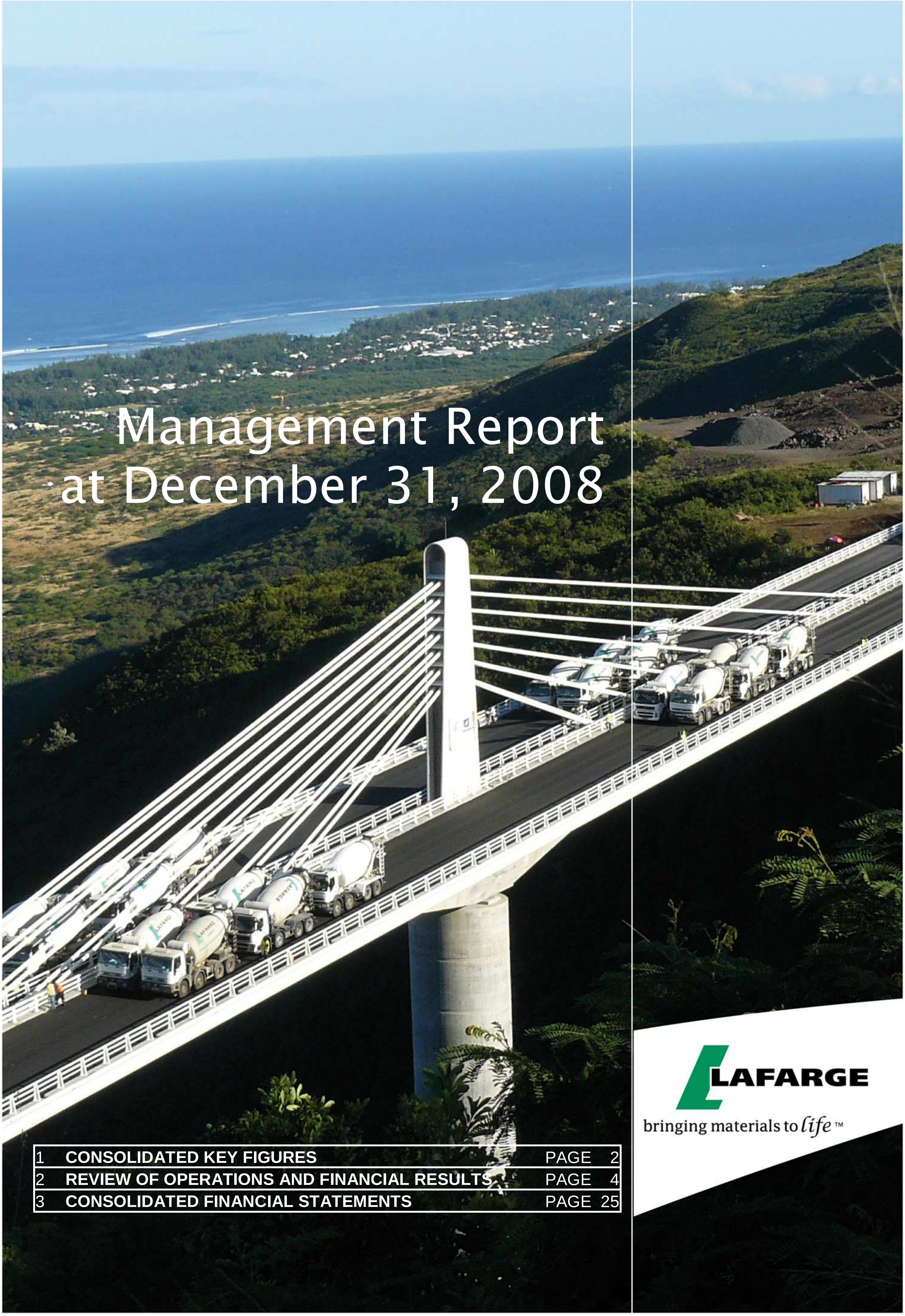

Management Report at December 31, 2008

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1. Consolidated key figures

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 statements of income and statements 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 statements 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, Turkey, Saudi Arabia and Syria in the Middle East*
    - *Algeria and Nigeria in Africa*
    - *North Korea and Pakistan in Asia*
    - *Spain in Western Europe*

Sales

(million euros)	Full year 2008	Full year 2007	% Variance	4th quarter 2008	4th quarter 2007	% Variance
By geographic area of destination						
Western Europe	6,021	6,285	-4%	1,279	1,505	-15%
North America	4,270	4,780	-11%	1,091	1,145	-5%
Middle East	1,611	527	206%	556	130	328%
Central and Eastern Europe	1,761	1,467	20%	359	376	-5%
Latin America	968	876	11%	241	235	3%
Africa	2,373	1,911	24%	564	473	19%
Asia	2,029	1,768	15%	557	471	18%
By business line						
Cement	10,911	9,456	15%	2,562	2,338	10%
Aggregates & Concrete	6,573	6,586	-	1,727	1,628	6%
Gypsum	1,521	1,556	-2%	357	366	-2%
Other	28	16		1	3	
TOTAL	***19,033***	***17,614***	***8%***	***4,647***	***4,335***	***7%***

Current operating income

(million euros)	Full year 2008	Full year 2007	% Variance	4th quarter 2008	4th quarter 2007	% Variance
By geographic area of destination						
Western Europe	981	1,083	-9%	158	257	-39%
North America	429	679	-37%	92	169	-46%
Middle East	417	141	196%	112	32	250%
Central and Eastern Europe	649	528	23%	116	131	-11%
Latin America	187	157	19%	44	43	2%
Africa	597	444	34%	148	111	33%
Asia	282	210	34%	83	57	46%
By business line						
Cement	2,964	2,481	19%	662	621	7%
Aggregates & Concrete	623	721	-14%	127	190	-33%
Gypsum	36	116	-69%	(4)	19	-
Other	(81)	(76)		(32)	(30)	
TOTAL	***3,542***	***3,242***	***9%***	***753***	***800***	***-6%***

Other key figures

(million euros, except per share data)	Full year 2008	Full year 2007	% Variance	4th quarter 2008	4th quarter 2007	% Variance
Net income – Group share	1,598	1,909	nm	40	375	nm
Excluding one-off items (1)	1,713	1,662	3%	293	389	-25%
Earnings per share (in euros)	8.27	11.05	nm	0.19	2.19	nm
Excluding one-off items (1)	8.87	9.62	-8%	1.50	2.27	-34%
Free Cash Flow (2)	2,113	1,726	22%	1,022	864	18%
Net Debt	16,884	8,685	94%			

(1) Excluding net capital gains on sale of Turkish assets and Roofing in 2007, of Egypt-Titan JV in Q2 2008, the legal provision adjustment for the 2002 Gypsum case in Q2 2008 and impairment loss on goodwill in Q4 2008

(2) Defined as the net operating cash generated by continuing operations less sustaining capital expenditures

2. Results of operations for the year ended December 31, 2008

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

Group highlights for the year

- Excellence 2008 targets exceeded, with €420M cost reductions achieved in 2008 compared to 2005, against a target set at €340M in 2006. Average annual Earnings Per Share growth of 12% was achieved between 2005 and 2008, exceeding the 10% commitment (excluding one-offs).
- Current operating income increased 9% for the year (+14% at constant exchange rate), benefiting from a well balanced geographic portfolio. It increased by 44% in emerging markets, which account for 60% of the Group current operating income in 2008.
- Cement operating margin improved by 120bp to 25.3% in 2008, reflecting operational excellence.
- Pricing improved in the context of higher input costs.
- Contribution from the Orascom acquisition of slightly over US$ 1 billion in EBITDA for 2008.

Sales

Consolidated sales increased by 8.1% to 19,033 million euros from 17,614 million euros in 2007. At constant scope of consolidation and exchange rates, sales rose by 3.4% for the full year (up 5.2% in the first quarter, 6.8% in the second quarter, 5.0% in the third quarter and down -3.4% in the fourth quarter). Organic growth reflected contrasted trends in the year: sustained market growth in emerging markets in the first nine months of the year and pricing gains throughout the year more than offset the impact of the slowdown in the United States, Spain and the United Kingdom and an overall deceleration in volumes trends in the fourth quarter.

Currency fluctuations had a negative impact of 874 million euros (or -5.1%), mainly reflecting the depreciation of the British pound, the US and Canadian dollars and the South-African rand against the euro. Changes in the scope of consolidation had a net positive impact of 1,724 million euros or 9.8%, resulting mainly from the acquisition of Orascom operations, primarily in cement, finalized at the end of January 2008. This positive impact was partially offset by the divestment of our interest in the joint-venture with Titan in Egypt in April and by the deconsolidation of our Venezuelan operations from October 1, due to the current process of nationalization.

Current Operating Income

Current Operating Income grew by 9.3%, to 3,542 million euros from 3,242 million euros in 2007. At constant scope and exchange rates, current operating income was stable over last year (-0.2%). This stability reflected contrasted trends with solid growth from emerging markets in the first nine months, pricing gains throughout the year and cost reduction in all divisions offsetting sharp slowdown in the United States, Spain and the United Kingdom throughout the year and overall softness in volumes in the fourth quarter. Cement showed the best performance, benefiting from its strong exposure to the more dynamic emerging markets. Aggregates & Concrete and Gypsum results were hampered by their large exposure to the US, Spain and the United Kingdom markets.

Currency fluctuations had a negative effect (141 million euros) reflecting mainly the depreciation of the US and Canadian dollars, the British pound and the South-African rand. Changes in the scope of consolidation had a net positive impact of 446 million euros, reflecting the acquisition of Orascom operations, mainly in cement, partly offset by the impact of the sale of our interest in the joint-venture with Titan in Egypt and by the deconsolidation from October 1 of our Venezuelan operations, currently under a process of nationalization.

As a percentage of sales, current operating income represented 18.6% in 2008, compared to 18.4% in 2007, almost stable over last year, the positive impact of cost reduction and of the acquisition of Orascom offsetting the effect of declining volumes.

Group return on capital employed after tax (using the effective tax rate, adjusted in 2008 for the non-deductible impairment loss on goodwill) reached 8.8% compared to 11.0% in 2007. The 2008 return on capital employed is impacted by higher capital employed resulting from the acquisition of Orascom (which included new capacities that were not yet or only partially operating in 2008).

Sales and Current Operating Income by Division

Individual Division information is discussed below before elimination of inter-Division sales.

Cement

Sales and Current Operating Income

	Full year				4th quarter			
	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	Variation at constant scope and exchange rates (%)	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	Variation at constant scope and exchange rates (%)
Sales	11,720	10,280	14.0	6.5	2,794	2,536	10.2	-0.9
Current operating income	2,964	2,481	19.5	6.2	662	621	6.6	-8.7

Sales

Contribution to our sales by geographic origin of sale for the years ended December 31, 2008 and 2007, and the related percentage change between the two periods was as follows:

	Full year			4th quarter		
	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)
Western Europe	2,794	2,987	-6.5	604	716	-15.6
North America	1,568	1,835	-14.6	375	422	-11.1
Middle East	1,206	421	186.5	325	104	212.5
Central and Eastern Europe	1,374	1,137	20.8	269	280	-3.9
Latin America	743	680	9.3	165	181	-8.8
Africa	2,402	1,778	35.1	623	447	39.4
Asia	1,633	1,442	13.2	433	386	12.2
Sales before elimination of inter-division sales	**11,720**	**10,280**	**14.0**	**2,794**	**2,536**	**10.2**

Sales of the Cement Division increased by 14.0% to 11,720 million euros, from 10,280 million euros in 2007. Currency fluctuations had a negative impact of 487 million euros (or -5.1%) on sales. Changes in the scope of consolidation had a net positive impact of 1,295 million euros, or 12.6%, resulting primarily from the acquisition of Orascom operations.

At constant scope and exchange rates, our sales grew by 6.5% (up 8.9% in the first quarter 2008, 10.3% in the second quarter 2008, 7.7% in the third quarter 2008 and down -0.9% in the fourth quarter 2008). This growth reflected contrasted trends with sustained growth in emerging markets and solid pricing gains largely offsetting softness in some developed markets. In the fourth quarter, following a deceleration in most markets, higher prices mitigated the impact of declining volumes. Volumes sold for the year reached 154.7 million tonnes compared to 136.4 million tonnes in 2007, benefiting from the acquisition of Orascom. In the fourth quarter, they were up 3.8%, reaching 35.9 million tonnes. At constant scope, volumes were down 2.1% (down 8.7% in the fourth quarter), or down 1.4% (-7.7% in Q4) when adjusted for the impact of the earthquake in Sichuan, China, that disrupted production at two of our plants during seven months. Growth in emerging markets offset the softness in volumes in mature markets, primarily led by declining markets in the United States, Spain and the United Kingdom.

Current Operating Income

Contribution to our current operating income by region for the years ended December 31, 2008 and 2007, and the related percentage change between the periods was as follows:

	Full year			4th quarter		
	2008 (M€)	**2007** (M€)	**Variation 2008/2007** (%)	**2008** (M€)	**2007** (M€)	**Variation 2008/2007** (%)
Western Europe	774	787	-1.7	146	193	-24.4
North America	226	386	-41.5	46	92	-50.0
Middle East	395	128	208.6	100	31	222.6
Central and Eastern Europe	590	468	26.1	108	115	-6.1
Latin America	162	135	20.0	40	37	8.1
Africa	539	381	41.5	134	95	41.1
Asia	278	196	41.8	88	58	51.7
TOTAL	**2,964**	**2,481**	**19.5**	**662**	**621**	**6.6**

Current operating income grew by 19.5% to 2,964 million euros in 2008, compared to 2,481 million euros in 2007. Currency fluctuations had a negative impact of 4.1% or 93 million euros. Net changes in the scope of consolidation had a net positive impact of 430 million euros, mainly reflecting the acquisition of Orascom operations.

At constant scope and exchange rates, current operating income rose by 6.2%. As a percentage of the Division's sales, current operating income improved to 25.3% in 2008, from 24.1% in 2007. Solid volume growth in emerging markets in the first nine months of the year, pricing gains overall and cost reduction more than offset the impact of declining volumes in the United States, Spain and the United Kingdom throughout the year and overall softness of shipments in the fourth quarter.

Return on capital employed after tax reached 9.6% in 2008 compared to 12.1% in 2007, impacted by the acquisition of Orascom, which included new capacities that were not yet, or only partially, operating in 2008.

Western Europe

Sales

In Western Europe, sales totalled 2,794 million euros, a decrease of 6.5% compared to 2007. In the last quarter, sales amounted to 604 million euros, compared to 716 million euros in 2007.

Domestic sales, at constant scope and exchange rates, decreased by 3.3%, mainly reflecting the sharp decline in volumes in Spain and the United Kingdom. Volumes sold in Western Europe by destination, at 32.0 million tonnes, were down 6.7% compared with 2007. Domestic volumes, at constant scope, were down 8.5% compared to 2007.

- In France, domestic sales were up 1.0%, with improved prices in a context of rising input costs. This more than offset a decline in volumes in the fourth quarter, reflecting the slowdown in the economy that was amplified by difficult weather conditions.
- In the United Kingdom, domestic sales declined 6.4%. Strong pricing gains, in a context of a sharp rise in input costs, partially mitigated the severe decline in sales volumes due to the overall market contraction.
- In Spain, domestic sales declined 20.7%. Pricing remained stable despite very tough market conditions, which saw a historical sharp correction of the residential market.
- In Germany, domestic sales were up 10.7% as a result of steady recovery in prices combined with improved volumes.
- In Greece, where the economy was affected by sharp inflation and then by the financial crisis, the domestic market retreated from last year levels. Domestic sales were down 1.2%, as solid pricing gains in a context of a sharp rise in input costs, notably in energy, mostly offset the impact of declining volumes.

Current Operating Income

Current operating income in Western Europe was almost stable, declining by 1.7%, to 774 million euros compared to 787 million euros in 2007. Foreign exchange fluctuations had a slight negative impact (-13 million euros) reflecting the depreciation of the British pound against euro and consolidation scope variation had a negligible impact. In the last quarter, current operating income declined by 24.4% to 146 million euros, affected by a decline in volumes.

At constant scope and exchange rates, 2008 current operating income was stable (increased by 0.1%).

- In France, increased prices and cost reduction actions offset the impact of a strong rise in energy prices and softness in volumes, mainly resulting from the market slowdown in the fourth quarter.
- In Spain, in a context of stable prices, the impact of the sharp decline in volumes and of rising energy costs were partly offset by cost reduction actions and network optimization that allowed a reduction in imports of clinker.
- In the United Kingdom, price increases and tight cost management mitigated the impact of the sharp decline in volumes. Positive one-offs, mainly in the third quarter, drove some improvement in the results for the year.
- In Germany, steady improvement in prices and tight cost control allowed for higher current operating income compared to 2007.
- In Greece, price increases and cost control compensated for the sharp increase in energy costs and the shortfall in volumes when compared to 2007 levels.

North America

Sales

Sales decreased by 14.6% to 1,568 million euros compared to 1,835 million euros in 2007, driven by the decline in volumes sold and the strong depreciation of the US dollar against the euro (an impact of 120 million euros).

Domestic sales, at constant scope and exchange rates, decreased by 8.6%. Volumes sold by our operations in North America, at 17.2 million tonnes, decreased by 10.9%, driven by a soft market throughout the year. In the fourth quarter, volumes decreased by 0.8 million tonnes, to 3.8 million tonnes. With respect to geographic mix, sharp decline in volumes across the US (declining by 12.7%) was mitigated by more moderate contraction in Canada (down 2.7%). Prices remained stable overall.

Current Operating Income

Current operating income in North America declined by 41.5% to 226 million euros compared to 386 million euros in 2007. At constant exchange rates, current operating income for the year declined by 37.4%. Cost reduction actions partly mitigated the combined effect of rising costs, notably energy, and significantly reduced volumes. The weaker US dollar had a negative impact of 25 million euros (-4.1%). In the fourth quarter, current operating income halved year on year, to 46 million euros, affected by the combination of a decline in volumes and higher input costs.

Emerging markets

Sales

In emerging markets, our sales increased by 34.8% to 7,358 million euros, compared to 5,458 million euros in 2007. Emerging markets accounted for 62.8% of the Division's sales in 2008, compared to 53.1% in 2007. Overall, emerging market sales increased by 17.6% at constant scope and exchange rates. Volumes sold in emerging markets by destination, at 105.5 million tonnes for 2008, grew by 27.4%. In the last quarter, sales increased by 29.8% year on year to 1,815 million euros.

At constant scope, yearly domestic volumes in emerging markets increased by 2.8%.

In the Middle East region, our sales significantly increased in 2008 to 1,206 million euros, and to 325 million euros in the last quarter, reflecting the impact of the acquisition of Orascom cement, notably in Egypt and Iraq.

At constant scope and exchange rates, domestic sales increased by 11.1%. Volumes sold in the **Middle East** by destination was 20.0 million tonnes, an increase of almost three-fold. Domestic volumes, at constant scope, declined by 2.4%.

- In Egypt, Orascom operations have been integrated since the end of January whereas our previous joint-venture with Titan was divested, effective May 1. Solid market trends prevailed throughout the year. Prices increased to reflect the steady rise in costs, notably in natural gas prices.
- In Iraq, in which we now operate two plants, following the acquisition of Orascom, the market experienced strong growth. The development of the distribution network nevertheless limited the benefit of the new plant production in the first half of the year.
- In Jordan, sales grew from price increases in the first nine months of the year in the context of an energy price surge, domestic volumes being down 4.4% on 2007 levels.

Our sales **in Central and Eastern Europe** rose by 20.8% in 2008 to 1,374 million euros, slightly declining by 3.9% year on year in the fourth quarter, to 269 million euros.

At constant scope and exchange rates, domestic sales increased by 23.1%. Volumes sold in Central and Eastern Europe by destination grew by 4.5%, at 16.2 million tonnes. Domestic volumes, at constant scope, grew by 5.1%, benefiting from dynamic markets in most countries.

- In Poland, the market was stable over 2007 levels. The postponement of certain infrastructures projects due to administrative delays were offset by higher demand in the housing sector. Some deceleration in volumes was experienced in the last quarter reflecting slowing economic conditions and harsher weather. Prices increased in a context of rising costs.
- In Romania sales benefited from pricing gains and a very dynamic market, with some deceleration in the second half of the year, notably in the last quarter.
- In Russia, sales increased, driven by strong market trends and high price increases in the first half, mitigated by a reduction in prices since then due to fierce competition and contraction in volumes in the last quarter, with the market being impacted by the financial crisis.
- In Serbia, solid domestic volumes and price growth resulted in strong domestic sales improvement.

In Latin America, our sales were up by 9.3% to 743 million euros, declining by 8.8% year on year in the fourth quarter, to 165 million euros, reflecting the change of consolidation of our Venezuelan operations from October 1.

At constant scope and exchange rates, full year domestic sales increased by 18.9%. Volumes sold in Latin America by destination grew by 1.2%, at 8.6 million tonnes. Domestic volumes, at constant scope, increased 8.7%.

- In Brazil, domestic sales rose 37.2%, benefiting from sustained domestic demand that drove some recovery in prices, although still below historical levels.
- In Venezuela, market growth and pricing gains in a context of rising costs, notably in energy, drove sales improvement over the first nine months. Due to the on-going nationalization of the cement industry, our operations were deconsolidated and accounted for under the equity method since October 1.
- In Chile, domestic sales volumes increased by 10.0%, reflecting market growth combined with improved operating performance compared to last year.
- Honduras, Ecuador and Mexico recorded strong increases in sales.

In the Africa region, our sales grew by 35.1% to 2,402 million euros in 2008 and were up 39.4% in the fourth quarter compared to 2007 levels, at 623 million euros.

At constant scope and exchange rates, domestic sales increased by 13.2%. Volumes sold by destination in the Africa region grew by 36.6%, at 22.4 million tonnes. Domestic volumes at constant scope increased by 2.0%.

- In Morocco, a strong domestic market, despite some deceleration in the fourth quarter, combined with price improvement to lead to a domestic sales increase of 13.4%.
- In Algeria, price increased in a domestic market experiencing solid growth throughout the year.
- In Nigeria, some improvement in performance of our plants allowed for growth in volumes although at a lower pace than market growth, still penalized by energy cuts. Solid pricing gains also contributed to domestic sales improving by 17.2% compared to 2007.
- In South Africa, solid pricing drove domestic sales up 8.8%. Our volumes increased by 2.0%, benefiting from an improved industrial performance compared to last year, despite some softness in the market throughout the year.
- In Kenya, solid market growth, favored by active residential and non residential sectors, combined with pricing gains to drive improvement in domestic sales (increasing by 19.9%).
- In Cameroon, domestic sales were almost stable (up 1.7%), reflecting softness in volumes.
- In South East Africa, which covers Zambia, Malawi and Tanzania, domestic sales grew solidly, driven by strong pricing conditions overall.

In Asia, our operations recorded a sales growth of 13.2% to 1,633 million euros in 2008, and 12.2% in the fourth quarter, to 433 million euros.

At constant scope and exchange rates, domestic sales were up 15.4% compared with 2007. Volumes sold in Asia by destination grew by 10.1%, at 38.3 million tonnes. Domestic volumes, at constant scope, grew 1.4%.

- In Malaysia domestic sales increased by 19.0%, driven by a bullish market in the first nine months of the year and pricing gains subsequent to the lifting of price controls by the government in early June, in a context of a sharp rise in costs. In the last quarter, the market witnessed some deceleration.
- In the Philippines, in a lagging market, domestic sales were up 5.4%, reflecting higher prices.
- In India, improved pricing and solid market growth throughout the year contributed to domestic sales growth of 22.3%.
- In China, domestic sales grew by 5.5%, with solid pricing improvement offsetting lower volumes. Volumes declined mainly due to the earthquake damages on two of our plants in Sichuan in the second quarter and difficult weather conditions in the first quarter. In Sichuan, both damaged plants resumed production during the second half of the year.
- In South Korea, domestic sales increased by 1.8%, with some pricing improvement offsetting a still difficult market situation, worsening in the last quarter as a consequence of the economic slowdown.
- In Indonesia, our volumes were up 11.0% in an active market. Both higher volumes and improved pricing led to a domestic sales increase of 39.0%.

Current Operating income

Current operating income in emerging markets rose by 50.1% in 2008 to 1,964 million euros compared to 1,308 million euros in 2007, representing 66.3% of the Cement Division's current operating income, compared to 52.7% in 2007. Currency fluctuations had a negative impact of 55 million euros on current operating income, with largest impact in Romania and South Africa. Changes in the scope of consolidation had a strong positive impact of 431 million euros, mainly reflecting the impact of the acquisition of Orascom cement operations end of January.

Current operating income at constant scope and exchange rates grew by 23%.

In the Middle East, current operating income in 2008 increased significantly to 395 million euros compared to 128 million euros in 2007, mostly reflecting the strongly positive impact of the acquisition of Orascom. In the last quarter, the current operating more than tripled to 100 million euros.

At constant scope and exchange rates (Jordan and Turkey only), current operating income declined by 13.6% compared to 2007.

- In Egypt, solid market trends and price improvement allowed us to deliver solid results despite a reduction in exports following an export ban from April to early October and a strong rise in costs, notably in natural gas prices.
- In Jordan, higher average prices for the year mostly offset the increased cost for energy in 2008, leading to a slightly decreasing current operating income.

In Central and Eastern Europe, current operating income increased by 26.1% to 590 million euros compared to 468 million euros in 2007 (decreasing by 6.1% in the last quarter, to 108 million euros).

Current operating income at constant scope and exchange rates improved by 28.3%.

- In Romania, current operating income increased significantly as a result of favorable market conditions, despite some deceleration in the last quarter.
- In Poland, tight cost control, solid industrial performance and pricing gains led the increase in current operating income.
- In Russia, we experienced a strong first half of the year, driven by solid market trends and significant pricing gains, while the second half was less favorable with some softness in the market and fierce competition to reduce prices. Current operating income nevertheless improved throughout the year.
- In Serbia, increased sales and strict cost control delivered better current operating income.

In Latin America, current operating income was up 20.0% to 162 million euros from 135 million euros in 2007 and up 8.1% over 2007 in the last quarter, to 40 million euros.

At constant scope and exchange rates, current operating income increased 30.0%.

- In Brazil, a dynamic market driven by the housing sector allowed for further recovery in prices. Improved sales combined with strict cost control led to a solid improvement of current operating income.
- In Venezuela, improved sales could not fully offset a rise in costs, notably in energy costs in the first nine months of the year. Due to the on-going nationalization of the cement industry our operations are accounted under the equity method since October 1.
- In Chile, volumes increased, following a growing market, with some softness in the last quarter. Nevertheless, stability in prices combined with a strong rise in costs, notably power costs, had some adverse impact on current operating income.
- In Ecuador, Honduras and Mexico, current operating income was almost stable compared to 2007, with growing volumes being mitigated by rising costs.

In Africa, current operating income increased by 41.5% to 539 million euros in 2008, and by 41.1% in the fourth quarter, at 134 million euros. The region benefited from organic growth combined with the positive impact of the acquisition of Orascom operations.

At constant scope and exchange rates, current operating income grew by 10.2%.

- In Algeria, robust market trends and strict cost control allowed us to deliver solid results despite some start up issues, resolved in the first half, that initially limited the benefit of the new plant.
- In Morocco, pricing gains in a context of rising costs, strong cost reduction actions and solid domestic demand, despite some deceleration in the fourth quarter, mostly drove improvement in the current operating income.
- In Nigeria, solid market trends helped to mitigate rising costs although, despite improvement in our plant performance, we were not fully able to keep pace with market growth, still affected by energy cuts.
- In South Africa, a strong rise in input costs was not offset by pricing gains and slightly higher volumes compared to last year. Current operating income decreased year on year.
- In Kenya, strong market trends more than offset rising costs, notably energy prices, leading to improvement in current operating income.
- In Cameroon, price increases could not offset higher costs, driving results lower.
- In South East Africa, current operating income increased, reflecting pricing gains.

In Asia, current operating income increased by 41.8% to 278 million euros in 2008, and by 51.7% in the fourth quarter, to 88 million euros.

At constant scope and exchange rates, current operating income increased by 48.3%.

- In Malaysia, increasing prices offset the strong rise in costs, notably energy costs, and volume growth, generated in a buoyant market during the first nine months of the year, led to improved current operating income.
- In the Philippines, despite a lagging market, pricing gains and strict cost control drove improvement in current operating income.
- In India, current operating income recorded a significant increase thanks to improved sales combined with tight cost control.
- In China, despite rising energy costs, positive pricing trends and closure of wet process lines contributed to an increase in earnings. Insurance indemnity claims have been recognized to compensate for operating losses at damaged plants in Sichuan, which both resumed production during the second half of the year.
- In South Korea, improvement in prices could not offset a sharp increase in costs, notably energy, which resulted in a current operating loss.
- In Indonesia, a dynamic market helped improve prices in a context of higher import costs. The current operating income for the year improved slightly.

Aggregates & Concrete

Sales and Current Operating Income

	Full year				4th quarter			
	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	Variation at constant scope and exchange rates (%)	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	Variation at constant scope and exchange rates (%)
Sales	6,580	6,597	-0.3	-1.6	1,728	1,631	5.9	-5.7
Current operating income	623	721	-13.6	-13.5	127	190	-33.2	-36.0

Sales

Contribution to our sales by activity and geographic origin for the years ended December 31, 2008 and 2007, and the related percentage change between the two periods was as follows:

	Full year				4th quarter			
	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	Variation at constant scope and exchange rates (%)	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	Variation at constant scope and exchange rates (%)
Aggregates & related products	**3,281**	**3,431**	**-4.4**	**-2.2**	**833**	**852**	**-2.2**	**-5.2**
of which pure aggregates:								
Western Europe	1,014	1,093	-7.2		211	262	-19.5	
North America	1,015	1,125	-9.8		255	274	-6.9	
Emerging markets	378	310	21.9		112	82	36.6	
Total pure aggregates	**2,407**	**2,528**	**-4.8**	**-3.5**	**578**	**618**	**-6.5**	**-11.1**
Ready-mix concrete & concrete products	**3,740**	**3,646**	**2.6**	**-1.4**	**995**	**895**	**11.2**	**-6.6**
of which ready-mix:								
Western Europe	1,586	1,648	-3.8		358	394	-9.1	
North America	964	1,078	-10.6		231	264	-12.5	
Emerging markets	988	727	35.9		345	184	87.5	
Total ready-mix concrete	**3,538**	**3,453**	**2.5**	**-2.2**	**934**	**842**	**10.9**	**-7.6**
Elimination of intra Aggregates & Concrete Division sales	**(441)**	**(480)**			**(100)**	**(116)**		
Total Aggregates & Concrete before Elimination of Inter-division Sales	***6,580***	***6,597***	***-0.3***	-1.6	***1,728***	***1,631***	***5.9***	-5.7

Sales of the Aggregates & Concrete Division were almost stable at 6,580 million euros in 2008 compared to 6,597 million euros in 2007. Currency fluctuations had a strong negative impact of 348 million euros (-5.3%), mainly reflecting the depreciation against the euro of the US and Canadian dollars and of the British pound. In the fourth quarter, sales increased by 5.9%, to 1,728 million euros, thanks to scope changes.

For the full year, scope changes had a positive impact on sales of 431 million euros (or 6.6%), notably due to the acquisition at the end of January 2008 of aggregates and concrete operations of Orascom, mainly located in the Middle East, the proportional consolidation of our Middle East joint ventures from January 1 and the acquisition of the ready-mix operations of Larsen & Toubro in India, effective at the beginning of November. At constant scope and exchange rates, sales declined by 1.6% year-on-year (-0.6% in the first quarter 2008, +1.1% in the second quarter 2008, -0.8% in the third quarter 2008 and -5.7% in the fourth quarter 2008). Solid pricing gains across the product lines could not offset severe volume declines in the United States, Spain and the United Kingdom throughout the year and overall softening conditions in the last quarter.

Sales of **pure aggregates** decreased by 4.8% to 2,407 million euros in 2008. Currency fluctuations had a negative impact on sales of 132 million euros (-5.1%), while scope changes had a net positive impact of 95 million euros (3.8%). At constant scope and exchange rates, sales declined by 3.5%. Aggregates sales volumes in 2008 decreased by 4.4% to 247.8 million tonnes. At constant scope, sales volumes decreased by 10.2%.

Sales of **ready-mix concrete** increased by 2.5% to 3,538 million euros in 2008. Currency fluctuations had a negative impact of 4.7% while change in scope of consolidation had a positive impact of 9.4%. At constant scope and exchange rates, sales declined by 2.2%. Sales volumes of ready-mix concrete increased 3.6% to 43.7 million cubic meters. At constant scope, sales volumes decreased by 10.0%.

Current Operating Income

Contribution to our current operating income by activity and by region for the years ended December 31, 2008 and 2007, and the related percentage change between the periods was as follows:

	Full year			4th quarter		
	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)
Aggregates & related products	367	445	-17.5	75	126	-40.5
Ready-mix concrete & concrete products	256	276	-7.2	52	64	-18.8
TOTAL	***623***	***721***	***-13.6***	***127***	***190***	***-33.2***
By geographic area:						
Western Europe	212	274	-22.6	24	64	-62.5
North America	267	314	-15.0	67	98	-31.6
Emerging markets	144	133	8.3	36	28	28.6

Current operating income of the Aggregates & Concrete Division declined 13.6% to 623 million euros in 2008 from 721 million euros in 2007. Changes in scope had a net positive impact of 32 million euros (4.4%), notably reflecting the acquisition of Orascom's aggregates and concrete operations. Currency fluctuations had a 38 million euros negative impact (-4.5%), reflecting mainly the depreciation of the US and Canadian dollar against the euro.

At constant scope and exchange rates, current operating income declined by 13.5%. As a percentage of the Division's sales, current operating income declined to 9.5% in 2008, compared to 10.9% in 2007.

Current operating income for aggregates & related products decreased by 17.5% to 367 million euros in 2008 from 445 million euros in 2007, as the solid pricing gains and the strict control of costs could not offset the impact of declining volumes. Current operating income for ready-mix concrete & concrete products was down 7.2% in the year, at 256 million euros in 2008, from 276 million euros in 2007. The ready-mix & concrete business benefited from solid pricing gains, increasing value generated by innovative products, and strict cost management that partially compensated for the shortfall in volumes.

Return on capital employed after tax decreased to 9.6% from 11.7% in 2007.

Western Europe

Sales

Pure aggregates sales in Western Europe decreased by 7.2% to 1,014 million euros in 2008, resulting mainly from market softness in the United Kingdom throughout the year and a general slowdown in the last quarter, despite solid pricing gains overall. Currency fluctuations also had a negative impact on sales, reflecting mainly the depreciation of the British pound against the euro. At constant scope and exchange rates, sales declined 4.1%, reflecting market softness in Spain and the United Kingdom.

Asphalt and paving sales declined mainly as a result of the depreciation of the British pound against the euro. At constant scope and exchange rate, sales were overall stable, with solid price increases offsetting softness in volumes in the second half in the asphalt business.

Ready-mix concrete sales decreased by 3.8% to 1,586 million euros in 2008, with solid pricing gains only partially offsetting the softness in volumes, resulting from a market slowdown in major countries. At constant scope and exchange rates, sales were down 4.7%.

Current Operating Income

Current operating income in Western Europe was down 22.6% to 212 million euros in 2008.

At constant scope and exchange rates, the current operating income was affected by the market softness in Spain and the United Kingdom throughout the year and a general slowdown in the last quarter. Solid pricing gains and improved share of our innovative products in total sales only partially mitigated the impact of the shortfall in volumes and the rise in operating costs.

North America

Sales

In North America, pure aggregates sales decreased 9.8% to 1,015 million euros in 2008, negatively impacted by the severe decline in volumes due to continued weakening of the residential market, partially mitigated by solid pricing gains. The depreciation of the US and Canadian dollar against the euro amplified the negative trend in sales. At constant scope and exchange rates, pure aggregates sales were down 6.7%.

Asphalt and paving sales delivered solid growth at constant scope and exchange rates with very strong price increases in a context of high material cost inflation offsetting lower volumes.

Ready-mix concrete sales decreased by 10.6% to 964 million euros in 2008, also strongly affected by the continued softness throughout the year of the residential market, partly mitigated by improved prices. Currency fluctuations negatively impacted sales. At constant scope and exchange rates, sales were down 5.5% over last year.

Current Operating Income

In North America, current operating income declined 15.0% to 267 million euros in 2008. Currency variation had a negative impact of 19 million euros and scope had a net positive impact of 9 million euros. At constant scope and exchange rates, the decline in current operating income reflected lower volumes, partly mitigated by solid price increases and strict cost control.

Emerging Markets

Sales

In emerging markets, pure aggregates and ready-mix concrete sales increased by 21.9% and 35.9% respectively, benefiting from the positive scope impact. At constant scope and exchange rates, the improvement in sales benefited mainly from pricing gains overall, in a context of contrasted market trends amongst the countries.

Current Operating Income

Current operating income strongly improved 8.3%, reaching 144 million euros in 2008. Scope effect, strict cost control combined to pricing gains overall led this improvement.

Gypsum

Sales and Current Operating Income

	Full year				4th quarter			
	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	Variation at constant scope and exchange rates (%)	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	Variation at constant scope and exchange rates (%)
Sales	1,546	1,581	-2.2	2.5	362	373	-2.9	1.4
Current operating income	36	116	-69.0	-68.7	(4)	19	-	-

Sales

Contribution to our sales by origin for the years ended December 31, 2008 and 2007 and the related percentage change between the two periods was as follows:

	Full year			4th quarter		
	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)
Western Europe	892	904	-1.3	204	216	-5.6
North America	197	247	-20.2	53	46	15.2
Other regions	457	430	6.3	105	111	-5.4
Sales before elimination of inter-division sales	***1,546***	***1,581***	***-2.2***	***362***	***373***	***-2.9***

At constant scope and exchange rates, sales increased slightly, by 2.5%, with the impact of the slowdown of the residential market in the United States and Western Europe being offset by improved sales in the other regions. On a quarterly basis, sales increased by 0.4% in the first quarter 2008 compared to the first quarter 2007, by 3.8% in the second quarter, by 4.6% in the third quarter and by 1.4% in the fourth quarter. Sales in North America increased in Q4 as prices began to recover.

Sales volumes of wallboard grew by 4.2% in 2008 to 745 million square meters.

Current Operating Income

Contribution to our current operating income by region, for the years ended December 31, 2008 and 2007, and the related percentage change between the periods was as follows:

	Full year			4th quarter		
	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)	2008 (M€)	2007 (M€)	Variation 2008/2007 (%)
Western Europe	57	97	-41.2	1	26	-96.2
North America	(59)	(19)	-210.5	(10)	(14)	28.6
Other regions	38	38	0.0	5	7	-28.6
TOTAL	***36***	***116***	***-69.0***	***(4)***	***19***	***-***

Current operating income decreased by 69.0% to 36 million in 2008 from 116 million in 2007. Currency fluctuations had a negative impact of 3 million euros on the current operating income.

At constant scope and exchange rates current operating income decreased by 68.7%. This decrease reflects mainly the decline in prices in North America until the third quarter resulting from the slowdown in the residential market, and the impact of the market softness experienced in Western Europe, notably in the United Kingdom. Contribution from other regions remained stable. As a percentage of the Division’s sales, current operating income decreased to 2.3% in 2008, from 7.3% in 2007.

Return on capital employed after tax decreased to 2.9% from 7.1% in 2007.

Western Europe

Sales

In Western Europe, sales were almost stable (declining by 1.3%) at 892 million euros, from 904 million euros in 2007, with price increases overall offsetting the impact of lower volumes, notably in the United Kingdom.

Current Operating Income

In Western Europe, current operating income declined by 41.2% to 57 million euros from 97 million euros in 2007, as pricing gains overall could not offset the effect of rising costs.

North America

Sales

In North America, sales in 2008 decreased by 20.2% to 197 million euros from 247 million euros in 2007 due to the continued weakening in the residential sector which led to lower prices.

Current Operating Income

In North America, current operating income decreased to a loss of 59 million euros in 2008. The impact of lower prices was only partly offset by strict cost management. In the fourth quarter, following the beginning of a price recovery, the current operating income was at the same level as last year. The current operating income includes, as in the past and for all countries, the Lafarge corporate cost allocation.

Other Regions

Sales

In other regions, our sales rose overall by 6.3% to 457 million euros in 2008 from 430 million euros in 2007. Solid price increases in Asia to offset higher input costs and the benefit of our new plants in Ukraine and Romania mainly drove this improvement. In the fourth quarter, we began to experience a weakening of Asian markets.

Current Operating income

In other regions, current operating income was stable, at 38 million euros in 2008, as, overall, price increases offset the strong rise in input costs.

Other (including holdings)

Sales

Sales of our other operations increased to 28 million euros in 2008 compared to 16 million euros in 2007.

Current Operating Income (Loss)

Current operating loss of our other operations, which includes central unallocated costs, reached 81 million euros in 2008 compared to a loss of 76 million euros in 2007.

Operating income and net income

The table below shows our operating income and net income for the years ended December 31, 2008 and 2007:

		2008 (M€)	2007 (M€)	Variation 2008/2007 (%)
Current Operating Income		**3,542**	**3,242**	**9.3**
Gains on disposals, net		229	196	16.8
Other operating income (expenses)		(409)	(149)	-174.5
Operating Income		**3,362**	**3,289**	**2.2**
Finance (costs) income		(941)	(526)	-78.9
Of which	*Finance costs*	*(1,157)*	*(652)*	*-77.5*
	Finance income	*216*	*126*	*71.4*
Income from associates		(3)	-	-
Income before Income Tax		**2,418**	**2,763**	**-12.5**
Income tax		(479)	(725)	33.9
Net Income of continuing operations		1,939	2,038	-4.9
Net Income of discontinued operations		-	118	
Net Income		1,939	2,156	-10.1
out of which:				
Net income Group share		**1,598**	**1,909**	**-16.3**
Minority interests		341	247	38.1
Net income Group share excluding one-offs [(1)]		**1,713**	**1,662**	**3.1**

(1) Excluding net capital gains on sale of Turkish assets and Roofing in 2007, of Egypt-Titan JV in Q2 2008, the legal provision adjustment for the 2002 Gypsum case in Q2 2008 and impairment loss on goodwill in Q4 2008

Gains on disposals, net, represented a net gain of 229 million euros in 2008, compared to 196 million euros in 2007. In 2008, the net gain mainly resulted from the sale of our interest in the joint venture with Titan in Egypt, finalized in April.

Other operating expenses, amounted to 409 million euros in 2008, compared to 149 million euros in 2007, as we recorded, in the last quarter, 250 million euros of impairment losses following our annual review of goodwill valuations. Actually, we recognized a loss of 200 million euros on our United Kingdom cement goodwill, due to the deteriorated economic conditions, and 50 million euros on the goodwill allocated to some aggregates & concrete assets in the United States. In 2008, other operating expenses also included restructuring costs for 96 million euros and an adjustment of the provision for the 2002 gypsum case following a decision of the European Court of First Instance on July 8 2008 that has been appealed by the Group.

Operating income increased by 2.2% to 3,362 million euros, from 3,289 million euros in 2007.

Finance costs, comprised of financial expenses on net debt and other financial income and expenses, increased by 78.9% to 941 million euros from 526 million euros in 2007. Financial expenses on net debt increased by 68.4% to 847 million euros from 503 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 5.5% in 2008, as compared to 5.8% in 2007. Other financial income and expenses amounted to a net expense in 2008 of 94 million euros compared to 23 million euros in 2007. This increase notably relates to the financing of the Orascom acquisition and to a provision for interest on the 2002 gypsum case mentioned above. We recorded exchange losses for 10 million euros in the year, as the 44 million euros of gains recognized at the end of September reversed in the fourth quarter mainly due to the appreciation of the US dollar against the Algerian currency.

The contribution from our associates remained almost stable, representing in 2008 a net loss of 3 million euros. This net loss reflects the negative contribution of the new Roofing entity, partially offset by the contribution of our associates in Cement, Aggregates & Concrete and Gypsum. Our 35% stake in the new Roofing affiliate negatively contributed 35 million euros, bringing the book value of our investment to zero. 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 decreased to 479 million euros in 2008 from 725 million euros in 2007. The effective tax rate for 2008 reduced significantly to 19.8% compared to 26.2% in 2007, despite the negative effect of the non deductible impairment loss (+2% on effective tax rate). Actually, our effective tax rate was favorably impacted in 2008 by the acquisition of Orascom operations, which benefit from tax exemptions in several countries (-3% 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.

No **income from discontinued operations** was recognized in 2008 as no asset was classified as discontinued operations. 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.

Net income Group Share decreased by 16.3% to 1,598 million euros in 2008 from 1,909 million euros in 2007.

2008 and 2007 were impacted by significant one-off items, namely, the net gains realized on the disposals of Turkish assets and Roofing division in the first quarter of 2007, the net gain on the disposal of our participation interest in the joint-venture with Titan in Egypt, the additional provision on the 2002 Gypsum case and the impairment of UK cement and US aggregates and concrete goodwill recognized in 2008. Adjusted for these items, the net income increased 3.1%. Better operational performance benefiting from Orascom operations consolidation offset the additional finance costs incurred on the acquisition debt of these operations.

Minority interests increased by 38.1% to 341 million euros, from 247 million euros in 2007. The increase in minority interests is mainly due to a scope effect attributable to the Egyptian and Iraqi operations of Orascom. Some minority interests' stake decrease in Heracles Cement and in Romania partly mitigated this impact.

Adjusted for the one-off items described above, **basic earnings per share** decreased 7.8% for 2008 at 8.87 euros, compared to 9.62 euros in 2007, reflecting a higher average number of shares and an almost stable net income. The basic average number of outstanding shares, excluding treasury shares, during the year was 193.2 million compared to 172.7 million in 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 increased by 325 million euros to 3,001 million euros from 2,676 million euros in 2007.

Cash flow from operations grew by 373 million euros to 3,154 million euros. The growth reflected improved operating results, notably benefiting from the acquisition of Orascom cement, partially mitigated by the additional interest expenses incurred on the financing for this acquisition.

Net cash used in investing activities amounted to 8,771 million euros, compared to 703 million euros in 2007.

Acquisitions reflect mainly the acquisition of Orascom Cement on January 23. The total acquisition price of 8.3 billion euros 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. It also reflects the acquisition of aggregates and concrete Indian operations of Larsen & Toubro (235 million euros) and the buy-back of minorities interests in our Romanian and Russian subsidiaries (215 and 105 million euros respectively).

Sustaining capital expenditures totalled 887 million euros in 2008, decreasing when compared to 976 million euros in 2007, representing 82% of our depreciation expense. Capital expenditures for new capacity amounted to 1,898 million euros compared to 991 million euros in 2007. These expenditures include in particular major cement projects such as the reconstruction of our Aceh plant in Indonesia (70 million euros), the extension of our capacities in Eastern India (61 million euros), China (106 million euros), Zambia (19 million euros), South Africa (42 million euros), Morocco (54 million euros), Ecuador (35 million euros), Chile (20 million euros), Poland (76 million euros), Uganda (35 million euros) and investments in the new capacities of Orascom Cement (391 million euros), notably in Syria and Saudi Arabia. Also included are productivity and debottlenecking investments in cement of about 460 million euros, in particular in Africa and North America.

Disposals of 615 million euros in 2008 were made up mainly of the sale of our interest in the joint venture with Titan in Egypt in April (281 million euros net proceeds) and of our cement, aggregates and concrete assets in Italy to Sacci in December (238 million euros net proceeds for equity received in 2008). In 2007, disposals mainly reflected the sale of our Roofing Division to PAI partners (2.1 billion euros) and of our participation in Ybitas Lafarge, operating in cement, aggregates and concrete in Turkey, to Cimpor (250 million euros).

Balance sheet statement

As at December 31, 2008 total equity stood at 14,635 million euros (**12,077** million euros at the end of December 2007) **and net debt at 16,884 million euros** (**8,685** million euros 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 (1.9 billion euros) partly mitigated by dividend payments (-1.0 billion euros) and the negative effect of currency fluctuations (-0.8 billion euros). The actuarial losses on pension commitment and the unfavorable change in the fair value of available for sale investments booked directly in equity (-0.6 billion euros net of deferred taxes) offset the positive impact of the consolidation of minority interests in Orascom subsidiaries (0.6 billion euros)

The increase of 8.2 billion euros of the net consolidated debt mainly results from the 5.8 billion euros debt financed portion of the Orascom acquisition and the 1.7 billion euros of net debt assumed.

Outlook

The global economic crisis and the high level of uncertainty make forecasting difficult. Government stimulus plans which should help restore confidence and spur growth are very good news and all include large infrastructures projects. They should have a significant impact on most of our markets in 2010 and a more limited one in 2009. For 2009, we currently expect cement volumes in Lafarge's markets to be down 0 to 3% overall, with significant declines for developed economies and with slower growth in emerging economies. Volume decreases are expected to put pressure on margins but pricing should remain firm overall. Our own actions will contribute to mitigating the impact of lower volumes.

A €4.5 BN PACKAGE OF ASSERTIVE MEASURES TO STRENGTHEN FINANCIAL STRUCTURE IN 2009

In today's difficult financial and economic environment, this platform of measures will allow Lafarge to strongly enhance its financial structure during the course of the first half of 2009 and to demonstrate once again its strong commitment to a solid investment grade rating.

LAFARGE FURTHER INCREASES OPERATIONAL EFFORTS UP TO €1.6 BN TO ENHANCE CASH FLOW GENERATION

- Lafarge will increase its cost cutting initiative in 2009 from €120M to €200M, as part of the €400M program to be achieved over a three year period from 2009 to 2011. Already €420M of annual recurring savings were achieved in 2008 compared to 2005.
- Lafarge will further reduce capital expenditure by 200M€ to €1.8 bn in 2009, a 40% reduction from 2008.
- Lafarge will target a minimum of €1.0bn of divestments in 2009, following the €615M achieved in 2008.
- Lafarge will extend actions on working capital to generate €200M of additional cash flow in 2009.

LAFARGE STRENGTHENS ITS BALANCE SHEET: € 1.5 BN RIGHTS ISSUE AND A €400 M REDUCTION IN DIVIDEND

- Lafarge announces its intention to proceed with a fully underwritten € 1.5bn rights issue. Groupe Bruxelles Lambert and NNS Holding, its two major shareholders, have each committed to subscribe their prorata shares, which would represent € 0.5bn. The rights issue is subject to authorization by Lafarge's shareholders, who will convene at an Extraordinary General Meeting to be held on March 31st.
- Reflecting the current difficult environment, Lafarge proposes a dividend of €2 per share for its shareholders, exceptionally reducing it by € 0.4bn in total (subject to shareholders' approval).

STRONG LIQUIDITY POSITION: A NEW €1.0 BN BANKING FACILITY TO PROVIDE ADDITIONAL FLEXIBILITY

- New € 1 bn banking facility has been secured for a period of two years.
- This will reinforce Lafarge's strong liquidity position, with €1.6bn in cash as of December 31, 2008 and €2.1bn of available confirmed credit lines with an average maturity of over three years.

DEBT RESTRUCTURING

- Lafarge intends to proceed with the early repayment of the A1/A2 tranches related to the Orascom acquisition totalling €2.6bn by the end of June 2009, therefore removing the related covenant. This will durably secure the Group's financial structure, with no major debt maturity before 2011.
- Overall, Lafarge intends to reduce its debt significantly by the end of 2009.

This announcement 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.

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3. Consolidated financial statements

Consolidated statements of income

	YEARS ENDED DECEMBER 31,		
(million euros, except per share data)	**2008**	**2007**	**2006**
REVENUE	**19,033**	**17,614**	**16,909**
Cost of sales	(13,729)	(12,700)	(12,385)
Selling and administrative expenses	(1,762)	(1,672)	(1,752)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	**3,542**	**3,242**	**2,772**
Gains on disposals, net	229	196	28
Other operating income (expenses)	(409)	(149)	(122)
OPERATING INCOME	**3,362**	**3,289**	**2,678**
Finance costs	(1,157)	(652)	(582)
Finance income	216	126	97
Income from associates	(3)	-	30
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	**2,418**	**2,763**	**2,223**
Income tax	(479)	(725)	(630)
Net income from continuing operations	1,939	2,038	1,593
Net income/(loss) from discontinued operations	-	118	(4)
NET INCOME	**1,939**	**2,156**	**1,589**
Out of which :			
Group share	**1,598**	**1,909**	**1,372**
Minority interests	341	247	217
EARNINGS PER SHARE *(euros)*			
NET INCOME - GROUP SHARE			
Basic earnings per share	8.27	11.05	7.86
Diluted earnings per share	8.24	10.91	7.75
FROM CONTINUING OPERATIONS			
Basic earnings per share	8.27	10.37	7.88
Diluted earnings per share	8.24	10.24	7.77
FROM DISCONTINUED OPERATIONS			
Basic earnings per share	-	0.68	(0.02)
Diluted earnings per share	-	0.67	(0.02)
BASIC AVERAGE NUMBER OF SHARES OUTSTANDING *(thousands)*	**193,172**	**172,718**	**174,543**

Consolidated balance sheets

	AT DECEMBER 31,		
(million euros)	**2008**	**2007**	**2006 ***
ASSETS			
NON CURRENT ASSETS	**32,928**	**21,490**	**20,474**
Goodwill	13,374	7,471	7,511
Intangible assets	614	472	426
Property, plant and equipment	16,927	11,904	11,183
Investments in associates	563	331	253
Other financial assets	1,147	1,096	830
Derivative instruments - assets	122	5	70
Deferred income tax assets	181	211	201
CURRENT ASSETS	**7,680**	**6,818**	**9,367**
Inventories	2,195	1,761	1,619
Trade receivables	2,320	2,515	2,674
Other receivables	1,351	1,061	1,126
Derivative instruments - assets	223	52	60
Cash and cash equivalents	1,591	1,429	1,155
Assets held for sale	-	-	2,733
TOTAL ASSETS	**40,608**	**28,308**	**29,841**
EQUITY & LIABILITIES			
Common stock	781	691	707
Additional paid-in capital	8,462	6,019	6,420
Treasury shares	(40)	(55)	(72)
Retained earnings	5,225	4,411	3,023
Other reserves	(613)	36	31
Foreign currency translation	(905)	(104)	205
SHAREHOLDERS' EQUITY - PARENT COMPANY	**12,910**	**10,998**	**10,314**
Minority interests	1,725	1,079	1,380
EQUITY	**14,635**	**12,077**	**11,694**
NON CURRENT LIABILITIES	**17,043**	**10,720**	**11,962**
Deferred income tax liability	923	695	529
Pension & other employee benefits liabilities	943	724	1,057
Provisions	976	928	935
Long-term debt	14,149	8,347	9,421
Derivative instruments - liabilities	52	26	20
CURRENT LIABILITIES	**8,930**	**5,511**	**6,185**
Pension & other employee benefits liabilities	67	79	120
Provisions	165	201	132
Trade payables	1,864	1,732	1,598
Other payables	2,039	1,553	1,668
Income tax payable	176	148	136
Short term debt and current portion of long-term debt	4,472	1,762	1,664
Derivative instruments - liabilities	147	36	25
Liabilities associated with assets held for sale	-	-	842
TOTAL EQUITY AND LIABILITIES	**40,608**	**28,308**	**29,841**

** Figures have been adjusted after the application by the Group of the amendment of IAS 19 - Employee Benefits, allowing the recognition through equity of the actuarial gains and losses under defined-benefit pension plans.*

Consolidated statements of cash flows

	YEARS ENDED DECEMBER 31,		
(million euros)	**2008**	**2007**	**2006**
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
NET INCOME	**1,939**	**2,156**	**1,589**
NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS	*-*	*118*	*(4)*
NET INCOME FROM CONTINUING OPERATIONS	**1,939**	**2,038**	**1,593**
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	1,076	941	932
Impairment losses	276	13	23
Income from associates	3	-	(30)
(Gains) on disposals, net	(229)	(196)	(28)
Finance costs (income)	941	526	485
Income taxes	479	725	630
Others, net (including dividends received from equity affiliates)	22	(238)	90
Change in operating working capital items, excluding financial expenses and income taxes (see analysis below)	(154)	(79)	(257)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS BEFORE IMPACTS OF FINANCIAL EXPENSES AND INCOME TAXES	**4,353**	**3,730**	**3,438**
Cash payments for financial expenses	(777)	(478)	(513)
Cash payments for income taxes	(575)	(550)	(543)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS	**3,001**	**2,702**	**2,382**
Net Operating cash generated by (used in) discontinued operations	*-*	*(26)*	*184*
NET CASH PROVIDED BY OPERATING ACTIVITIES	**3,001**	**2,676**	**2,566**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(2,886)	(2,113)	(1,639)
Investment in subsidiaries and joint ventures (1)	(6,309)	(604)	(3,151)
Investment in associates	(63)	(225)	(10)
Investment in available for sale investments	(11)	(228)	(14)
Disposals (2)	615	2,492	180
Net decrease in long-term receivables	(117)	(10)	(15)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	**(8,771)**	**(688)**	**(4,649)**
Net cash used in investing activities from discontinued operations	*-*	*(15)*	*(198)*
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(8,771)**	**(703)**	**(4,847)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of common stock	12	76	48
Minority interests' share in capital increase/(decrease) of subsidiaries	90	(23)	148
(Increase) decrease in treasury shares	8	(505)	26
Dividends paid	(784)	(521)	(447)
Dividends paid by subsidiaries to minority interests	(267)	(131)	(170)
Proceeds from issuance of long-term debt	9,208	1,279	3,341
Repayment of long-term debt	(1,094)	(2,239)	(2,213)
Increase (decrease) in short-term debt	(1,143)	359	1,148
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	**6,030**	**(1,705)**	**1,881**
Net cash provided by financing activities from discontinued operations	*-*	*41*	*15*
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**6,030**	**(1,664)**	**1,896**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	**260**	**309**	**(386)**
Increase in cash and cash equivalents from discontinued operations	-	-	1
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts	(98)	(35)	(97)
Cash and cash equivalents at beginning of year	1,429	1,155	1,735
Reclassification of cash and cash equivalents from discontinued operations	-	-	(98)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,591**	**1,429**	**1,155**
(1) Net of cash and cash equivalents of companies acquired	*306*	*10*	*5*
(2) Net of cash and cash equivalents of companies disposed of	*30*	*16*	*4*

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, 2006 **	**175,985,303**	**1,785,074**	**704**	**6,316**	**(98)**	**2,025**	**(37)**	**741**	**9,651**	**2,533**	**12,184**
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY	**-**	**-**	**-**	**-**	**-**	**73**	**68**	**(536)**	**(395)**	**(119)**	**(514)**
Net income	-	-	-	-	-	1,372	-	-	**1,372**	217	**1,589**
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD	**-**	**-**	**-**	**-**	**-**	**1,445**	**68**	**(536)**	**977**	**98**	**1,075**
Dividends paid	-	-	-	-	-	(447)	-	-	**(447)**	(170)	**(617)**
Issuance of common stock (exercise of stock options)	*639,839*	-	3	45	-	-	-	-	**48**	-	**48**
Share based payments	-	-	-	59	-	-	-	-	**59**	-	**59**
Treasury shares	-	*(412,814)*	-	-	26	-	-	-	**26**	-	**26**
Other movements – minority interests	-	-	-	-	-	-	-	-	**-**	(1,081)	**(1,081)**
BALANCE AT DECEMBER 31, 2006 **	**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	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**(309)**	**(304)**	**(46)**	**(350)**
Net income	-	-	-	-	-	1,909	-	-	**1,909**	247	**2,156**
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD	**-**	**-**	**-**	**-**	**-**	**1,909**	**5**	**(309)**	**1,605**	**201**	**1,806**
Dividends paid	-	-	-	-	-	(521)	-	-	**(521)**	(159)	**(680)**
Issuance of common stock (exercise of stock options)	*968,838*	-	4	72	-	-	-	-	**76**	-	**76**
Share based payments	-	-	-	29	-	-	-	-	**29**	-	**29**
Cancellation of shares	*(5,029,405)*	*(5,029,405)*	(20)	(502)	522	-	-	-	**-**	-	**-**
Treasury shares	-	*4,314,378*	-	-	(505)	-	-	-	**(505)**	-	**(505)**
Other movements – minority interests	-	-	-	-	-	-	-	-	**-**	(343)	**(343)**
BALANCE AT DECEMBER 31, 2007	**172,564,575**	**657,233**	**691**	**6,019**	**(55)**	**4,411**	**36**	**(104)**	**10,998**	**1,079**	**12,077**

** Of which 23 million euro as of December 31, 2006 from discontinued operations.*

*** Figures have been adjusted after the application by the Group of the amendment of IAS 19 - Employee Benefits, allowing the recognition through equity of the actuarial gains and losses under defined-benefit pension plans.*

	Outstanding shares	Of whichTreasury shares	Common stock	Additional paid-incapital	Treasury shares	Retained earnings	Other reserves	Foreign currency translation *	Share-holders' equity – Parent company	Minority interests	Equity
	(number of shares)		*(million euros)*								
BALANCE AT DECEMBER 31, 2007	**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	**-**	**-**	**-**	**-**	**-**	**-**	**(649)**	**(801)**	**(1,450)**	**(35)**	**(1,485)**
Net income	-	-	-	-	-	1,598	-	-	**1,598**	341	**1,939**
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD	**-**	**-**	**-**	**-**	**-**	**1,598**	**(649)**	**(801)**	**148**	**306**	**454**
Dividends paid	-	-	-	-	-	(784)	-	-	**(784)**	(259)	**(1,043)**
Issuance of common stock (exercise of stock options)	*171,959*	-	-	12	-	-	-	-	**12**	-	**12**
Issuance of common stock (Orascom Cement acquisition)	*22,500,000*	-	90	2,402	-	-	-	-	**2,492**	-	**2,492**
Share based payments	-	-	-	29	-	-	-	-	**29**	-	**29**
Treasury shares	-	*(220,440)*	-	-	15	-	-	-	**15**	-	**15**
Other movements – minority interests	-	-	-	-	-	-	-	-	**-**	599	**599**
BALANCE AT DECEMBER 31, 2008	**195,236,534**	**436,793**	**781**	**8,462**	**(40)**	**5,225**	**(613)**	**(905)**	**12,910**	**1,725**	**14,635**

** Of which 23 million euro as of December 31, 2006 from discontinued operations.*

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