Interim report at September 30, 2010

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The Board of Directors of Lafarge, chaired by Bruno Lafont, met on November 4, 2010 and approved the accounts for the period ended September 30, 2010.

This interim management report should be read in conjunction with the consolidated financial statements for the first nine months of the year and the company's Annual Report (document de reference) for the fiscal year 2009 filed with the Autorité des Marchés Financiers on March 11, 2010 under number D.10-0104.

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 and/or amount of these charges, if any, in future periods. The Group believes that the subtotal "current operating income" is useful to users of the Group's financial statements as it provides them with a measure of our operating results which excludes these elements, enhancing the predictive value of our financial statements and provides information regarding the results of the Group's ongoing trading activities that allows investors to better identify trends in the Group's financial performance.
In addition, current operating income is a major component of the Group's key profitability measure, return on capital employed (which is calculated by dividing the sum of "operating income before capital gains, impairment, restructuring and other", after tax, and income from associates by the averaged capital employed). This measure is used by the Group internally to: a) manage and assess the results of its operations and those of its business segments, b) make decisions with respect to investments and allocation of resources, and c) assess the performance of management personnel. However, because this measure has limitations as outlined below, the Group limits the use of this measure to these purposes.
The Group's subtotal within operating income may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of capital gains, impairment, restructuring and other amounts excluded from this measure do ultimately affect our operating results and cash flows. Accordingly, the Group also presents "operating income" within the consolidated statement of income which encompasses all amounts which affect the Group's operating results and cash flows.

1. Consolidated key figures *(unaudited)*

Sales

(million euros)	9 months 2010	9 months 2009	% Var.	3rd quarter 2010	3rd quarter 2009	% Var.	Full Year 2009
By geographic area of destination							
Western Europe	3,323	3,579	-7%	1,120	1,189	-6%	4,657
North America	2,503	2,329	7%	1,115	966	15%	3,028
Middle East and Africa	2,970	3,131	-5%	992	983	1%	4,018
Central and Eastern Europe	797	830	-4%	371	341	9%	1,053
Latin America	629	626	-	255	208	23%	791
Asia	1,988	1,748	14%	645	565	14%	2,337
By business line							
Cement	7,303	7,325	-	2,629	2,504	5%	9,477
Aggregates & Concrete	3,829	3,892	-2%	1,509	1,413	7%	5,064
Gypsum	1,075	1,018	6%	360	333	8%	1,334
Other	3	8	nm[1]	0	2	nm[1]	9
TOTAL	***12,210***	***12,243***	**-**	***4,498***	***4,252***	***6%***	***15,884***

(1) Not meaningful

Current operating income

(million euros)	9 months 2010	9 months 2009	% Var.	3rd quarter 2010	3rd quarter 2009	% Var.	Full Year 2009
By geographic area of destination							
Western Europe	428	438	-2%	144	171	-16%	552
North America	96	15	nm[1]	170	137	24%	(2)
Middle East and Africa	765	894	-14%	271	287	-6%	1,115
Central and Eastern Europe	185	231	-20%	120	121	-1%	281
Latin America	153	118	30%	64	44	45%	158
Asia	284	287	-1%	70	92	-24%	373
By business line							
Cement	1,727	1,836	-6%	702	746	-6%	2,343
Aggregates & Concrete	163	147	11%	140	116	21%	193
Gypsum	48	42	14%	14	10	40%	38
Other	(27)	(42)	nm[1]	(17)	(20)	nm[1]	(97)
TOTAL	***1,911***	***1,983***	***-4%***	***839***	***852***	***-2%***	***2,477***

Other key figures

(million euros, except per share data)	9 months 2010	9 months 2009	% Var.	3rd quarter 2010	3rd quarter 2009	% Var.	Full Year 2009
Net income – Group share	765	774	-1%	372	404	-8%	736
Excluding one-off items [1]	604	731	-17%	371	404	-8%	829
Earnings per share (in euros) [2]	2.67	2.99	-11%	1.30	1.42	-8%	2.77
Excluding one-off items [1] [2]	2.11	2.82	-25%	1.30	1.42	-8%	3.12
Free Cash Flow [3]	1,303[4]	1,711	-24%	812[4]	836	-3%	2,834
Net Debt	14,660	14,613	-				13,795

(1) Excluding legal provision adjustments for the German cement case in Q2 2009 and the gain on the disposal of Cimpor shares in 2010
(2) Basic average number of shares increased in April 2009 due to the rights issue completed by the Group. Basic average number of shares outstanding of 285.0M and 258.9M for the third quarter and year-to-date 2009, respectively, compared to 286.1M for both the third quarter and year-to-date 2010.
(3) Defined as the net cash generated by operating activities less sustaining capital expenditures
(4) Excluding the €338M one-time payment for the Gypsum competition fine paid in the third quarter 2010.

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 2010

- Sales increased 6% in the quarter with volume declines stabilizing and favorable foreign exchange rates.
- Current operating income declined 2% in the quarter due to inflation of input costs and the impact of lower volumes, partially offset by cost cutting and favorable foreign exchange rates.
- Cost savings of 300 million euros achieved year-to-date, of which 170 million euros are structural.
- Middle East and Africa continued to generate strong EBITDA margins in the quarter and increased earnings over the second quarter.
- Quarter shows first signs of market improvements in Central and Eastern Europe since mid-2008.
- Successfully integrated new cement assets in Brazil since end of July, contributing to an increase in Latin America's current operating income.
- Aggregates and Concrete current operating income grew 21% in the third quarter.
- Working capital improved by ten days compared to third quarter last year.
- Strong cash and liquidity position maintained.

Overview of operations: sales and current operating income

Consolidated sales and current operating income

The activity of the third quarter 2010 showed volume growth in North America and continuing signs of stabilization in Western Europe with the exception of Spain and Greece. Activities in emerging markets were contrasted, with favorable demand trends overall but results impacted by lower volumes in some markets. Helped by favorable currency fluctuations, sales were stable year-to-date at 12,210 million euros and increased 6% versus the third quarter 2009 from 4,252 million euros to 4,498 million euros. At constant scope and foreign exchange rates, sales decreased by 4% year-to-date (-8% in the first quarter and -2% in both the second and third quarters), mostly reflecting the impact of declining volumes. For the first nine months, net changes in the scope of consolidation had a negative impact on our sales of 2%, reflecting the disposal of our Chilean and Turkish operations (respectively in August and December 2009) and the divestiture of aggregates and concrete assets in North America (mostly in June 2009) while we began to benefit from the effect of the consolidation of our new assets in Brazil from the end of July 2010. Currency fluctuations were favorable (+5% year-to-date and +8% in the third quarter), reflecting the impact of the depreciation of the euro against most major currencies, among which the most significant impacts were the appreciation of the Canadian dollar, the US dollar, the South African rand, the Brazilian real and Asian currencies (notably the Korean won, Malaysian ringit, and Indian rupee).

While tight cost management continued and volume trends improved in some developed countries, the current operating income decreased by 10% at constant scope and foreign exchange rates both for the quarter and year-to-date, reflecting overall lower level of volumes, higher input costs and lower prices in a few countries.

Sales and Current operating income by segment

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

Cement

(million euros)	9 months				3rd quarter			
	2010	2009	% Variation	% Change at constant scope and exchange rates	2010	2009	% Variation	% Change at constant scope and exchange rates
Sales before elimination of interdivisional sales	7,766	7,817	-1%	-4%	2,803	2,672	5%	-3%
Current operating income	1,727	1,836	-6%	-11%	702	746	-6%	-13%

In mature countries, positive volume trends continued in North America and in the UK. In contrast, Spain, and more significantly Greece, continued to be negatively impacted by the economic crisis. Market demand continued to post growth in most of the emerging markets, but results were impacted by lower volumes in some countries due to the entrance of new capacities.
Current operating income decreased by 11% at constant scope and exchange rates (-13% in the third quarter), reflecting the impact of lower volumes and higher input costs. Prices remained solid overall, although certain countries did experience price declines.
Given the strong exposure of our cement activities to non-euro areas and the depreciation of the euro against many of these currencies, foreign exchange had a significant positive impact on our sales (+5% year-to-date and +8% on the third quarter sales). Net changes in the scope of consolidation impacted the sales comparison by -1% in 2010 (none in the third quarter), reflecting the disposal of our Chilean and Turkish operations, and the benefit of the new Brazilian assets for 2 months in 2010.

WESTERN EUROPE

Sales: ***€ 1,466 million at end of September 2010 (€ 1,618 million in 2009)***
€ 498 million in the third quarter of 2010 (€ 550 million in 2009)

Current operating income: ***€ 357 million at end of September 2010 (€ 377 million in 2009)***
€ 134 million in the third quarter of 2010 (€ 163 million in 2009)

At constant scope and exchange rates, domestic sales decreased by 9% year-to-date and in the third quarter. Positive volume trends experienced in the UK and in Germany in the second quarter continued in the third quarter but were offset by particularly adverse market conditions in Greece, and to a lesser extent in Spain, leading to sales contraction. In France, the market and the prices were resilient although third quarter volumes were impacted by a delay in phasing of certain road building projects. Prices were slightly below the level of the first nine months period of 2009. The current operating income dropped by 17% in the third quarter (-5% year-to-date). This decrease primarily reflects the deterioration of the markets in Greece (also impacted by a 2 week truckers strike) and Spain, an increase in bad debt reserves in Greece and higher fuel costs. Higher carbon credit sales helped partially offset the impact of the lower sales volumes. (94 million euros year-to-date 2010, a 44 million euros increase from last year).

NORTH AMERICA

Sales: ***€ 1,009 million at end of September 2010 (€ 929 million in 2009)***
€ 439 million in the third quarter of 2010 (€ 382 million in 2009)

Current operating income: ***€ 66 million at end of September 2010 (€ 25 million in 2009)***
€ 81 million in the third quarter of 2010 (€ 73 million in 2009)

At constant scope and exchange rates, domestic sales increased by 1% (-12% in the first quarter, +6% in the second quarter, +3% in the third quarter). After the tough weather conditions of the first quarter, domestic volumes increased in the second and the third quarters both in the United States and Canada, driven by higher infrastructure spending and the stabilization of the residential market.

Higher prices in Canada partly mitigated the lower prices in the United States. Volume recovery and continued cost cutting measures drove the strong improvement in the current operating income.

EMERGING MARKETS

Sales:	***€ 5,291 million at end of September 2010 (€ 5,270 million in 2009)*** ***€ 1,866 million in the third quarter of 2010 (€ 1,740 million in 2009)***
Current operating income:	***€ 1,304 million at end of September 2010 (€ 1,434 million in 2009)*** ***€ 487 million in the third quarter of 2010 (€ 510 million in 2009)***

In the Middle East and Africa region, domestic sales at constant scope and exchange rates decreased by 7% (- 6% in the third quarter), primarily due to the impact of new capacities entering Jordan. Excluding this impact, our sales stabilized in the third quarter versus last year, reflecting improvements achieved versus the second quarter. In Egypt, steady market growth slowed down in the third quarter with prices moving slightly down. While volumes for Egypt are down year-to-date, the pull back of our price increase at the end of the second quarter resulted in higher volumes for the third quarter. In Algeria, market trends continued to be solid as we progressively improved the industrial performance of our operations, although volumes were lower year-to-date due to work stoppages and lower production levels. Nigeria and Iraq benefited from solid volume trends due to their fundamental needs for infrastructure and housing, even if Nigerian construction market slowed down in the third quarter due to lower public spending. At constant scope and exchange rates, current operating income decreased by 16% to 733 million euros year-to-date and by 11% in the third quarter, mostly reflecting the impact of lower volumes.

In Central and Eastern Europe our domestic sales at constant scope and exchange rates declined by 11% year-to date, but continuous improvements were experienced along the nine months (-35% in the first quarter, -11% in the second quarter, +1% in the third quarter). The improvement in the third quarter primarily comes from positive volume trends in Russia and in Poland. Russia benefited from increasing prices in Russia in the third quarter, but overall, prices were slightly below last year levels mostly due to Poland. At constant scope and exchange rates, current operating income decreased by 23% (-8% in the third quarter), reflecting the lower volumes overall and the lower prices in Poland, and despite the impact of cost cutting measures and higher sales of carbon credits (sales of carbon credits were 36 million euros year-to-date 2010, a 9 million euros increase from last year).

In Latin America, at constant scope and exchange rates, domestic sales grew by 5% (+9% in the third quarter) and the current operating income increased by 12% (+7% in the third quarter). Particularly positive market trends in Brazil, price improvement in most countries, and strong cost cutting measures contributed to this positive performance. Additionally, the new Brazilian assets integrated from the end of July 2010 and located in the dynamic north-east region of this country began to help us to further benefit from the market growth.

In Asia, domestic sales were up 1% but decreased 5% in the third quarter at constant scope and exchange rates, while the current operating income decreased by 12% year-to-date and by 39% in the third quarter. The deterioration observed in the third quarter reflects adverse weather conditions, as well as a challenging market environment in South Korea and higher energy costs in most of the countries. Additionally, in China, the positive effect of higher prices and volumes in Yunnan was more than offset by lower volumes and prices in Chonqing and Sichuan due to increased capacities in these regions. That, combined with higher energy costs, also lowered the current operating income. India continued to benefit from solid market growth in the north-east region of the country. In Indonesia, the new Aceh plant started its grinding activity in the second quarter as a first step, allowing us to better capture market growth through local processing. In the Philippines, domestic volumes increased in a context of higher prices and contained costs. Malaysia benefited from recent price increases with slightly lower domestic volumes.

Aggregates & Concrete

(million euros)	9 months				3rd quarter			
	2010	2009	% Variation	% Change at constant scope and exchange rates	2010	2009	% Variation	% Change at constant scope and exchange rates
Sales before elimination of interdivisional sales	3,833	3,894	-2%	-3%	1,512	1,413	7%	-
Current operating income	163	147	11%	-8%	140	116	21%	3%

At constant scope and exchange rates, Aggregates and Concrete sales decreased by 3% year-to-date, and were stable over the third quarter, benefiting from improved volumes in North America and in the UK, with contrasted trends in other regions. The 2009 divestiture of our Chilean activities and some operations in North America had a negative impact on our sales of -170 million euros, but this effect was more than offset by a positive effect of foreign exchange fluctuations (237 million euros or +6% year-to date, +9% in the third quarter).

AGGREGATES AND OTHER RELATED PRODUCTS

Sales: ***€ 1,887 million at end of September 2010 (€ 1,813 million in 2009)***
€ 807 million in the third quarter of 2010 (€ 720 million in 2009)

Current operating income: ***€ 128 million at end of September 2010 (€ 81 million in 2009)***
€ 113 million in the third quarter of 2010 (€ 89 million in 2009)

At constant scope and exchange rates, pure aggregates sales increased year-to-date due to improved volumes in the second and third quarters. Our operating margins improved, helped by higher volumes and continuous tight cost control.

In Western Europe, the UK market continued to improve on the back of major infrastructure projects. France also experienced positive volume trends in the second and third quarters. By contrast, Spain and Greece continued to suffer from the financial crisis and reduction of public spending. Overall, prices were slightly down, mostly due to Spain, but stabilized in the third quarter overall. Higher volumes and tight cost control drove current operating income improvement.

In North America, our activities benefited from higher infrastructures spending in the United States and Canada as volumes continued to improve due to stimulus spending and from a stabilization in residential housing construction. Firm prices overall, tight cost control and particularly good Canadian performance drove current income improvement.

Elsewhere in the world, results declined slightly year-to-date, mainly reflecting the end of major projects in the Durban area in South Africa and soft markets in Central and Eastern Europe in the first half of the year. However, the third quarter marked improved volumes trends in Poland, supported by road projects.

CONCRETE AND OTHER RELATED PRODUCTS

Sales: ***€ 2,222 million at end of September 2010 (€ 2,345 million in 2009)***
€ 811 million in the third quarter of 2010 (€ 793 million in 2009)

Current operating income: ***€ 35 million at end of September 2010 (€ 66 million in 2009)***
€ 27 million in the third quarter of 2010 (€ 27 million in 2009)

Contraction in volumes in most countries, although at slower rates of decline in the second and third quarters, and lower prices led to the decline in results, despite progress of the share of our value-added products at constant scope and strict cost control.

In Western Europe, ready-mix concrete volumes continued to grow in the UK driven by large projects and are stabilizing in France. In other parts of Western Europe, and noticeably in Greece and Spain, still depressed market conditions drove volume declines. Prices slightly decreased, notably in Spain and in the UK, partially due to product mix.

In North America, volumes increased by 2% year-to-date, with positive trends in the third quarter, notably due to increased institutional and commercial works in Canada and gradual improvement of the residential demand in our East US operations.

Elsewhere in the world, current operating income declined over last year, despite contrasted trends across the countries, mainly driven by the end of major projects in South Africa, adverse market conditions in Central and Eastern Europe and market slowdown in Middle East. However, volume trends eased in the third quarter in most regions and contributed to earnings improvements in Poland, Brazil or India.

Gypsum

	9 months				3rd quarter			
(million euros)	2010	2009	% Variation	% Change at constant scope and exchange rates	2010	2009	% Variation	% Change at constant scope and exchange rates
Sales before elimination of interdivisional sales	1,090	1,035	5%	1%	365	339	8%	1%
Current operating income	48	42	14%	9%	14	10	40%	33%

Sales increased by 5% year-to-date and 8% in the third quarter, benefiting from favorable currency fluctuations. At constant scope and exchange rates, sales increased by 1% year-to-date and in the third quarter, mostly driven by positive market trends in Asia, and despite more challenging market conditions in France.

At constant scope and exchange rates, current operating income improved due to an increase in volumes and tight cost control, and despite the negative impact of lower selling prices compared to 2009.

Other income statement items

Other elements of the operating income ***€ -145 million at end of September 2010 (€ -18 million in 2009)***
€ - 35 million in the third quarter of 2010 (€ -16 million in 2009)

Other elements of the operating income primarily reflect the impact of disposals, impairments, restructuring, and legal actions. In the first nine months of 2010, net gains on disposals were 50 million euros compared to 62 million euros in 2009. Other operating expenses were 195 million euros versus 80 million euros in 2009. Other operating expenses were lowered in 2009 by a provision reversal of 43 million euros following the decision of the Court in Düsseldorf in the 2002 German cement case to reduce the competition fine imposed on the Group. In the first nine months of 2010, the Group recorded closure and impairment costs of a paper plant in Sweden, the impairment of assets located in Western Europe and South Korea due to the impact of the economic environment, and restructuring costs in various locations.

Finance costs ***€ 499 million at end of September 2010 (€ 678 million in 2009)***
€ 216 million in the third quarter of 2010 (€ 222 million in 2009)

Financial expenses on net indebtedness slightly decreased to 580 million euros in the first nine months of 2010, compared with 586 million euros in the first nine months of 2009, reflecting the decrease in the average net debt versus the first nine months of 2009 while the average interest rate increased over the same period. The average interest rate on our gross debt was 5.3% during the first nine months of 2010 as compared to 5.0% in the first nine months of 2009.

Foreign exchange resulted in a loss of 24 million euros in the first nine months of 2010 (loss of 6 million euros in 2009), mostly relating to loans and debts denominated in currencies for which no hedging market is available.

Other finance costs and income include the gain of the disposal of Cimpor shares for 161 million euros. Excluding this one-off item, other financial costs decreased to 56 million euros, compared to 86 million euros in the first nine months of 2009, due to the negative impact in 2009 of the accelerated amortization of syndication costs on the Orascom credit line following early reimbursement of tranches A1 and A2.

Income tax ***€ 284 million at end of September 2010 (€ 244 million in 2009)***
€ 127 million in the third quarter of 2010 (€ 109 million in 2009)

The effective tax rate increased to 22.4% in 2010 from 19.2% in 2009, mostly reflecting the progressive withdrawal of temporary tax holidays, partly offset by the non taxable gain on the disposal of Cimpor shares.

Non-controlling interests ***€ 204 million at end of September 2010 (€ 255 million in 2009)***
€ 88 million in the third quarter of 2010 (€ 92 million in 2009)

Non-controlling interests in the first nine months of 2010 declined compared to the first nine months of 2009 but stabilized in the third quarter, mostly reflecting the lower earnings in Jordan and Egypt.

Net income, Group share[1] ***€ 765 million at end of September 2010 (€ 774 million in 2009)***
€ 372 million in the third quarter of 2010 (€ 404 million in 2009)

Adjusted for the legal provision adjustment for the German cement case in the second quarter of 2009 and the gain on the disposal of Cimpor shares in 2010, net income decreased by 17% for the first nine months of the year and by 8% in the third quarter, partially reflecting the impact of lower volumes in some countries but also the improvement of some mature markets from historically low levels of activity both in the second and third quarters.

Earnings per share ***€ 2.67 at end of September 2010 (€ 2.99 in 2009)***
€ 1.30 in the third quarter of 2010 (€ 1.42 in 2009)

Adjusted for the reversal of the provision on the German cement case in the second quarter of 2009 and the gain on the disposal of Cimpor shares for 161 million euros in 2010, earnings per share decreased by 25% for the first nine months of the year, reflecting the decrease in the adjusted net income and the full impact of the April 2009 rights issue on the average number of shares.

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

Cash flow statement

Net cash provided by operating activities in the first nine months was € 1,151 million (€ 1,910 million at the end of September 2009).

Excluding the non recurring payment of the Gypsum competition fine for € 338 million in July 2010, net cash provided by operating activities decreased by 22%, primarily reflecting the evolution of the change in working capital. In 2009, the strong reduction between December 2008 and September 2009 of our strict working capital[2] expressed in number of sales days totally offset the usual increase of our working capital between December and September, which reflects the seasonality of our sales. In the first nine months of 2010, we pursued our actions to optimize our working capital that further decreased to 45 days when expressed as a number of days sales at the end of September 2010 but to a lesser extent as it compared to an already optimized level in December 2009 (46 days). This improvement only partly offset the impact of the usual seasonality of our sales and of the more favorable business activity level in mature countries.

Net cash used in investing activities amounted to € 975 million (€ 682 million in the first nine months of 2009).

Sustaining capital expenditures declined 7% to 186 million euros in the first nine months of 2010 compared to 199 million euros in the first nine months of 2009.

Capital expenditures for the building of new capacity decreased to 795 million euros from 926 million euros in the first nine months of 2009, and reflect mainly major cement projects such as the extension of our capacities in Eastern India, China, Poland, Uganda and Nigeria, the reconstruction of our Aceh plant in Indonesia and the investments in new capacities in Syria and Saudi Arabia.

Including the sale of a non-controlling interest in Lafarge Malayan Cement Berhad for 141 million euros and the debt disposed of, the divestments operations performed as at September 30, 2010 have reduced, net of selling costs, the Group's net financial debt by 286 million euros. In addition to the proceeds of the sale of the minority stake in Lafarge Malayan Cement Berhad, disposals mainly included the second instalment of the divestment of our Venezuelan operations and the sale of several industrial assets and lands.
In 2009, divestments were 633 million euros in the first nine months of 2009 including financial debt disposed of, and mainly comprised the disposal of our Chilean operations, our cement Turkish and Venezuelan activities (first payment) and our Aggregates and Concrete activities in Eastern Canada.

Statement of financial position

At September 30, 2010 total equity stood at € 17,649 million (€ 16,800 million at the end of December 2009) **and net debt at € 14,660 million** (€ 13,795 million at the end of December 2009).

The increase in equity mostly reflects the non cash impact of translating our foreign subsidiaries net assets into euros given the appreciation of most of the currencies against euro (0.8 billion euros), the net income for the period (1.0 billion euros), partly offset by the impact of dividends (-0.8 billion euros).

Compared to December 31, 2009, the increase of 0.9 billion euros of the net consolidated debt mostly results from the negative translation impact of the portion of the debt denominated in US dollar and British pound appreciated against the euro during the period (0.4 billion euros), and the non recurring payment of the Gypsum competition fine (0.3 billion euros). Additionally, the net cash provided by operating activities and by divestments was more than offset by capital expenditures, and dividends paid during the period.

[2] *Strict working capital defined as trade receivables plus inventories less trade payables*

Outlook for 2010

Based on demand trends seen through the third quarter, the Group has maintained its overall growth estimates in its markets and expects cement market demand to be between -1 to +3 percent in 2010 as compared to 2009. Due to supply-demand evolution, volume trends for the Group may vary from local market trends in some countries.
Pricing is expected to remain solid through the year, despite lower prices in some markets.

While we remain prudent on mature market trends as we enter 2011, we expect to see solid growth in the emerging markets. As seen in recent years, these markets will continue to drive cement demand as urbanization, demographics and infrastructure needs result in higher rates of construction.

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

3. Consolidated financial statements (unaudited)

Consolidated statements of income

	9 months		3rd quarter		December 31,
(million euros, unless otherwise indicated)	2010	2009	2010	2009	2009
Revenue	**12,210**	**12,243**	**4,498**	**4,252**	**15,884**
Cost of sales	(9,031)	(9,004)	(3,216)	(2,990)	(11,707)
Selling and administrative expenses	(1,268)	(1,256)	(443)	(410)	(1,700)
Operating income before capital gains, impairment, restructuring and other	**1,911**	**1,983**	**839**	**852**	**2,477**
Gains on disposals, net	50	62	5	16	103
Other operating income (expenses)	(195)	(80)	(40)	(32)	(330)
Operating income	**1,766**	**1,965**	**804**	**836**	**2,250**
Finance costs	(797)	(839)	(250)	(250)	(1,136)
Finance income	298	161	34	28	210
Income from associates	(14)	(14)	(1)	(9)	(18)
Income before income tax	**1,253**	**1,273**	**587**	**605**	**1,306**
Income tax	(284)	(244)	(127)	(109)	(260)
Net income	**969**	**1,029**	**460**	**496**	**1,046**
Out of which part attributable to:					
- Owners of the parent of the Group	**765**	**774**	**372**	**404**	**736**
- Non-controlling interests	204	255	88	92	310
Earnings per share					
Net income - attributable to the owners of the parent company:					
- Basic earnings per share	2.67	2.99	1.30	1.42	2.77
- Diluted earnings per share	2.67	2.99	1.30	1.42	2.77
Basic average number of shares outstanding (in thousands)	**286,086**	**258,937**	**286,086**	**284,966**	**265,547**

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

Consolidated statement of comprehensive income

(million euros)	9 months 2010	9 months 2009	3rd quarter 2010	3rd quarter 2009	December 31, 2009
Net income	**969**	**1,029**	**460**	**496**	**1,046**
Available for sale investments	(138)	265	-	50	381
Cash-flow hedge instruments	-	21	-	6	32
Actuarial gains / (losses)	(179)	(414)	(64)	(45)	(174)
Currency translation adjustments	816	(460)	(1,497)	(266)	(77)
Income tax on other comprehensive income	52	107	16	12	-
Other comprehensive income for the period, net of income tax	**551**	**(481)**	**(1,545)**	**(243)**	**162**
Total comprehensive income for the period	**1,520**	**548**	**(1,085)**	**253**	**1,208**
Out of which part attributable to:					
- Owners of the parent company	*1,241*	*358*	*(1,025)*	*181*	*937*
- Non-controlling interests	*279*	*190*	*(60)*	*72*	*271*

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

Available-for-sale investments

The unrealized gain on the shares of Cimentos de Portugal (CIMPOR), which amounts to 148 million euros, has been transferred to the consolidated statements of income further to the sale of this asset *(see Notes 3 and 7)*.

Actuarial gains / (losses)

The evolution of the Group's net position on pension obligations resulted in a net actuarial loss of 179 million euros in equity (loss of 125 million euros net of tax effect) during the first nine months of 2010, which essentially arises from the defined benefit pension plans in the United-States, in Canada and in the United-Kingdom. The actuarial losses on these plans result notably from the impact of lower discount rates on the pension obligations.

Currency translation adjustments

The change in cumulative exchange differences on translating foreign operations from January 1, 2010 to September 30, 2010 (closing rate) amounts to 816 million euros, of which 373 million euros due to the appreciation of the Algerian dinar, the Egyptian pound, the Philippines peso, the US dollar and the Malaysian ringgit compared to the euro currency.
In the 3rd quarter 2010, the change in cumulative exchange differences on translating foreign operations amounts to -1,497 million euros, of which -827 million euros relating to the above mentioned currencies.

Consolidated statement of financial position

(million euros)	At September 30, 2010	At September 30, 2009	At December 31, 2009
ASSETS			
NON CURRENT ASSETS	**34,208**	**32,220**	**32,857**
Goodwill	14,200	12,890	13,249
Intangible assets	627	616	632
Property, plant and equipment	17,523	16,385	16,699
Investments in associates	355	451	335
Other financial assets	958	1,452	1,591
Derivative instruments - assets	69	50	43
Deferred income tax assets	476	376	308
CURRENT ASSETS	**7,762**	**7,233**	**6,640**
Inventories	1,806	1,816	1,702
Trade receivables	2,392	2,319	1,686
Other receivables	1,080	1,062	1,008
Derivative instruments - assets	134	81	24
Cash and cash equivalents	2,350	1,955	2,220
TOTAL ASSETS	**41,970**	**39,453**	**39,497**
EQUITY & LIABILITIES			
Common stock	1,146	1,141	1,146
Additional paid-in capital	9,636	9,583	9,620
Treasury shares	(26)	(27)	(27)
Retained earnings	5,784	5,593	5,555
Other reserves	(635)	(634)	(370)
Foreign currency translation	(206)	(1,300)	(947)
Equity attributable to owners of the parent company	**15,699**	**14,356**	**14,977**
Non-controlling interests	1,950	1,719	1,823
EQUITY	**17,649**	**16,075**	**16,800**
NON CURRENT LIABILITIES	**17,272**	**16,880**	**16,652**
Deferred income tax liability	966	842	887
Pension & other employee benefits liabilities	1,274	1,334	1,069
Provisions	589	980	939
Long-term debt	14,366	13,686	13,712
Derivative instruments - liabilities	77	38	45
CURRENT LIABILITIES	**7,049**	**6,498**	**6,045**
Pension & other employee benefits liabilities	113	61	109
Provisions	143	139	136
Trade payables	2,019	1,595	1,652
Other payables	1,715	1,535	1,630
Income tax payable	289	193	193
Short term debt and current portion of long-term debt	2,674	2,931	2,265
Derivative instruments - liabilities	96	44	60
TOTAL EQUITY AND LIABILITIES	**41,970**	**39,453**	**39,497**

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

Consolidated statements of cash flows

(million euros)	9 months 2010	9 months 2009	3rd quarter 2010	3rd quarter 2009	December 31, 2009
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Net income	**969**	**1,029**	**460**	**496**	**1,046**
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	879	849	301	280	1,123
Impairment losses	94	41	14	6	164
Income from associates	14	14	1	9	18
(Gains) on disposals, net	(50)	(62)	(4)	(16)	(103)
Finance costs (income)	499	678	216	222	926
Income taxes	284	244	127	109	260
Others, net (including dividends received from equity affiliates) [3]	(241)	(34)	(259)	(4)	(57)
Change in operating working capital items, excluding financial expenses and income taxes (see analysis below)	(344)	138	(1)	43	1,029
Net operating cash generated before impacts of financial expenses and income taxes	**2,104**	**2,897**	**855**	**1,145**	**4,406**
Cash payments for financial expenses [3]	(652)	(681)	(218)	(183)	(827)
Cash payments for income taxes	(301)	(306)	(93)	(62)	(373)
Net cash used in operating activities	**1,151**	**1,910**	**544**	**900**	**3,206**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES					
Capital expenditures	(996)	(1,157)	(317)	(315)	(1,645)
Investment in subsidiaries and joint ventures [1]	4	(21)	18	-	(29)
Investment in associates	(1)	(4)	-	-	(10)
Investment in available for sale investments	(23)	(26)	1	(9)	(35)
Disposals [2]	143	588	38	409	760
Net decrease in long-term receivables	(102)	(62)	(19)	(32)	(115)
Net cash provided by (used in) investing activities	**(975)**	**(682)**	**(279)**	**53**	**(1,074)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES					
Capital increase (decrease) - owners of the parent company	19	1,445	6	(2)	1,448
Capital increase (decrease) - non controlling interests	1	-	1	-	86
Changes in ownership interests with no gain/loss in control	141	-	141	-	-
(Increase) / Decrease in treasury shares	-	-	-	-	-
Dividends paid to the owners of the parent company	(575)	(393)	(575)	(393)	(393)
Dividends paid by subsidiaries to non-controlling interests	(246)	(117)	(36)	(14)	(143)
Proceeds from issuance of long-term debt	1,495	3,234	691	563	4,495
Repayment of long-term debt	(952)	(4,964)	(712)	(873)	(6,829)
Increase (decrease) in short-term debt	(2)	(24)	(111)	8	(153)
Net cash provided by (used in) financing activities	**(119)**	**(819)**	**(595)**	**(711)**	**(1,489)**

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

(million euros)	9 months		3rd quarter		December 31,
	2010	2009	2010	2009	2009
Increase / (decrease) in cash and cash equivalents	**57**	**409**	**(330)**	**242**	**643**
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts	73	(45)	(93)	(33)	(14)
Cash and cash equivalents at beginning of year	2,220	1,591	2,773	1,746	1,591
Cash and cash equivalents at end of the year	**2,350**	**1,955**	**2,350**	**1,955**	**2,220**
(1) Net of cash and cash equivalents of companies acquired	*35*	*-*	*35*	*-*	*3*
(2) Net of cash and cash equivalents of companies disposed of	*2*	*50*	*-*	*13*	*54*
(3) includes the adjustment of the 250 M€ provision reversal on the gypsum fine, non cash item of the "Net income" (See Note 3 and 8), The interests paid on this fine amount to 88 M€ and are reflected on the "Cash payments for financial expenses" line.					
SUPPLEMENTAL DISCLOSURES					
Analysis of changes in operating working capital items	**(344)**	**138**	**(1)**	**43**	**1,029**
(Increase) / decrease in inventories	(44)	306	(28)	59	433
(Increase) / decrease in trade receivables	(589)	(53)	(82)	3	562
(Increase) / decrease in other receivables – excluding financial and income taxes receivables	(56)	199	(100)	(87)	361
Increase / (decrease) in trade payables	244	(255)	83	(108)	(236)
Increase / (decrease) in other payables – excluding financial, income taxes payables	101	(59)	126	176	(91)

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	Equity attributable to owners of the parent company	Non-controlling interests	Equity
		(number of shares)	*(million euros)*								
Balance at January 1, 2009	***195,236,534***	***436,793***	**781**	**8,462**	**(40)**	**5,225**	**(613)**	**(905)**	**12,910**	**1,725**	**14,635**
Total comprehensive income for the period						*774*	*(21)*	*(395)*	***358***	*190*	***548***
Dividends						(393)			**(393)**	(117)	**(510)**
Issuance of common stock	*90,109,164*		360	1,103					**1,463**		**1,463**
Issuance of common stock (exercise of stock options)									**-**		**-**
Share based payments				18					**18**		**18**
Treasury shares		*(56,645)*			13	(13)			**-**		**-**
Other movements – non-controlling interests									**-**	(79)	**(79)**
Balance at September 30, 2009	***285,345,698***	***380,148***	**1,141**	**9,583**	**(27)**	**5,593**	**(634)**	**(1,300)**	**14,356**	**1,719**	**16,075**
Balance at January 1, 2010	***286,453,316***	***380,148***	**1,146**	**9,620**	**(27)**	**5,555**	**(370)**	**(947)**	**14,977**	**1,823**	**16,800**
Total comprehensive income for the period						*765*	*(265)*	*741*	***1,241***	*279*	***1,520***
Dividends						(575)			**(575)**	(257)	**(832)**
Issuance of common stock (exercise of stock options)	*463*								**-**		**-**
Share based payments				16					**16**		**16**
Treasury shares		*(16,470)*			1	(8)			**(7)**		**(7)**
Changes in ownership interests with no gain/loss of control (See Note 7)						47			**47**	92	**139**
Other movements – non-controlling interests									**-**	13	**13**
Balance at September 30, 2010	***286,453,779***	***363,678***	**1,146**	**9,636**	**(26)**	**5,784**	**(635)**	**(206)**	**15,699**	**1,950**	**17,649**

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

Notes to the consolidated financial statements

Note 1. Business description

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

Condensed interim financial statements are presented in euros rounded to the nearest million.

The Board of Directors examined these interim financial statements on November 4, 2010.

Note 2. Summary of significant accounting policies

2.1 – Consolidated interim financial statements

The Group interim condensed consolidated financial statements at September 30, 2010 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 2009 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, 2010 and available on http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

These accounting policies are consistent with the ones applied by the Group at December 31, 2009 and described in the Note 2 of the 2009 Annual Report except for the points presented in paragraph 2.2 New IFRS standards and interpretations – infra.

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 prorata basis of the estimated costs for the year.

In addition, within the framework of the current context of economic crisis, the Group performed as at September 30, 2010, a review of indicators of impairment relating to goodwill allocated to Cash Generating Units. This review did not highlight any impairment situation as at September 30, 2010.

2.2 – New IFRS standards and interpretations

Application of the revised standards IFRS 3 and IAS 27 from January 1st, 2010

The IFRS 3 – Business Combinations – and IAS 27 – Consolidated and Separate Financial Statements – revised standards were published by the IASB on January 10, 2008 and adopted by the European Union on June 3, 2009 are effective from January 1st, 2010.

Accounting principles applicable from now for transactions within the scope of these standards are described hereafter.
The revised standards IFRS 3 and IAS 27 are applied prospectively. Deals completed prior to January 1st, 2010 are not restated.
Business combinations completed prior January 1st, 2010, were accounted for in accordance with the principles described in the Note 2.5 – Business combinations, related goodwill and intangible assets - to the notes of the Group consolidated financial statements of the 2009 Annual Report (page F 14).

Business combinations completed from January 1st, 2010

Business combinations are accounted for using the acquisition method. Under this method:

- the identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date,
- the non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share in the acquiree's net identifiable assets. This option is available on a transaction-by-transaction basis.

Acquisition costs are expensed and are presented in the consolidated statements of income on the line "Other operating income (expenses)".

Any contingent consideration assumed in a business combination is measured at fair value at the acquisition date even if it is not probable that an outflow of resources will be required to settle the obligation. After acquisition date, the contingent consideration is re-valued at fair value at each reporting closing. Subsequent changes to the fair value of the contingent consideration beyond one year from the acquisition date will be recognized in the statement of income if the contingent consideration is a financial liability.

At the acquisition date, the goodwill is measured as the difference between:

- the fair value of the consideration transferred, plus the amount of any non-controlling interests in the acquiree, and in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree, accordingly re-valuated through the statements of income; and
- the net fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date.

After initial recognition, the goodwill is measured at cost less any accumulated impairment losses.

Acquisition of additional interests in a controlled subsidiary

In the event of the acquisition of additional interests in a controlled subsidiary, the difference between the acquisition cost and the carrying amount of the non-controlling interests acquired is recognised directly in equity and attributed to the owners of the parent company with no change in the consolidated carrying amount of the subsidiary's net assets and liabilities including goodwill.

Partial disposal of interests without loss of control

In the event of the partial disposal of interests of a controlled subsidiary without any change on the control exercised over this entity, the difference between consideration received and the carrying amount of the interests disposed of is recognised directly in equity and attributed to the owners of the parent company with no change in the consolidated carrying amount of the subsidiary's net assets and liabilities including goodwill.

Disposal of interests with loss of control

The loss of control triggers the recognition of a gain (loss) on disposal determined on both shares sold and retained at transaction date.
Any investment retained is accordingly measured at its fair value through the statements of income upon the date the control is lost.

Other IFRS standards and IFRIC interpretations applicable from January 1st, 2010

The other new IFRS and interpretations effective from January 1st, 2010, listed in the Note 2.1 – Basis of preparation and Note 2.27 – Accounting pronouncements not yet effective – to the notes of the Group consolidated financial statements of the 2009 Annual Report (page F 11 and F 22), had no material impact on the Group interim condensed consolidated financial statements at September 30, 2010.

Since the publication of the Annual Report 2009, the European Union has adopted the following standards effective from January 1st, 2010. These standards have no impact on the Group consolidated financial statements:

- Improvements to IFRS
- Amended IFRS 1 – Additional Exemptions for First-Time Adopters
- Amended IFRS 2 – Group Cash-settled Share-based Payment Transactions

Early application of standards

The Group has not early adopted standards and interpretations that are not yet mandatorily effective.

Since the publication of the Annual Report 2009, the European Union has adopted the following standards:

- Amended IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters (applicable for financial periods beginning on or after July 1st, 2010). This pronouncement will have no impact on the Group consolidated financial statements
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (applicable for financial periods beginning on or after July 1st, 2010). This pronouncement might have a potential impact on the Group consolidated financial statements
- Amended IFRIC 14 – Prepayments of a Minimum Funding Requirement (applicable for financial periods beginning on or after January 1st, 2011). This pronouncement is expected to have a limited impact on the Group consolidated financial statements
- Amended IAS 24 – Related Party Disclosures (applicable for financial periods beginning on or after January 1st, 2011). This pronouncement might have a potential impact on the Group consolidated financial statements

New accounting pronouncements issued by the IASB but not yet effective (not yet endorsed by European Union)

- Improvements to IFRS, issued by the IASB in May 2010 and applicable depending on Standards for financial periods beginning on or after July 1st, 2010 or January 1st, 2011.
- Amendments to IFRS 7 – Disclosures – Transfers of Financial assets, issued by the IASB in October 2010 and applicable for financial periods beginning on or after July 1st, 2011.

2.3 – Seasonality

Demand for our cement and aggregates & concrete products is seasonal and tends to be lower in the winter months in temperate countries and in the rainy season in tropical countries. We usually experience a reduction in sales on a consolidated basis in the first quarter during the winter season in our principal markets in Europe and North America, and an increase in sales in the second and third quarters, reflecting the summer construction season.

Note 3. Significant events of the period

3.1 Disposal of Cimentos de Portugal (CIMPOR) and acquisition of cement operations of Votorantim

In February 2010, the Group exchanged its 17.28% stake in Cimpor to Votorantim against cement operations of Votorantim in Brazil and the dividends paid by Cimpor related to its 2009 year-end.

The cement operations received from Votorantim have been valued at 755 million euros. This evaluates our sold Cimpor stake at 6.5 euros per share, which moreover equals the price for which the Portuguese constructor Teixeira Duarte sold its 22.17% Cimpor stake in mid-February 2010 to the Brazilian conglomerate Camargo Correa.

Based on the above and taking into account the 23 million euros dividends paid by Cimpor during the second quarter of 2010, this transaction generated a non taxable gain of 161 million euros, net of related costs, which is

reflected on the line “Finance income” of the consolidated statements of income since the Cimpor investment was an available-for-sale financial asset.

The cement operations have been transferred to the Group by Votorantim on July 19, 2010, which notably comprise two grinding stations, one cement plant, slag supply contracts and clinker supply to grinding stations. These operations, that have been gathered in a newly created brazilian company called Cia de Cimento Portland Lacim (hereafter “Lacim”), are consolidated starting on the July 19, 2010 acquisition date. The Group has made a detailed review of Lacim’s accounts and the evaluation process of identifiable purchased assets, liabilities and contingent liabilities assumed, as defined by the revised standard IFRS 3 – Business Combinations, which requires experts’ appraisals (internal and external), is currently in progress at the present date. As a result, the purchase price allocation exercise and the recognition of the related goodwill will be finalized at the latest within the 12 months of the acquisition date.

The net assets acquired and goodwill indicated below are accordingly provisional as at September 30, 2010:

(million euros)	
Purchase price consideration (settled in Cimpor shares)	755
Provisional fair value of net assets acquired (1)	270
Provisional goodwill at September 30, 2010	485

(1) of which 231 million euros of provisional fair value of industrial assets and 30 million euros of acquired cash and cash equivalents

In the context of this exchange transaction, the Group has received from Votorantim indemnification commitments for up to 140 million euros with time limits and thresholds which depend on the covered matters and specific warranties to cover specific assets, properties and agreements related to the transaction.

3.2 Sale of a non-controlling interest in Lafarge Malayan Cement Berhad

Lafarge sold in July 2010 11.2% of interests in Lafarge Malayan Cement Berhad (“LMCB”) by way of placement done on Bursa Malaysia Securities Berhad. The net proceeds of this operation amount to 141 million euros. Lafarge keeps the management control of the Malayan activities and remains the majority shareholder with a 51% controlling shareholding in LMCB.

Since this operation does not change the nature of control exercised by the Group over LMCB and in compliance with the revised standard IAS 27*(See Note 2.2)*, the impact of this partial disposal of interests has been recorded in equity attributable to owners of the parent for an amount of 49 million euros (141 million euros of equity impact – *see Note 7*), and is reflected on the consolidated statements of cash flows within the financing activities on the line “Changes in ownership interests with no gain/loss of control” for an amount of 141 million euros.

Overall, the divestments operations performed as at September 30, 2010 have reduced, net of selling costs, the Group’s net financial debt by 286 million euros, reflected on the statements of cash flows for respectively 143 million euros on the line “Disposals”, 141 million euros on the line “Changes in ownership interests with no gain/loss of control”, 1 million euros on the line “Capital increase / (decrease) – non controlling interests”, amounts to which should be added 1 million euros of financial debt disposed of.

3.3 Bonds issue

In April 2010, Lafarge placed under its EMTN program a-500-million euros bond with a 8-year maturity and a fixed annual coupon of 5.0%. The proceeds of this transaction refinanced a bond maturing in July 2010 for the same amount *(see Note 6)*.

Lafarge placed on July 7, 2010 a-550-million US dollar bond with a five year maturity and a fixed annual coupon of 5.5%. The proceeds of this transaction refinanced part of the existing debt *(see Note 6)*.

3.4 Maturity extension of syndicated credit facility

On July 27, 2010, Lafarge signed an amendment to the 1,850 million euros syndicated credit line, which purpose was to extend its maturity by one year.
The new maturity has therefore been extended to July 28, 2013 for an amount of 1,654 million euros (the maturity of 110 million euros remains unchanged on July 28, 2012 and around 86 million euros have matured on July 28, 2010).

3.5 Litigations

On June 17, 2010, the European Union Court of Justice rejected Lafarge's appeal against the decision of the European Commission imposing a fine on Lafarge in the amount of 249.6 million euros for having colluded on market shares and prices with competitors between 1992 and 1998 for wallboard, essentially in the United Kingdom and Germany. The payment of the fine and accrued interest (additional provisions were recorded in each of our annual financial statements since 2003 in relation to the accrued interests) was made on July 23<, 2010, for a total amount of 338 million euros *(see Note 8)*. This amount was fully reserved.

Note 4. Business segment and geographic area information

In accordance with IFRS 8, Operating segments, the information presented hereafter by operating segment is the same as that reported to the Chief Operating Decision Maker (the Chief Executive Officer) for the purposes of making decisions about allocating resources to the segment and assessing its performance.

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

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

Other and holding activities, not allocated to our core operating segments, are summarized in the "other" segment.

Group management internally evaluates its performance based upon:

- operating income before capital gains, impairment, restructuring and other, share in net income of associates and,
- capital employed (defined as the total of goodwill, intangible and tangible assets, investments in associates and working capital).

Group financing, notably treasury process (including finance income and finance expenses), and income taxes are managed at Group level and are not allocated to segments.
The accounting policies applied to segment earnings comply with those described in Note 2 to the Consolidated Financial Statements of the 2009 annual report.

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

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

(a) Segment information

September 30, 2010 *(million euros)*	Cement	Aggregates & Concrete	Gypsum	Other	Total
Statement of income					
Gross revenue	7,766	3,833	1,090	3	12,692
Less: intersegment	(463)	(4)	(15)	-	(482)
Revenue	**7,303**	**3,829**	**1,075**	**3**	**12,210**
Operating income before capital gains, impairment, restructuring and other	1,727	163	48	(27)	1,911
Gains on disposals, net	53	(3)	-	-	50
Other operating income (expenses)	(135)	(16)	(40)	(4)	(195)
Including impairment on assets and goodwill	*(71)*	*(7)*	*(16)*	-	*(94)*
Operating income	**1,645**	**144**	**8**	**(31)**	**1,766**
Finance costs					(797)
Finance income					298
Income from associates	(21)	3	4	-	(14)
Income taxes					(284)
Net income					**969**
Other information					
Depreciation and amortization	(583)	(196)	(65)	(35)	(879)
Other segment non cash income (expenses) of operating income	(90)	12	(27)	250	145
Capital expenditures	811	116	48	21	996
Capital employed	26,675	5,408	1,514	363	33,960
Balance Sheet					
Segment assets	30,904	6,722	1,910	1,755	41,291
Of which investments in associates	*182*	*32*	*135*	*6*	*355*
Unallocated assets [(a)]					679
Total Assets					**41,970**
Segment liabilities	2,736	1,191	334	1,882	6,143
Unallocated liabilities and equity [(b)]					35,827
Total Equity and Liabilities					**41,970**

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

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

September 30, 2009 *(million euros)*	Cement	Aggregates & Concrete	Gypsum	Other	Total
Statement of income					
Gross revenue	7,817	3,894	1,035	8	12,754
Less: intersegment	(492)	(2)	(17)	-	(511)
Revenue	**7,325**	**3,892**	**1,018**	**8**	**12,243**
Operating income before capital gains, impairment, restructuring and other	1,836	147	42	(42)	1,983
Gains on disposals, net	18	42	5	(3)	62
Other operating income (expenses)	(41)	(26)	(7)	(6)	(80)
Including impairment on assets and goodwill	*(35)*	*(3)*	*(3)*	*-*	*(41)*
Operating income	**1,813**	**163**	**40**	**(51)**	**1,965**
Finance costs					(839)
Finance income					161
Income from associates	(19)	1	4	-	(14)
Income taxes					(244)
Net income					**1,029**
Other information					
Depreciation and amortization	(557)	(195)	(60)	(37)	(849)
Other segment non cash income (expenses) of operating income	31	23	8	(62)	-
Capital expenditures	888	172	66	31	1,157
Capital employed	24,641	5,272	1,489	814	32,216
Balance Sheet					
Segment assets	28,030	6,516	1,860	2,540	38,946
Of which investments in associates	*290*	*17*	*127*	*17*	*451*
Unallocated assets [a]					507
Total Assets					**39,453**
Segment liabilities	2,270	1,110	389	2,068	5,837
Unallocated liabilities and equity [b]					33,616
Total Equity and Liabilities					**39,453**

[a] *Deferred tax assets and derivative instruments*

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

December 31, 2009 *(million euros)*	Cement	Aggregates & Concrete	Gypsum	Other	Total
Statement of income					
Gross revenue	10,105	5,067	1,355	9	16,536
Less: intersegment	(628)	(3)	(21)	-	(652)
Revenue	**9,477**	**5,064**	**1,334**	**9**	**15,884**
Operating income before capital gains, impairment, restructuring and other	2,343	193	38	(97)	2,477
Gains on disposals, net	62	40	5	(4)	103
Other operating income (expenses)	(209)	(41)	(63)	(17)	(330)
Including impairment on assets and goodwill	*(152)*	*(8)*	*(4)*	-	*(164)*
Operating income	**2,196**	**192**	**(20)**	**(118)**	**2,250**
Finance costs					(1,136)
Finance income					210
Income from associates	(27)	2	5	2	(18)
Income taxes					(260)
Net income					**1,046**
Other information					
Depreciation and amortization	(733)	(265)	(81)	(44)	(1,123)
Other segment non cash income (expenses) of operating income	(133)	13	21	(20)	(119)
Capital expenditures	1,278	225	102	40	1,645
Capital employed	24,924	5,102	1,437	373	31,836
Balance Sheet					
Segment assets	28,647	6,279	1,829	2,367	39,122
Of which investments in associates	*182*	*17*	*128*	*8*	*335*
Unallocated assets [(a)]					375
Total Assets					**39,497**
Segment liabilities	2,451	1,044	382	1,851	5,728
Unallocated liabilities and equity [(b)]					33,769
Total Equity and Liabilities					**39,497**

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

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

(b) Geographic area information

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

Non-current assets include goodwill, intangible assets, property, plant and equipment and investments in associates. They include since December 31, 2009, the final allocation by region of the purchase price of Orascom Cement and its provisional allocation before that date.

	September 30, 2010		September 30, 2009		December 31, 2009	
(million euros)	Revenue	Non-current assets	Revenue	Non-current assets	Revenue	Non-current assets
Western Europe	**3,323**	**6,882**	**3,579**	**7,403**	**4,657**	**6,964**
Of which:						
France	1,668	2,329	1,785	2,670	2,328	2,333
Spain	221	1,015	306	1,185	390	1,030
United Kingdom	709	1,556	644	1,569	833	1,541
North America	**2,503**	**5,986**	**2,329**	**5,697**	**3,028**	**5,799**
Of which:						
United States	1,313	4,838	1,314	4,618	1,674	4,691
Canada	1,190	1,148	1,015	1,079	1,354	1,108
Middle East and Africa	**2,970**	**12,393**	**3,131**	**11,286**	**4,018**	**11,927**
Of which:						
Egypt	564	2,785	557	2,663	704	2,779
Algeria	344	3,120	355	3,390	460	3,056
Central and Eastern Europe	**797**	**1,961**	**830**	**1,826**	**1,053**	**1,875**
Latin America	**629**	**1,450**	**626**	**695**	**791**	**710**
Asia	**1,988**	**4,033**	**1,748**	**3,435**	**2,337**	**3,640**
Total	**12,210**	**32,705**	**12,243**	**30,342**	**15,884**	**30,915**

(c) Major customers

The Group has no reliance on any of its customers.

Note 5. Earnings per share

The computation of basic and diluted earnings per share for the periods ended September 30, 2010, September 30, 2009 and December 31, 2009 are as follows:

	9 months		December 31,
	2010	2009	2009
Numerator (in million euros)			
Net income attributable to owners of the parent of the Group	765	774	736
Denominator (in thousands of shares)			
Weighted average number of shares outstanding	286,086	258,937	265,547
Effect of dilutive securities — stock options	260	220	260
Weighted average number of shares outstanding — fully diluted	286,346	259,157	265,807
Basic earnings per share (euros)	**2.67**	**2.99**	**2.77**
Diluted earnings per share (euros)	**2.67**	**2.99**	**2.77**

Note 6. Debt

The debt split is as follows:

	September, 30		December 31,
(million euros)	2010	2009	2009
Long-term debt excluding put options on shares of subsidiaries	14,296	13,607	13,634
Put options on shares of subsidiaries, long-term	70	79	78
Long-term debt	**14,366**	**13,686**	**13,712**
Short-term debt and current portion of long-term debt excluding put options on shares of subsidiaries	2,450	2,714	2,033
Put options on shares of subsidiaries, short-term	224	217	232
Short-term debt and current portion of long-term debt	**2,674**	**2,931**	**2,265**
Total debt excluding put options on shares of subsidiaries	16,746	16,321	15,667
Total put options on shares of subsidiaries	294	296	310
Total debt	**17,040**	**16,617**	**15,977**

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

	September 30,		December 31,
(million euros)	2010	2009	2009
Repayable in more than five years	5,752	5,068	5,959
Repayable between one and five years	8,544	8,539	7,675
Long-term debt	**14,296**	**13,607**	**13,634**
Repayable between six months and one year	482	945	1,161
Repayable in less than six months	1,968	1,769	872
Total debt	**16,746**	**16,321**	**15,667**

At September 30, 2010, 1,302 million euros of short-term debt have been classified as long-term based upon the Group's ability to refinance these obligations on a medium and long-term basis through its committed credit facilities.

This short-term debt that the Group can refinance on a medium and long-term basis through its committed credit facilities is classified in the statement of financial position under the section “Long-term debt”. The net variation of this short-term debt is shown in the statement of cash flows in “proceeds from issuance of long-term debt” when it is positive, and in “repayment of long-term debt” when it is negative. At September 30, 2010, the net variation of this debt amounted to an increase of 366 million euros (compared to a decrease of 1,195 million euros at September 30, 2009 and a decrease of 1,088 million euros at December 31, 2009).

Average spot interest rate

The average spot interest rate of the debt after swaps, as at September 30, 2010, is 5.3% (4.9% as of September 30, 2009 and 5.3% as of December 31, 2009).

Bonds issue

On April 13th 2010, Lafarge placed under its EMTN program a 500 million euros bond with an 8-year maturity and a coupon of 5.0%, in order to refinance the 500 million euros private placement, maturing on July 6th, 2010.

On July 6th 2010, the Group placed a 550 million US dollars bond on the American market, bearing a fixed interest rate of 5.5%, with a 5-year maturity. The proceeds, cashed in last July 9th, have been used to repay part of Lafarge short term debt.

Securitization program

The Group entered into multi-year securitization agreements, with respect to trade receivables:

- The first one implemented in France in January 2000 for Cement and Gypsum activities, renewed twice, includes Aggregates and Concrete activities since September 2009. This is a 5-year program from June 2010.
- The second one implemented in September 2009 in North America (United States and Canada) for a 3-year period.
- The last one implemented in March 2010 both in Spain and United Kingdom, also for a 5-year period, for some of the Cement, Aggregates and Concrete activities of these 2 countries.

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

Trade receivables therefore include sold receivables totaling 714 million euros equivalent as of September 30, 2010 (747 million euros as of September 30, 2009 and 745 million euros as of December 31, 2009).

Debt includes 577 million euros equivalent as of September 30, 2010, related to these programs (637 million euros as of September 30, 2009 and 642 million euros as of December 31, 2009).

The European securitization agreements are guaranteed by subordinated deposits and units totaling 137 million euros as of September 30, 2010 (110 million euros as of September 30, 2009 and 103 million euros as of December 31, 2009).

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 based on fair market value. 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, including debt and cash acquired, would amount to 335 million euros at September 30, 2010 (339 million euros at September 30, 2009 and 345 million euros at December 31, 2009).

As at September 30, 2010, 265 million euros can be exercised in 2010 and 2011. The remaining 70 million euros can be exercised starting 2012.

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 294 million euros at September 30, 2010 and 310 million euros at December 31, 2009, the remaining options were granted on shares of associates or joint ventures.

This specific debt is recorded by reclassifying the underlying minority interests and, since the put options were granted before January 1st 2010, recording goodwill in an amount equal to the difference between the carrying value of non-controlling interests and the value of the debt (respectively 159 million euros at September 30, 2010 and 163 million euros at December 31, 2009).

Note 7. Equity

(a) Dividends

The following table indicates the dividend amount per share the Group approved in 2010 for the year 2009 (paid in July 2010) and the one approved in 2009 for the year 2008 (paid in July 2009).

(euros, except otherwise indicated)	2009	2008
Total dividend (million euros)	575	393
Base dividend per share	2.00	2.00
Increased dividend per share	2.00	2.20

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

The detailed roll forward for the period of other comprehensive income is presented, for the part attributable to the owners of the parent company, in the following table:

	December 31, 2009	Gains/(losses) arising during the year	Recycling to income statement	September 30, 2010
Change in unrealized gains/(losses) on available for sale investments	160	10	(148)	22
Gross value	169	10	(148)	31
Deferred taxes	(9)	-	-	(9)
Change in unrealized gains/(losses) on cash flow hedge instruments	(42)	(9)	7	(44)
Gross value	(55)	(11)	11	(55)
Deferred taxes	13	2	(4)	11
Change in actuarial gains/(losses)	(488)	(125)	-	(613)
Gross value	(661)	(179)	-	(840)
Deferred taxes	173	54	-	227
Total Other reserves	***(370)***	***(124)***	***(141)***	***(635)***
Total Foreign currency translation	***(947)***	***741***	***-***	***(206)***
Total other comprehensive income	**(1,317)**	**617**	**(141)**	**(841)**

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

As at September 30, 2010, changes in ownership interest with no gain/loss of control amount to 139 million euros, of which 141 million euros related to the partial sale of interests in Malaysia *(see Note 3)*.

Note 8. Litigation

In the ordinary course of its business, Lafarge is involved in a certain number of judicial and arbitral proceedings. Lafarge is also subject to certain claims and lawsuits which fall outside the scope of the ordinary course of its business, the most significant of which are summarized below.

Provisions for the charges that could result from these procedures are not recognized until they are probable and their amount can be reasonably estimated. The amount of provisions made is based on Lafarge's assessment of the level of risk on a case-by-case basis and depends on its assessment of the basis for the claims, the stage of the proceedings and the arguments in its defense, it being specified that the occurrence of events during proceedings may lead to a reappraisal of the risk at any moment.

Europe – Gypsum: On July 8, 2008, the Court of First Instance in Luxembourg confirmed the decision of the European Commission imposing a fine on Lafarge in the amount of 249.6 million euros for having colluded on market shares and prices with competitors between 1992 and 1998 for wallboard, essentially in the United Kingdom and Germany. On June 17, 2010, the European Union Court of Justice rejected Lafarge's appeal against this decision. Therefore, the payment of the fine and accrued interest (additional provisions were recorded in each of our annual financial statements since 2003 in relation to the accrued interests) has been made on July 23, 2010, for a total amount of 338 million euros. This amount was fully reserved.

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

Finally, the Court's decision related to the remaining part of the appeal has been given on June 26, 2009, exempting Lafarge Zement partly and reducing the remaining fine very significantly to 24 million euros. Lafarge Zement has appealed to the Supreme Court on the basis of legal grounds. The decision of the Supreme Court should be given in the year 2011

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

The global provision in connection with this case amounts to 24 million euros as at September 30, 2010, unchanged compared to June 30, 2010.

Competition: Also on competition matters, there are three industry-wide inquiries which do not constitute legal proceedings and for which no provision has been recorded:

- in November 2008, the major European cement players, including Lafarge, were investigated by the European Commission for alleged anti-competitive practices. The Commission's investigation is ongoing. The date of its closure is still unknown. No conclusion can be drawn at this stage;
- in Greece, an inquiry on the cement industry was opened by the competition authorities in 2007. The level of risk cannot be appreciated at this stage;
- in South Africa, an inquiry on the cement industry was opened by the competition authorities in 2009. In the absence of new procedural step at that date, the level of risk cannot be appreciated at this stage.

United States of America – Hurricane Katrina: In late 2005, several class action and individual lawsuits were filed in the United States District Court for the Eastern District of Louisiana. In their Complaints, plaintiffs allege that our subsidiary, Lafarge North America Inc., and/or several other defendants including the federal government, are liable for death, bodily and personal injury and property and environmental damage to people and property in and around New Orleans, Louisiana. Some of the referenced complaints claim that these damages resulted from a barge under contract to Lafarge North America Inc. that allegedly breached the Inner Harbor Navigational Canal levee in New Orleans during or after Hurricane Katrina. On May 21, 2009, the Court denied plaintiffs' Motion for Class Certification. At this stage, only individual cases may be tried. Hearings of a first trial involving a handful of plaintiffs have been held since June, 2010. A first instance decision on this trial should be given by the end of the year 2010.

Additionally, in connection with this litigation, one of Lafarge North America Inc.'s insurers, the American Steamship Owners Mutual P&I Association, filed a suit against it in the United States District Court for the Southern District of New York seeking a judgment that these claims are not covered under its insurance policy. Lafarge North America Inc. lodged an appeal against the Court's decision, which had found that this claim was not covered under the insurance policy. Finally, some of Lafarge North America Inc.'s other insurers (the "Other Insurers") filed two suits in the same court seeking a judgment that they are not required to indemnify our subsidiary for these claims and the expenses incurred in connection therewith. The lower court granted judgment on these claims largely in favour of our subsidiary. All three insurance cases were then consolidated before the United States Court of Appeals for the Second Circuit and, on March 15, 2010 the Court upheld the decision in favor of the American Steamship Owners Mutual P & I Association and also found that while the Other Insurers' policies of insurance applied to the incident, the Other Insurers did not have to reimburse Lafarge North America Inc for its legal fees and other litigations costs incurred prior to the Court's ruling (in the event our subsidiary is found to be liable by a court of final review, the policy limits available from the Other Insurers' insurance is approximately 50 million US dollars). Lafarge North America Inc. did not lodge a request to the Supreme Court against the decision of the Court of Appeals.

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

India/Bangladesh: The Group holds, jointly with Cementos Molins, 59% of Lafarge Surma Cement which is operating a cement plant in Bangladesh. This cement plant is supplied by its Indian affiliate with limestone extracted from a quarry in the Meghalaya region of India. These operations in Bangladesh are consolidated under the proportionate method. These operations contributed as at December 31, 2009 to the Group's total assets and operating income before capital gains, impairment, restructuring and other, for respectively 91 and 12 million euros. At a hearing on February 5th, 2010, the Supreme Court of India decided to suspend the mining activities of the quarry, due to the fact that its location is today regarded as a forest area, making it necessary to obtain a new mining permit. The procedure for obtaining the new permit continues before the Indian Supreme Court.

Other litigation: The Group received in September 2010 a tax reassessment notice regarding the tax exemption conditions for a portion of the disposal gain related to the 2007 sale of its Turkish Ybitas subsidiary. The Group will contest this reassessment that it believes is unfounded and cannot accordingly at this stage predict the evolution of these proceedings.

Finally, certain Group subsidiaries have litigation and claims pending in the normal course of business. The resolution of these matters should not have any significant effect on the Company's and/or the Group's financial position, results of operations and cash flows. To the Company's knowledge, there are no other governmental, legal or arbitration proceedings which may have or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

Note 9. Transactions with related parties

There were no significant related-party transactions during the period neither evolution in the nature of the transactions as described in Note 30 of the Consolidated Financial Statements included in the Group 2009 annual report.

Note 10. Subsequent events

None.