0 million in 2007)

In compliance with IFRSs guidance, the Roofing division, following its divestment on February 28, 2007, was presented in the 2007 Group's profit and loss statement until this date as discontinued operations. The gain on the disposal, net of tax, realized in 2007 was also included in this line.

In 2008, no asset is classified as discontinued operations.

Minority interests ***€ 266 million at end of September 2008 (€ 187 million in 2007)***
€ 94 million in the third quarter of 2008 (€ 72 million in 2007)

The increase in minority interests is mainly due to a scope effect attributable to the Egyptian and Iraqi operations of Orascom. The impact of improved results in Morocco, Russia and Serbia were offset by our purchase of some minority interests' stake in Heracles Cement.

Net income, Group share ***€ 1,558 million at end of September 2008 (€ 1,534 million in 2007)***
€ 647 million in the third quarter of 2008 (€ 600 million in 2007)

Adjusted for the net gains realized on the disposals of Turkish assets and Roofing division in the first quarter of 2007, for the net gain on the disposal of our participation interest in the joint-venture with Titan in Egypt in the second quarter of 2008, and for the additional provision on the 2002 Gypsum case, net income for the first nine months of the year increased by 11.5% (or 147 million euros), reflecting improved operational performance partly offset by the additional finance costs incurred on the acquisition debt of Orascom Cement.

The Orascom acquisition, including the after tax cost of its financing, had a positive impact on net profit.

Earnings per share ***€ 8.08 at end of September 2008 (€ 8.86 in 2007)***
€ 3.33 in the third quarter of 2008 (€ 3.48 in 2007)

Adjusted for the net gains realized on the disposals of Turkish assets and Roofing division in 2007, of our participation in the joint-venture with Titan in Egypt in 2008 and for the additional provision on the 2002 Gypsum case, our earnings per share is stable compared to last year in the first nine months of the year and is decreasing by 4%, in the third quarter. The improved operating performance and the positive impact on net results of the Orascom acquisition offset the effect of the increased number of shares. The average number of shares outstanding during the first nine months of 2008 was 192.7 million compared to 173.1 million in the same period of 2007. This increase reflects the impact from January 23 of the reserved capital increase as part of the acquisition of Orascom operations.

Cash flow statement

Net cash provided by operating activities in the first nine months of the year, increased by €211 million to €1,644 million (€1,433 million at the end of September 2007).

This increase reflects improved operating results partly offset by increased payments for financial expenses, mainly related to the acquisition debt for Orascom cement.

Net cash used in investing activities amounted to €7,824 million (vs. net cash provided by investing activities of €143 million in the first nine months of 2007).

External development reflects mainly the acquisition of Orascom Cement on January 23. The total acquisition price of 8.3 billion euros (before deducting the acquired cash and including the acquisition of the remaining 50% stake in Grupo GLA from the former partner of Orascom) was financed through the issuance of 22.5 million shares for 2.5 billion euros and of a syndicated credit facility. In line with IFRSs requirements, the share issuance is considered as a non-cash transaction and therefore not reflected in the consolidated statement of cash flows.

Sustaining capital expenditures decreased slightly, to 553 million euros (597 million euros in the first nine months of 2007).

Capital expenditures for new capacity, at 1,162 million euros (577 million euros in the first nine months of 2007), reflect mainly our internal development program in cement. These expenditures include major cement projects such as the extension of our capacities in China (82 million euros), the United States (61 million euros), Eastern India (47 million euros), South Africa (37 million euros), Poland (44 million euros), Ecuador (29 million euros), Morocco (36 million euros), Ukraine (21 million euros), Uganda (21 million euros), Russia (17 million euros), Zambia (16 million euros), Chile (7 million euros), the reconstruction of our Aceh plant in Indonesia (42 million euros) and investments in the new capacities of Orascom Cement (275 million euros).

Disposals of 342 million euros (2,418 million euros in the first nine months of 2007, primarily related to the sale of our Roofing Division to PAI Partners for 2.1 billion euros) mainly reflected the sale of our ownership interest in the joint venture we previously managed with Titan in Egypt, effective on May 6 2008 (309 million euros before deducting the cash position of the disposed company).

Balance sheet statement

At September 30, 2008 total equity stood at €16,063 million (€12,077 million at the end of December 2007).

The increase in equity reflects in particular the impact of the reserved share issuance related to the Orascom operations acquisition (2.5 billion euros) and of the net income of the period (1.8 billion euros) partly offset by dividend payments (0.9 billion euros).

At September 30, 2008 net debt amounted to €17,802 million (€8,685 million at the end of December 2007).

The increase of 9.1 billion euros of the net consolidated debt mainly results from the 5.8 billion euros debt financed portion of the Orascom acquisition, the 1.8 billion euros of net debt assumed and the usual seasonality effect on our working capital requirement.

In the recent environment, marked by the financial crisis, the Group has taken steps to maintain a strong liquidity position, including:

- Maintaining 3 billion euros in credit facilities to provide back-up for short-term financing needs. These are firm commitments spread over more than 25 financial institutions with a total average maturity of over 3 years.
- Balancing the company's debt maturity schedule by spreading bond redemptions over the upcoming years. The company successfully refinanced 1.5 billion euros in May of this year into three and seven year bonds along with completing in October a Schuldschein in Germany for 0.2 billion euros.
- Keeping flexibility on maturity dates under the Orascom Cement acquisition facility. The company has the option to defer payment for the remaining 0.3 billion euros due under the first tranche from December 2008 to December 2009 and to defer 2.3 billion euros due under the second tranche from December 2009 to December 2010.

Perspectives

Taking into account the economic consequences of the financial crisis, the Group's in the short term is to focus on free cash flow generation, cost reductions and deleveraging.

Given the current exceptional uncertainty, the Group is not in a position to confirm its 2010 targets.

Building on the success of its Excellence 2008 program, Lafarge launches today the following steps.

- Lafarge will reduce costs by €120 million by the end of 2009, as part of a new €400 million cost cutting program to be achieved over a three year period from 2009 to 2011. This follows Lafarge's successful cost reduction program carried out from 2006 to 2008 that will exceed €400 million at the end of this year.
- Lafarge will limit its total capital expenditure in 2009 to approximately 2 billion euros.
- Lafarge will expand its divestment program beyond the €1 billion target set for 2008-2009, in order to provide additional financial flexibility.

3. Consolidated financial statements *(unaudited)*

Consolidated statements of income

(million euros, except per share data)	9 months 2008	9 months 2007	3rd quarter 2008	3rd quarter 2007	December 31, 2007
Revenue	**14,386**	**13,279**	**5,317**	**4,894**	**17,614**
Cost of sales	(10,308)	(9,599)	(3,699)	(3,417)	(12,700)
Selling and administrative expenses	(1,289)	(1,238)	(440)	(395)	(1,672)
Operating income before capital gains, impairment, restructuring and other	**2,789**	**2,442**	**1,178**	**1,082**	**3,242**
Gains on disposals, net	197	165	6	1	196
Other operating income (expenses)	(89)	(111)	(34)	(29)	(149)
Operating income	**2,897**	**2,496**	**1,150**	**1,054**	**3,289**
Finance costs	(814)	(500)	(310)	(173)	(652)
Finance income	188	103	74	20	126
Income from associates	7	39	6	12	-
Income from continuing operations before income tax	**2,278**	**2,138**	**920**	**913**	**2,763**
Income tax	(454)	(548)	(179)	(241)	(725)
Net income from continuing operations	1,824	1,590	741	672	2,038
Net income / (loss) from discontinued operations	-	131	-	-	118
Net income	**1,824**	**1,721**	**741**	**672**	**2,156**
Out of which :					
Group share	**1,558**	**1,534**	**647**	**600**	**1,909**
Minority interests	266	187	94	72	247
Earnings per share (euros)					
Net income - Group share					
Basic earnings per share	8.08	8.86	3.33	3.48	11.05
Diluted earnings per share	8.07	8.76	3.33	3.46	10.91
From continuing operations					
Basic earnings per share	8.08	8.10	3.33	3.48	10.37
Diluted earnings per share	8.07	8.02	3.33	3.47	10.24
From discontinued operations					
Basic earnings per share	-	0.76	-	-	0.68
Diluted earnings per share	-	0.74	-	-	0.67
Basic average number of shares outstanding (in thousands)	**192,728**	**173,118**	-	-	**172,718**

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

Consolidated balance sheets

(million euros)	September 30, 2008	September 30, 2007	At December 31, 2007
ASSETS			
NON CURRENT ASSETS	**33,983**	**20,848**	**21,490**
Goodwill	14,190	7,409	7,471
Intangible assets	613	413	472
Property, plant and equipment	17,310	11,435	11,904
Investments in associates	335	354	331
Other financial assets	1,368	1,040	1,096
Derivative instruments - assets	14	4	5
Deferred income tax assets	153	193	211
CURRENT ASSETS	**8,489**	**7,648**	**6,818**
Inventories	2,259	1,706	1,761
Trade receivables	3,203	3,372	2,515
Other receivables	1,518	1,061	1,061
Derivative instruments - assets	38	104	52
Cash and cash equivalents	1,471	1,405	1,429
TOTAL ASSETS	**42,472**	**28,496**	**28,308**
EQUITY & LIABILITIES			
Common stock	781	697	691
Additional paid-in capital	8,454	6,171	6,019
Treasury shares	(63)	(259)	(55)
Retained earnings	5,185	4,036	4,411
Other reserves	(252)	(17)	36
Foreign currency translation	133	16	(104)
Shareholders' equity - parent company	**14,238**	**10,644**	**10,998**
Minority interests	1,825	1,160	1,079
EQUITY	**16,063**	**11,804**	**12,077**
NON CURRENT LIABILITIES	**19,874**	**11,660**	**10,720**
Deferred income tax liability	1,037	670	695
Pension & other employee benefits liabilities	751	807	724
Provisions	987	974	928
Long-term debt	17,052	9,176	8,347
Derivative instruments - liabilities	47	33	26
CURRENT LIABILITIES	**6,535**	**5,032**	**5,511**
Pension & other employee benefits liabilities	59	94	79
Provisions	179	122	201
Trade payables	1,822	1,617	1,732
Other payables	1,898	1,569	1,553
Income tax payable	351	223	148
Short term debt and current portion of long-term debt	2,091	1,373	1,762
Derivative instruments - liabilities	135	34	36
TOTAL EQUITY AND LIABILITIES	**42,472**	**28,496**	**28,308**

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

Consolidated statements of cash flows

(million euros)	9 months 2008	9 months 2007	3rd quarter 2008	3rd quarter 2007	December 31, 2007
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Net income	**1,824**	**1,721**	**741**	**672**	**2,156**
Net income / (loss) from discontinued operations	**-**	**131**	**-**	**-**	**118**
Net income from continuing operations	**1,824**	**1,590**	**741**	**672**	**2,038**
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	790	706	285	238	941
Impairment losses	21	8	(9)	2	13
Income from associates	(7)	(39)	(6)	(12)	-
(Gains) on disposals, net	(197)	(165)	(6)	(1)	(196)
Finance costs (income)	626	397	236	153	526
Income taxes	454	548	179	241	725
Others, net	93	(95)	50	(24)	(238)
Change in operating working capital items, excluding financial expenses and income taxes (see analysis below)	(912)	(852)	68	(7)	(79)
Net operating cash generated by continuing operations before impacts of financial expenses and income taxes	**2,692**	**2,098**	**1,538**	**1,262**	**3,730**
Cash payments for financial expenses	(614)	(290)	(216)	(112)	(478)
Cash payments for income taxes	(434)	(349)	(160)	(156)	(550)
Net operating cash generated by continuing operations	**1,644**	**1,459**	**1,162**	**994**	**2,702**
Net operating cash generated by discontinued operations	**-**	**(26)**	**-**	**-**	**(26)**
Net cash provided by operating activities	**1,644**	**1,433**	**1,162**	**994**	**2,676**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES					
Capital expenditures	(1,818)	(1,273)	(767)	(477)	(2,113)
Investment in subsidiaries and joint ventures (1) / (3)	(6,198)	(532)	(307)	(100)	(604)
Investment in associates	(16)	(222)	(8)	(1)	(225)
Investment in available for sale investments	(10)	(221)	(7)	(68)	(228)
Disposals (2)	342	2,418	21	31	2,492
Net decrease in long-term receivables	(124)	(12)	(100)	(7)	(10)
Net cash provided by (used in) investing activities from continuing operations	**(7,824)**	**158**	**(1,168)**	**(622)**	**(688)**
Net cash provided by (used in) investing activities from discontinued operations	**-**	**(15)**	**-**	**-**	**(15)**
Net cash provided by (used in) investing activities	**(7,824)**	**143**	**(1,168)**	**(622)**	**(703)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES					
Proceeds from issuance of common stock (3)	12	52	-	8	76
Minority interests' share in capital increase/(decrease) of subsidiaries	21	22	10	(1)	(23)
(Increase)/decrease in treasury shares	(8)	(523)	(5)	(185)	(505)
Dividends paid	(784)	(521)	-	-	(521)
Dividends paid by subsidiaries to minority interests	(108)	(102)	(35)	(2)	(131)
Proceeds from issuance of long-term debt	8,669	1,238	554	356	1,279
Repayment of long-term debt	(544)	(1,821)	(187)	(656)	(2,239)
Increase (decrease) in short-term debt	(1,020)	300	(329)	107	359
Net cash provided by (used in) financing activities from continuing operations	**6,238**	**(1,355)**	**8**	**(373)**	**(1,705)**
Net cash provided by (used in) financing activities from discontinued operations	**-**	**41**	**-**	**-**	**41**
Net cash provided by (used in) financing activities	**6,238**	**(1,314)**	**8**	**(373)**	**(1,664)**

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

	9 months		3rd quarter		December 31,
(million euros)	2008	2007	2008	2007	2007
Increase / (decrease) in cash and cash equivalents from continuing operations	**58**	**262**	**2**	**(1)**	**309**
Net effect of foreign currency translation on cash and cash equivalents	(16)	(12)	75	(19)	(35)
Cash and cash equivalents at beginning of year	1,429	1,155	1,394	1,425	1,155
Cash and cash equivalents at end of the year	**1,471**	**1,405**	**1,471**	**1,405**	**1,429**
(1) Net of cash and cash equivalents of companies acquired	*305*	*10*	*22*	*2*	*10*
(2) Net of cash and cash equivalents of companies disposed of	*28*	*16*	*-*	*-*	*16*
(3) The provisional Orascom Cement purchase price of 8,343 million euros is shown net of the capital increase subscribed by the major shareholders of OCI in relation with this acquisition (2,492 million euros) on the line "investment in subsidiaries and joint ventures". The share issuance is considered as a non-cash transaction and therefore not reflected on the line "Proceeds from issuance of common stock". Please refer to Note 3.					
SUPPLEMENTAL DISCLOSURES					
Analysis of changes in operating working capital items					
(Increase) / decrease in inventories	(303)	(117)	(64)	(36)	(201)
(Increase) / decrease in trade receivables	(593)	(712)	(16)	(86)	126
(Increase) / decrease in other receivables – excluding financial and income taxes receivables	(136)	90	(67)	99	5
Increase / (decrease) in trade payables	(62)	(2)	4	(16)	131
Increase / (decrease) in other payables – excluding financial and income taxes payables	182	(111)	211	32	(140)

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

Consolidated statements 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	Share-holders' equity – Parent company	Minority interests	Equity
		(number of shares)	*(million euros)*								
Balance at January 1, 2007	***176,625,142***	***1,372,260***	**707**	**6,420**	**(72)**	**3,023**	**31**	**205**	**10,314**	**1,380**	**11,694**
Income and expenses recognized directly in equity		-	-	-	-	-	*(48)*	*(189)*	***(237)***	*(33)*	***(270)***
Net income						1,534			**1,534**	187	**1,721**
Total recognized income and expense for the period	-	-	-	-	-	*1,534*	*(48)*	*(189)*	***1,297***	*154*	***1,451***
Dividends						(521)			**(521)**	(123)	**(644)**
Issuance of common stock (exercise of stock options)	*626,791*		2	50					**52**		**52**
Share based payments				25					**25**		**25**
Cancellation of shares	*(2,973,073)*	*(2,973,073)*	(12)	(324)	336				**-**		**-**
Treasury shares		*4,514,354*			(523)				**(523)**		**(523)**
Other movements – minority interests									**-**	(251)	**(251)**
Balance at September 30, 2007	***174,278,860***	***2,913,541***	**697**	**6,171**	**(259)**	**4,036**	**(17)**	**16**	**10,644**	**1,160**	**11,804**
Balance at January 1, 2008	***172,564,575***	***657,233***	**691**	**6,019**	**(55)**	**4,411**	**36**	**(104)**	**10,998**	**1,079**	**12,077**
Income and expenses recognized directly in equity	-	-	-	-	-	-	*(288)*	*237*	***(51)***	*(3)*	***(54)***
Net income						1,558			**1,558**	266	**1,824**
Total recognized income and expense for the period	-	-	-	-	-	*1,558*	*(288)*	*237*	***1,507***	*263*	***1,770***
Dividends						(784)			**(784)**	(109)	**(893)**
Issuance of common stock (exercise of stock options)	*171,959*		-	12					**12**		**12**
Issuance of common stock (1)	*22,500,000*		90	2,402					**2,492**		**2,492**
Share based payments				21					**21**		**21**
Treasury shares		*81,060*			(8)				**(8)**		**(8)**
Other movements – minority interests									**-**	592	**592**
Balance at September 30, 2008	***195,236,534***	***738,293***	**781**	**8,454**	**(63)**	**5,185**	**(252)**	**133**	**14,238**	**1,825**	**16,063**

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

(1) See Note 3

Consolidated statement of income and expenses

	September 30, 2008			September 30, 2007			December 31, 2007		
(million euros)	Group share	Minority interests	Total	Group share	Minority interests	Total	Group share	Minority interests	Total
Net income	**1,558**	**266**	**1,824**	**1,534**	**187**	**1,721**	**1,909**	**247**	**2,156**
Available for sale investments	(204)	-	(204)	(77)	-	(77)	(29)	-	(29)
Cash-flow hedge instruments	(9)	-	(9)	18	-	18	12	-	12
Actuarial gains / (losses)	(88)	-	(88)	36	(1)	35	34	(1)	33
Deferred taxes and others	13	-	13	(25)	-	(25)	(12)	-	(12)
Change in translation adjustments	237	(3)	234	(189)	(32)	(221)	(309)	(45)	(354)
Income and expenses recognized directly in equity	**(51)**	**(3)**	**(54)**	**(237)**	**(33)**	**(270)**	**(304)**	**(46)**	**(350)**
Total recognized income and expense for the period	**1,507**	**263**	**1,770**	**1,297**	**154**	**1,451**	**1,605**	**201**	**1,806**

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

The available for sale investments variation mainly relates to the change in the fair value of the shares of Cimentos de Portugal (CIMPOR), based on the market value as of September 30, 2008. The difference with the historical cost, considered by the Group as temporary, is -86 million euros.

No significant variation of the Group net position on pensions obligations occurred since December 31, 2007 as the decrease in the fair value of plan assets was compensated by a decrease in the obligation due to higher discount rates.

Notes to the consolidated financial statements

Note 1. Business description

Lafarge S.A. is a French limited liability company (*société anonyme*) governed by French law. Our commercial name is "Lafarge". The company was incorporated in 1884 under the name "J et A Pavin de Lafarge". Currently, our by-laws state that the duration of our company is until December 31, 2066, and may be amended to extend our corporate life. Our registered office is located at 61 rue des Belles Feuilles, 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'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 its consolidated companies.

The Board of Directors examined these interim financial statements on November 6, 2008.

Note 2. Summary of significant accounting policies

The Group interim condensed consolidated financial statements at September 30, 2008 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 2007 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 at September 30, 2008 and available on http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

These accounting policies are consistent with the ones applied by the Group at December 31, 2007 and described in the Note 2 of the 2007 annual report, with the exception of IFRIC 11 IFRS 2 - Group and treasury shares transactions and the amendments to IAS 39 Financial instruments: recognition and measurement and IFRS 7 Financial instruments: disclosures ("Reclassification of financial assets"). These interpretation and amendments have no impact on the Group consolidated financial statements.

These accounting policies do not differ from the IFRS published by the IASB as the interpretations of existing standards, presented hereafter, with an effective application as at January 1, 2008 and once approved by the European Union, will not have any impact on the Group consolidated financial statements:

- IFRIC 12, Service Concession Arrangements
- IFRIC 14 IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Standards, amendments and Interpretations to existing standards that are not yet effective have not been early adopted by the Group.

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. This estimated annual tax rate takes into consideration, in particular, the expected impact of tax planning operations. 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 prorate basis of the estimated costs for the year.

Note 3. Significant operations

3.1 – Acquisition of Orascom Cement

On January 23, 2008, the Group acquired 100% of the share capital and voting rights of the Orascom Building Materials Holding S.A.E ("Orascom Cement"). Orascom Cement is a leading cement manufacturer in the emerging markets (Egypt, Algeria, the United Arab Emirates and Iraq), and has strategic positions in other fast-growing markets in the region: Saudi Arabia, Syria and Turkey.

Details of provisional net assets acquired and goodwill are as follows:

(million euros)	
Provisional purchase price consideration	8,342
Provisional fair value of net assets acquired	1,980
Provisional goodwill at September 30, 2008	6,362

The purchase price is provisional and could still be adjusted to take into account the terms of the acquisition contract signed between Lafarge and Orascom Cement shareholders. It has increased during the second quarter further to the acquisition of Grupo GLA.

The provisional purchase price consideration as per September 30, 2008, is determined as follows:

- Price paid in cash to Orascom Cement shareholders: 5,790 million euros at end of June 2008 including the provisional effect of contractual price adjustments and the price paid related to Grupo GLA (50% paid to Orascom Cement shareholders and 50% paid to the former partner of Orascom Cement) (effective date of acquisition: April 1st, 2008);
- Fair value of 22,500,000 new shares issued for the major shareholders of OCI, calculated on the basis of Lafarge's share price at the acquisition date (market closing price: 110.76 euros per share): 2,492.1 million euros;
- Provisional costs directly related to the acquisition: 60 million euros.

The consolidated statement of cash flows only reflects the part of the price paid in cash and the acquisition-related costs on the line "investment in subsidiaries and joint ventures". The share issuance is considered as a non-cash transaction and therefore not reflected in the consolidated statement of cash flows.

The goodwill is mainly attributable to the high profitability of the acquired business, market shares and to the expected synergies in terms of industrial performance and logistics network which are not separately recognized. The provisional fair value of net assets acquired as of June 30, 2008 has been modified in order to reflect further analyses carried out on the assessment of the Orascom Cement plants.

The Orascom Cement businesses contributed revenues of 1 086 million euros and net income (Group share) of 226 million euros to the Group for the period from January 23, 2008 to September 30, 2008.

The table below presents Group's revenues, net income and main financial indicators if the acquisition had occurred on January 1st, 2008 (the amounts have been determined assuming the fair value adjustments as at January 23, 2008 would have been the same as at January 1, 2008):

(million euros)	9 months period from January 1st 2008 to 30 September 2008
Revenue	14,437
Operating income before capital gains, impairment, restructuring and other	2,814
Operating income	2,921
Finance income/(loss) net	(646)
Net income - Group share	1,556
Basic earnings per share (Group share)	8.00

The provisional fair value of assets and liabilities arising from the acquisition are as follows:

(million euros)	Fair value	Carrying value prior to acquisition (1)
Intangible assets	117	25
Property, plant and equipment	4,572	2,422
Inventories	214	210
Trade receivables	95	95
Other assets	260	235
Cash and cash equivalents	283	292
Provisions	(28)	(6)
Debt	(2,031)	(2,031)
Trade payables	(163)	(163)
Other liabilities	(704)	(273)
Minority interests	(635)	(220)
Total net assets acquired	1,980	586
Purchase consideration settled in cash	5,790	
Purchase consideration settled in shares	2,492	
Acquisition costs	60	
Provisional purchase price	8,342	
Cash and cash equivalents acquired	(283)	
Purchase consideration settled in shares	(2,492)	
Cash outflow on acquisition	5,567	

(1) corresponds to the carrying amounts of the assets and liabilities as of January 22, 2008 of the subsidiaries of Orascom Cement consolidated as of September 30, 2008.
The figures have been converted to € using the closing rates at January 22, 2008.

3.2 – Divestment of our stake in Lafarge Titan Egypt Investments Limited

On May 6, 2008, the Group sold its 50% stake in Lafarge Titan Egypt Investments Limited, the holding company for our former joint venture with Titan in Egypt for a net amount of 309 million euros, before deduction of the cash disposed of, disclosed on the line « Disposals » in the statement of cash flows. The taxation of the related gain on sale was limited to 3 million euros, which impacts positively the effective tax rate of the period.

Note 4. Business segment and geographic area information

Operating segments are defined as components of an enterprise that are engaged in providing products or services and that are subject to risks and returns that are different from those of other business segments.

The Group operates in the following three business segments - Cement, Aggregates & Concrete and Gypsum - each of which represents separately managed strategic business segments that have different capital requirements and marketing strategies. Each business segment develops, manufactures and sells distinct products.

- The Cement segment produces and sells a wide range of cement and hydraulic binders adapted to the needs of the construction industry.
- The Aggregates & Concrete segment produces and sells aggregates, ready mix concrete, other concrete products and other products and services related to paving activities.
- The Gypsum segment mainly produces and sells drywall for the commercial and residential construction sectors.

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) as disclosed in its business segment and geographic area information.

Other and holding activities, not allocated to our core business segments, are summarized in the "other" segment. Starting 2007, this segment also includes the income from associates related to our share in Monier (Roofing activity).

The accounting policies applied to segment earnings comply with those described in Note 2 to the Consolidated Financial Statements of the 2007 annual report.

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

As the Group's primary segment reporting is business segment as described above, the secondary information is reported geographically with revenue presented by region or country of destination of the revenue.

Following the Orascom Cement acquisition in the first quarter 2008, the Group adjusted the presentation of its geographical information for all periods presented:

- Western Europe, North America, Central and Eastern Europe, Latin America and Asia remain unchanged.
- The former Mediterranean Basin is transformed into a "Middle East" region after the reclassification of Algeria and Morocco to the new "Africa" which replaces the former Sub-Saharan Africa.
- The countries of the ex-Orascom operations will be classified as follows:
    - Egypt, Iraq, UAE and Turkey in the Middle East
    - Algeria and Nigeria in Africa
    - North Korea and Pakistan in Asia
    - Spain in Western Europe

(a) Business segment information

September 30, 2008 (million euros)	Cement	Aggregates & Concrete	Gypsum	Other	Total
Statement of income					
Gross revenue	8,926	4,852	1,184	27	14,989
Less: intersegment	(577)	(6)	(20)	-	(603)
Revenue	**8,349**	**4,846**	**1,164**	**27**	**14,386**
Operating income before capital gains, impairment, restructuring and other	2,302	496	40	(49)	2,789
Gains on disposals, net	191	2	-	4	197
Other operating income (expenses)	(43)	(1)	(4)	(41)	(89)
Including impairment on assets and goodwill	*(17)*	*(1)*	*(3)*	-	*(21)*
Operating income	**2,450**	**497**	**36**	**(86)**	**2,897**
Finance costs					(814)
Finance income					188
Income from associates	10	11	11	(25)	7
Income taxes					(454)
Net income from continuing operations					**1,824**
Net income from discontinued operations	**-**	**-**	**-**	**-**	**-**
Net income					**1,824**
Other information					
Depreciation and amortization	(517)	(188)	(58)	(27)	(790)
Other segment non cash income (expenses) of operating income	-	(7)	(5)	(37)	(49)
Capital expenditures	1,332	350	99	37	1,818
Capital employed	27,006	5,959	1,560	832	35,357
Balance Sheet					
Segment assets	30,521	7,490	1,967	2,141	42,119
Of which investments in associates	*125*	*66*	*120*	*24*	*335*
Unallocated assets [(a)]					353
Total Assets					**42,472**
Segment liabilities	2,753	1,324	399	1,571	6,047
Unallocated liabilities and equity [(b)]					36,425
Total Equity and Liabilities					**42,472**

(a) *Deferred tax assets, derivative instruments and provisional goodwill non yet allocated*

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

September 30, 2007 *(million euros)*	Cement	Aggregates & Concrete	Gypsum	Other	Total
Statement of income					
Gross revenue	7,744	4,966	1,208	13	13,931
Less: intersegment	(626)	(8)	(18)	-	(652)
Revenue	**7,118**	**4,958**	**1,190**	**13**	**13,279**
Operating income before capital gains, impairment, restructuring and other	1,860	531	97	(46)	2,442
Gains on disposals, net	149	2	-	14	165
Other operating income (expenses)	(65)	(22)	(18)	(6)	(111)
Including impairment on assets and goodwill	*(5)*	-	*(1)*	*(2)*	*(8)*
Operating income	**1,944**	**511**	**79**	**(38)**	**2,496**
Finance costs					(500)
Finance income					103
Income from associates	9	10	17	3	39
Income taxes					(548)
Net income from continuing operations					**1,590**
Net income from discontinued operations	-	-	-	131	**131**
Net income					**1,721**
Other information					
Depreciation and amortization	(435)	(190)	(54)	(27)	(706)
Other segment non cash income (expenses) of operating income	(69)	(2)	1	78	8
Capital expenditures	772	313	154	34	1,273
Capital employed	15,371	5,102	1,517	351	22,341
Balance Sheet					
Segment assets	18,241	6,461	1,888	1,605	28,195
Of which investments in associates	*106*	*57*	*99*	*92*	*354*
Unallocated assets [a]					301
Total Assets					**28,496**
Segment liabilities	2,192	1,313	359	1,542	5,406
Unallocated liabilities and equity [b]					23,090
Total Equity and Liabilities					**28,496**

[a] *Deferred tax assets and derivative instruments*

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

December 31, 2007 *(million euros)*	**Cement**	**Aggregates & Concrete**	**Gypsum**	**Other**	**Total**
Statement of income					
Gross revenue	10,280	6,597	1,581	16	18,474
Less: intersegment	(824)	(11)	(25)	-	(860)
Revenue	**9,456**	**6,586**	**1,556**	**16**	**17,614**
Operating income before capital gains, impairment, restructuring and other	2,481	721	116	(76)	3,242
Gains on disposals, net	156	10	-	30	196
Other operating income (expenses)	(128)	(38)	(32)	49	(149)
Including impairment on assets and goodwill	*(9)*	*(1)*	*(1)*	*(2)*	*(13)*
Operating income	**2,509**	**693**	**84**	**3**	**3,289**
Finance costs					(652)
Finance income					126
Income from associates	13	14	19	(46)	-
Income taxes					(725)
Net income from continuing operations					**2,038**
Net income from discontinued operations	**-**	**-**	**-**	**118**	**118**
Net income					**2,156**
Other information					
Depreciation and amortization	(578)	(258)	(73)	(32)	(941)
Other segment non cash income (expenses) of operating income	(22)	(9)	(15)	56	10
Capital expenditures	1,312	541	201	59	2,113
Capital employed	15,399	4,798	1,482	403	22,082
Balance Sheet					
Segment assets	18,094	6,065	1,854	2,027	28,040
Of which investments in associates	*115*	*57*	*103*	*56*	*331*
Unallocated assets [(a)]					268
Total Assets					**28,308**
Segment liabilities	2,334	1,205	368	1,458	5,365
Unallocated liabilities and equity [(b)]					22,943
Total Equity and Liabilities					**28,308**

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

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

(b) Geographic area information

	September 30, 2008			September 30, 2007			December 31, 2007		
(million euros)	Revenue	Capital expenditure	Segment assets	Revenue	Capital expenditure	Segment assets	Revenue	Capital expenditure	Segment assets
Western Europe	**4,742**	**383**	**11,783**	**4,780**	**349**	**10,621**	**6,285**	**606**	**10,872**
Of which:									
France	2,104	175	4,159	2,016	144	3,328	2,676	264	3,628
United Kingdom	965	93	2,561	1,149	121	2,703	1,487	196	2,707
Spain	588	40	1,560	540	31	1,009	703	47	994
North America	**3,179**	**324**	**7,763**	**3,635**	**323**	**7,728**	**4,780**	**485**	**7,177**
Of which:									
United States	1,629	180	5,631	2,125	225	5,679	2,709	336	5,324
Canada	1,550	144	2,132	1,510	98	2,049	2,071	149	1,853
Middle East	**1,055**	**230**	**7,028**	**397**	**47**	**981**	**527**	**78**	**878**
Central and Eastern Europe	**1,402**	**191**	**2,421**	**1,091**	**157**	**1,842**	**1,467**	**290**	**1,992**
Latin America	**727**	**76**	**1,825**	**641**	**58**	**1,469**	**876**	**114**	**1,502**
Africa	**1,809**	**368**	**7,112**	**1,438**	**170**	**1,916**	**1,911**	**261**	**1,904**
Asia	**1,472**	**246**	**4,187**	**1,297**	**169**	**3,638**	**1,768**	**279**	**3,715**
Total	**14,386**	**1,818**	**42,119**	**13,279**	**1,273**	**28,195**	**17,614**	**2,113**	**28,040**

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, 2008, September 30, 2007 and December 31, 2007 are as follows:

	9 months		December 31,
	2008	2007	2007
Numerator (in million euros)			
Net income from continuing operations - Group share	1,558	1,403	1,791
Denominator (in thousands of shares)			
Weighted average number of shares outstanding	192,728	173,118	172,718
Effect of dilutive securities — stock options	428	1,920	2,256
Total potential dilutive shares	428	1,920	2,256
Weighted average number of shares outstanding — fully diluted	193,156	175,038	174,974
Basic earnings per share from continuing operations (euros)	**8.08**	**8.10**	**10.37**
Diluted earnings per share from continuing operations (euros)	**8.07**	**8.02**	**10.24**

Note 6. Debt

The debt split is as follows:

	September 30,		December 31,
(million euros)	2008	2007	2007
Long-term debt excluding put options on shares of subsidiaries	16,901	8,952	8,025
Put options on shares of subsidiaries, long-term	151	224	322
Long-term debt	**17,052**	**9,176**	**8,347**
Short-term debt and current portion of long-term debt excluding put options on shares of subsidiaries	1,943	1,262	1,614
Put options on shares of subsidiaries, short-term	148	111	148
Short-term debt and current portion of long-term debt	**2,091**	**1,373**	**1,762**
Total debt excluding put options on shares of subsidiaries	18,844	10,214	9,639
Total put options on shares of subsidiaries	299	335	470
Total debt	**19,143**	**10,549**	**10,109**

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

	September 30,		December 31,
(million euros)	2008	2007	2007
Repayable in more than five years	5,494	4,853	4,305
Repayable between one and five years	11,407	4,099	3,720
Long-term debt	**16,901**	**8,952**	**8,025**
Short-term debt and current portion of long-term debt	1,943	1,262	1,614
Total debt	**18,844**	**10,214**	**9,639**

At September 30, 2008, 2,326 million euros of short-term debt (commercial paper for 1,826 million euros and drawing on a credit facility for 500 million euros) have been classified as long-term based upon the Group's ability to either refinance or roll over these obligations on a medium and long-term basis using its committed credit facilities.

This short-term debt that the Group can refinance on a medium and long-term basis through its committed credit facilities is classified in the balance sheet under the section « Long-term debt ». The net variation of this short-term debt is shown in the cash flow statement in « proceeds from issuance of long-term debt » when it is positive, and in « repayment of long-term debt » when it is negative. At September 30, 2008, the net variation of this debt amounted to an increase of 1,133 million euros (compared to a decrease of 797 million euros at September 30, 2007 and 1,161 million euros at December 31, 2007).

Financing of Orascom Cement acquisition

As a part of the acquisition of Orascom Cement, an acquisition credit facility of 7.2 billion euros was put in place on December 9, 2007 for the financing of the cash portion of this acquisition and the refinancing of part of its existing indebtedness. This facility is structured in several tranches of different amounts and with maturity dates between one to five years: A1 tranche of 1.8 billion maturing in one year, A2 tranche of 2.3 billion maturing in two years and B, C1 and C2 tranches with a total amount of 3.1 billion euros maturing in five years. A1 and A2 tranches include a one-year extension option. This credit facility was syndicated in February 2008 with 30 banks participating to the syndicate.
On May 28, 2008, an amount of 1.5 billion euros on A1 tranche of 1.8 billion was refinanced through the proceeds of a bond issue split into two tranches of 750 million euros each, maturing in three (May 2011) and seven years (May 2015). The total outstanding amount of the acquisition facility as at September 30, 2008 was therefore reduced to 5.7 billion euros with the outstanding amount on the A1 tranche being reduced to 300 million euros.

This acquisition credit facility includes a financial covenant imposing requiring the Group to meet a financial ratio computed as the level of Net debt to operating income before depreciation and amortization. This ratio must be lower than 4 as at December 31, 2008 and June 30, 2009 and lower than 3.75 from December 31, 2009 onwards. This covenant ceases to apply as soon as either both A1 and A2 tranches are fully repaid or when the financial ratio is equal or below 2.5 during two consecutives semi annual periods.

Average spot interest rate

The average spot interest rate of the debt after swaps, as at September 30, 2008, is 5.8% (5.8% as of September 30, 2007 and 5.8% as of December 31, 2007).

Securitization programs

In January 2000, the Group entered into a multi-year securitization agreement in France with respect to trade receivables. This program was renewed in 2005 for a 5-year period.

Under the program, the subsidiaries agree to sell on a revolving basis, some of their accounts receivables. Under the terms of the arrangement, the subsidiaries involved in these programs do not maintain control over the assets sold and there is neither entitlement nor obligation to repurchase the sold receivables. In these agreements, the purchaser of the receivables, in order to secure his risk, only finance a part of the acquired receivables as it is usually the case for similar commercial transactions. As risks and benefits cannot be considered as being all transferred, these programs do not qualify for derecognition of receivables, and are therefore accounted for as secured financing.

Trade receivables therefore include sold receivables totaling 265 million euros as of September 30, 2008 (265 million euros as of September 30, 2007 and 265 million euros as of December 31, 2007).

The current portion of debt includes 230 million euros as of September 30, 2008, related to these programs (230 million euros as of September 30, 2007 and 230 million euros as of December 31, 2007).

The agreements are guaranteed by subordinated deposits totaling 35 million euros as of September 30, 2008 (35 million euros as of September 30, 2007 and 35 million euros as of December 31, 2007).

The Group owns no equity share in the special purpose entities.

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 356 million euros at September 30, 2008 (506 million euros at December 31, 2007).

Out of the outstanding debt at September 30, 2008, 176 million euros and 76 million euros can be exercised in 2008 and 2009, respectively. The remaining 104 million euros can be exercised starting 2010.

Put options granted to minority interests of subsidiaries are classified as debt. Out of the total options granted by the Group, the options granted to minority interests amounted to 299 million euros at September 30, 2008 (470 million euros at December 31, 2007), the remaining options were granted on shares of associates or joint ventures.

This specific debt is recorded by reclassifying the underlying minority interests and recording goodwill in an amount equal to the difference between the carrying value of minority interests and the value of the debt (respectively 201 million euros at September 30, 2008 and 306 million euros at December 31, 2007).

Note 7. Dividends distributed

The following table indicates the dividend amount per share the Group distributed for the year 2007 in 2008 and the dividend amount per share distributed for the year 2006 in 2007.

(euros, except total dividend distribution)	**2007 approved in 2008**	**2006 approved in 2007**
Total dividend distribution (million euros)	784	521
Base dividend per share	4.00	3.00
Increased dividend per share	4.40	3.30

Note 8. Legal and arbitration proceedings

On July 8, 2008, the Court of First Instance in Luxembourg confirmed the decision of the European Commission imposing a fine on Lafarge in the amount of 249.6 million euros for having colluded on market shares and prices with competitors between 1992 and 1998 for wallboard, essentially in the United Kingdom and Germany. Lafarge has lodged an appeal against this decision before the Court of Justice of the European Communities.

Following investigations on the German cement market, the German competition authority, the Bundeskartellamt, announced on April 14, 2003, that it was imposing fines on German cement companies, including one in the amount of 86 million euros on Lafarge Zement, our German cement subsidiary for its alleged anti-competitive practices in Germany. Lafarge Zement believes that the amount of the fine is disproportionate in light of the actual facts and has brought the case before the Higher Regional Court, the Oberlandesgericht, in Düsseldorf. On August 15, 2007, Lafarge Zement partially withdrew its appeal and paid an amount of 16 million euros on November 2, 2007. The Court’s decision related to the remaining part of the appeal should be given during the first quarter of 2009. No further payment nor any guarantee is required to be made or given prior to the court’s decision.

A global provision of 300 million euros was recorded in 2002 in connection with these litigations. Following the payment of 16 million euros by Lafarge Zement on November 2, 2007, the existing provision has been decreased by this amount, as at December 31, 2007. The provision was increased by 36 million euros as of June 30, 2008 following the decision of the Court of First Instance in Luxembourg on July 8, 2008. As of September 30th, 2008, this provision is amounting 320 millions euros. Additional provisions were recorded in each of our annual financial statements since 2003 in relation to the interest on part of these amounts for a total amount of 68 million euros at September 30th, 2008.

On December 5, 2007 the Bundeskartellamt notified Lafarge Dachsystem of its intention to fine the main companies in the roofing business for the infringement of the German competition rules. This decision follows the investigations that were carried out by the Bundeskartellamt in the premises of such companies in November 2006. Since then Lafarge Dachsystem has been sold to PAI and Partners and Lafarge granted a guarantee covering the fines, which Lafarge Dachsystem could be exposed to in the context of these proceedings, to the extent that the alleged practices took place before the date of the sale. The decision of the Bundeskartellamt is expected before the end of the year 2008. As of September 30th, 2008, a provision of 17.2 millions euros is recorded in our financial statements in connection with this litigation.

In late 2005, several class action 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 several other defendants are liable for death, bodily and personal injury and property and environmental damage to people and property in and around New Orleans, Louisiana, which they claim resulted from a barge that allegedly breached the Industrial Canal levee in New Orleans during or after Hurricane Katrina. Additionally, one of Lafarge North America Inc.'s insurers, the American Steamship Owners Mutual P&I Association, has filed a suit against it in the United States District Court for the Southern District of New York seeking a declaratory judgment to the effect that these claims are not covered under its insurance policy. 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 results of operations, cash flows and financial position.

Finally, certain Group subsidiaries have litigation and claims pending in the normal course of business. The resolution of these matters should 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

Further to the acquisition of Orascom Cement, a cooperation agreement between Lafarge S.A. and OCI will ensure both Groups to benefit from mutual synergies in connection with the construction of new cement plants and the expansion of existing cement plants. The long-term partnership of Lafarge with the major founding shareholders of OCI is also reinforced by their participation in the capital of Lafarge through a ten-year shareholders agreement and the appointment of two representatives to the Board of Lafarge.

Note 10. Subsequent events

The Group announced on May 14, 2008 the acquisition of the Ready-Mix Concrete Division of Larsen & Toubro Ltd (India). This acquisition was completed on October 23, 2008, under the conditions set in the acquisition contract for a total consideration of around 15.5 billion rupees (corresponding to approximately 235 million euros).

The Group announced on November 4, 2008 the divestment of its wholly-owned Cement and Aggregates & Concrete activities in Italy to Italian group Sacci, for an enterprise value of 290 million euros.