Financial Report

For the Fourth Quarter

ended December 31, 2011

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1.1 Consolidated key figures

The Board of Directors of Lafarge, chaired by Bruno Lafont, met on February 16, 2012 and approved the accounts for the period ended December 31, 2011.
The statutory auditors have completed their audit on the consolidated financial statements. Their report is in the process of being issued.

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" 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.

EBITDA is defined as the current operating income before depreciation and amortization on tangible and intangible assets and is a non-GAAP financial measure.

In order to reflect its divestment intentions and announcements, the activities in Europe, North America, Asia and Latin America of the Gypsum Division are presented as discontinued operations in the Group's consolidated financial statements. In compliance with IFRSs, the presentation of the Gypsum discontinued activities in the Group's consolidated statements of income and statements of cash flows, has been reclassified to specific lines for all the years presented. In the Group's consolidated statements of financial position, Gypsum assets and liabilities are shown on separate lines for December 2011, only, with no restatement for prior periods.
Additionally, we have reclassified our Austrian activities from Western Europe to Central and Eastern Europe. This reflects the contribution of our Austrian operations into a new company with Strabag which strengthens our industrial network in Central Europe.

More comprehensive information about Lafarge may be obtained on its Internet website (www.lafarge.com).
This document does not constitute an offer to sell, or a solicitation of an offer to buy Lafarge shares.

Sales

(million euros)	Full year 2011	Full year 2010	% Variation	4th quarter 2011	4th quarter 2010	% Variation
By geographic area of destination						
North America	3,110	3,153	-1%	801	792	1%
Western Europe	3,431	3,482	-1%	798	795	-
Central and Eastern Europe	1,302	1,066	22%	302	248	22%
Middle East and Africa	3,897	3,883	-	988	926	7%
Latin America	1,035	838	24%	264	250	6%
Asia	2,509	2,412	4%	660	621	6%
By business line						
Cement	9,975	9,656	3%	2,489	2,353	6%
Aggregates & Concrete	5,227	5,088	3%	1,306	1,259	4%
Other	82	90		18	20	
TOTAL	***15,284***	***14,834***	***3%***	***3,813***	***3,632***	***5%***

EBITDA and Current Operating Income

(million euros)	Full year 2011	Full year 2010	% Variation	4th quarter 2011	4th quarter 2010	% Variation
EBITDA	**3,217**	**3,488**	**-8%**	**798**	**798**	**-**
Current operating income						
By geographic area of destination						
North America	196	176	11%	87	47	85%
Western Europe	445	404	10%	88	42	110%
Central and Eastern Europe	256	235	9%	36	28	29%
Middle East and Africa	820	1,033	-21%	185	270	-31%
Latin America	215	208	3%	60	61	-2%
Asia	247	337	-27%	82	74	11%
By business line						
Cement	1,968	2,230	-12%	461	503	-8%
Aggregates & Concrete	237	216	10%	72	53	36%
Other	(26)	(53)		5	(34)	
TOTAL	**2,179**	**2,393**	**-9%**	**538**	**522**	**3%**

Other key figures

(million euros, except per share data)	Full year 2011	Full year 2010	% Variation	4th quarter 2011	4th quarter 2010	% Variation
Net income – Group share	593	827	-28%	(3)	62	
Earnings per share (in euros) [1]	2.07	2.89	-28%	(0.01)	0.22	
Free Cash Flow [2]	1,208	1,761	-31%	701	826	-15%
Net Debt	11,974	13,993	-14%			

(1) Basic average number of shares outstanding of 286.5 million and 286.1 million for 2011 and 2010, respectively
(2) Defined as the net operating cash from continuing operations less sustaining capital expenditures

1.2. Review of operations and financial results

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

Group highlights for the year

- Current operating income grew in the fourth quarter from higher sales volumes, higher pricing, and cost cutting measures. For the year, higher cost inflation and the negative impact of foreign exchange lowered overall results.
- The Group successfully achieved its 2 billion euros net debt reduction target and strengthened its already solid liquidity. The strategic divestment of Gypsum assets generated a net gain of 466 million euros.
- Cost savings accelerated at the end of 2011, with 100 million euros delivered in the fourth quarter achieving 250 million euros for the full year, well above the 200 million euros target. As part of the announced program to reduce costs by 500 million euros, the Group plans to reach at least 400 million euros of savings in 2012.
- Net earnings were impacted by a non-cash goodwill write-off of 285 million euros, mainly in Greece.
- The Group will implement in 2012 its new country-based organization project to accelerate organic growth and innovation and reinforce efficiency.

Sales

Compared to 2010, consolidated sales increased 3.0% to 15,284 million euros from 14,834 million euros for the full year, and were up 5.0% in the fourth quarter.

Net changes in the scope of consolidation had a positive impact on our sales of 1.5% year-to-date (0.5% in the fourth quarter), with the combined effect of the consolidation of our new cement Brazilian assets from July 2010 and the incremental contribution of our new cement plant in Syria, partly offset by the divestment of our South East assets in the United States from October 2011. Currency fluctuations were unfavorable (-3.0% year-to-date and -2.1% in the fourth quarter), driven by the depreciation against the euro of the Egyptian pound and most currencies in Middle East and Africa, along with the depreciation of the US dollar and Indian rupee.

At constant scope and exchange rates, consolidated sales increased 4.5% year-to-date and 6.6% in the fourth quarter, helped by strong volume increases throughout all our emerging markets while volumes in mature markets showed mixed trends. Western Europe benefited from higher volumes in France and the United Kingdom, helped by favorable fourth quarter weather, but was negatively impacted by the tougher economic environment in Greece and Spain. In North America, subdued growth was experienced in the United States while Canada showed more positive trends.

Current Operating Income

Current operating income decreased 9% in 2011 versus 2010, at 2,179 million euros from 2,393 million euros in 2010, but increased 3% in the fourth quarter.
Net changes in the scope of consolidation has a positive net effect of 83 million euros on the current operating income on a full year basis, benefiting from the effect of the new cement capacities and with the stopping of depreciation of the UK assets as of March 1st 2011 due to their scheduled contribution to the joint-venture with Tarmac UK (50 million euros[1], see Note 3 to the consolidated financial statements), but they were more than offset by the effect of adverse currency fluctuations of 86 million euros.

At constant scope and exchange rates, current operating income decreased by 9% for the full year, mostly due to high cost inflation that was only partially offset by higher volumes and strong cost reductions across the Divisions. An improvement was experienced in the fourth quarter, with current operating income up by 1%, reflecting the combined effect of improved prices, higher volumes helped by a mild winter, and a strong focus on cost containment.

Our Cement division benefited from higher volumes, with brisk construction activity in most emerging markets while mature markets experienced contrasted trends. In general, rising costs lowered overall earnings. Cement prices moved up 1% compared to the fourth quarter 2010, and were marginally higher than 2010 average levels.
Our Aggregates and Concrete division benefited from growth in France, in the United Kingdom, in Central and Eastern Europe and in Canada. Solid prices overall and strong cost cutting helped to partially offset cost inflation.

As a percentage of sales, current operating income margin was 14.3% in 2011, compared to 16.1% in 2010, primarily reflecting the impact of higher cost inflation.

Group return on capital employed[2] was 6.8% compared to 7.4% in 2010, reflecting lower earnings.

[1] Impact of 32 million euros for cement and 18 millions euros for A&C
[2] Before tax

Sales and Current Operating Income by segment

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

Cement

Sales and Current Operating Income

	Full year				4th quarter			
	2011 (M€)	2010 (M€)	% Variation (%)	% Change at constant scope and exchange rates (%)	2011 (M€)	2010 (M€)	% Variation (%)	% Change at constant scope and exchange rates (%)
Sales before elimination of inter-division sales	10,622	10,280	3%	4%	2,662	2,514	6%	7%
Current operating income	1,968	2,230	-12%	-11%	461	503	-8%	-9%

Sales

Contribution to our sales by geographic origin of sale for the years ended December 31, 2011 and 2010, and the related percentage change between the two periods were as follows:

	Full year			4th quarter		
	2011 (M€)	2010 (M€)	% Variation (%)	2011 (M€)	2010 (M€)	% Variation (%)
North America	1,287	1,333	-3%	320	324	-1%
Western Europe	1,747	1,785	-2%	414	404	2%
Middle East and Africa	3,589	3,530	2%	922	857	8%
Central and Eastern Europe	1,012	864	17%	220	192	15%
Latin America	881	722	22%	226	213	6%
Asia	2,106	2,046	3%	560	524	7%
Sales before elimination of inter-division sales	**10,622**	**10,280**	**3%**	**2,662**	**2,514**	**6%**

Sales of the Cement Division were up 3.3% to 10,622 million euros in 2011, driven by solid market trends in most emerging markets, while mature markets experienced contrasted trends, with volume growth in Canada, UK and France, stable volumes in the United States, and Greece and Spain still impacted by the difficult economic environment.

Currency fluctuations had a negative impact of 326 million euros (or -3.3%) on sales, particularly significant for the Middle East and Africa region. Changes in the scope of consolidation had a net positive impact of 249 million euros (or 2.4%), mostly reflecting the contribution of our new plant in Syria and the full year consolidation of our new Brazilian assets versus only 5 months in 2010, partly offset by the divestment of our South East assets in the United States from October 2011.

The total of volumes sold in 2011 was up 7% (+5% at constant scope) for the full year at 145.3 million tons, with all emerging market regions showing an increase versus 2010.

At constant scope and exchange rates, our sales increased 4.2% and 7.0% for the full year and the fourth quarter, respectively.

Current Operating Income

Contribution to our current operating income by region for the years ended December 31, 2011 and 2010, and the related percentage change between the periods were as follows:

	Full year			4th quarter		
	2011 (M€)	2010 (M€)	% Variation (%)	2011 (M€)	2010 (M€)	% Variation (%)
North America	74	79	-6%	38	13	192%
Western Europe	393	400	-2%	66	68	-3%
Middle East and Africa	812	1,000	-19%	184	267	-31%
Central and Eastern Europe	235	220	7%	32	24	33%
Latin America	203	193	5%	59	58	2%
Asia	251	338	-26%	82	73	12%
TOTAL	**1,968**	**2,230**	**-12%**	**461**	**503**	**-8%**

Current operating income decreased by 12% to 1,968 million euros in 2011, compared to 2,230 million euros in 2010, and by 8% in the last quarter.
Currency fluctuations had a negative impact of -4% or -83 million euros on our current operating income, partially offset by the positive effect of net changes in the scope of consolidation of 65 million euros (or 3%).

At constant scope and exchange rates, and excluding the impact of the Egyptian clay tax provision reversal in 2010 (67 million euros), current operating income decreased 9% for the year but increased 5% for the quarter. As a percentage of the Division's sales, current operating income margin declined to 18.5% in 2011, from 21.0% in 2010, under the pressure of cost inflation, despite higher volumes and significant cost-cutting measures. However, trends improved in the fourth quarter, with a stabilization of the operating margin at 17.3%.

Return on capital employed[3] was 7.4% in 2011 compared to 8.5% in 2010, reflecting lower earnings.

[3] Before tax

North America

Sales

Sales decreased 3% to 1,287 million euros compared to 1,333 million euros in 2010, and by 1% in the fourth quarter, with a negative effect of currency fluctuations and the impact of the divestment of our assets in the South East of the United States.

At constant scope and exchange rates, domestic sales increased by 1% for the full year and by 5% in the fourth quarter. Volumes sold in North America were rather stable versus 2010, at 13.5 million tonnes. Domestic volumes in Canada increased 5% helped by project work and continuing demand in the oil sector, while domestic volumes in the United States were stable. Average prices were below 2010 levels mostly due to declines that occurred in the second half of 2010 in the United States, while prices in Canada were solid overall.

Current Operating Income

Current operating income in North America moved slightly down to 74 million euros in 2011, helped by a strong increase in fourth quarter results reflecting an acceleration in cost containment measures. At constant exchange rates, current operating income for the year was slightly lower as the higher volumes and continued cost cutting measures only partially offset the combined effect of lower prices and higher fuel and transportation costs.

Western Europe

Sales

In Western Europe, sales decreased by 2% to 1,747 million euros compared to 2010 but increased 2% in the fourth quarter.

At constant scope and exchange rates, domestic sales decreased by 2% for the full year and stabilized in the fourth quarter, with highly contrasted trends within the region. Volumes sold in Western Europe were 18.4 million tonnes in 2011 versus 18.8 million tonnes in 2010, a decrease of 2%.

- In France, domestic sales were up 4%, driven by volume growth, while average prices were slightly down mostly due to the mix of project work. The country benefited from improved market conditions mainly due to the residential segment and mild weather versus 2010.
- In the United Kingdom, domestic sales increased a strong 10%, helped by Olympic construction and more favorable weather in fourth quarter versus last year. Prices were solid overall.
- In Spain, domestic sales experienced a drop of 15% due to lower volumes in the context of a significant decline in the Spanish construction sector with reductions in civil works and a weak residential sector. Prices were stable overall, in a context of rising input costs.
- In Greece, the overall economic situation and austerity measures continued to impact the construction market. As a consequence, domestic volumes were down 31% with lower prices.

Current Operating Income

Current operating income in Western Europe slightly decreased for both the year and the fourth quarter, at 393 million euros and 66 million euros, respectively. Results for 2011, include the 32 million euros effect of the stopping of depreciation of the UK assets as of March 1st, 2011 due to their scheduled contribution to the joint-venture with Tarmac UK (see note 3 to the consolidated financial statements).

At constant scope and exchange rates, current operating income decreased by 11% for the year and by 24% in the fourth quarter. For the year 2011, reduced CO_2 emissions combined with lower sales volumes allowed the Group to sell 136 million euros of carbon credit, compared with 113 million euros in 2010.

- In France, higher volumes helped mitigate a higher cost of petcoke and slightly lower prices.
- The United Kingdom benefited from stronger construction volumes and contained costs.
- Despite cost reduction measures, Spain's earnings were affected by the impact of the challenging residential construction market conditions, austerity measures, and increased input costs.
- In Greece, kiln shutdowns and other cost containment actions were successfully implemented to reduce fixed costs in response to the difficult market conditions, and partially mitigated the strong impact of lower sales.

Emerging markets

Sales

Sales in emerging markets increased 6% to 7,588 million euros in 2011 from 7,162 million euros in 2010, representing more than two-third of our cement sales. The currency translation effects lowered our sales by 280 million euros, more than offsetting the positive net effect of changes in scope of 259 million euros. At constant scope and exchange rates, sales in emerging markets grew 7% for the full year and 9% in the fourth quarter.

In the Middle East and Africa region, our sales increased 2%, to 3,589 million euros, against 3,530 million euros in 2010. Solid markets overall and the increasing contribution of our new plants in Syria and Nigeria were partly offset by lower sales in Egypt and Jordan and a particularly negative impact of currency fluctuations.

At constant scope and exchange rates, domestic sales increased 4% for the full year, and 6% in the fourth quarter. Volumes sold in Middle East and Africa increased to 44.0 million tonnes, against 40.2 million tonnes in 2010.

- In Algeria, solid market trends, improved industrial performance and price gains due to new product launch led domestic sales to increase a strong 24%.
- In Egypt, our domestic sales were down 23%, impacted by slightly lower market demand in the current economic and political context and amplified by a challenging competitive environment with the start-up of new capacities. In this context, prices decreased by slightly more than 20% from highs seen in 2011.
- In Morocco, domestic sales were up 3% helped by public spending, particularly for social housing, in a stable price environment.
- In Iraq, domestic sales were stable for the year; the strong increase in volumes in the first semester was indeed offset by lower volumes in the second half of the year, due to high temperatures in the third quarter, higher imports and slightly lower prices.
- In Jordan, domestic sales dropped by 25%, still affected by new capacities that entered the market.
- In Nigeria, our domestic sales increased by 33% on the back of strong market trends and with the start-up of our new production line in September 2011. Production levels were also improved due to the implementation of a captive power plant securing our sourcing of electricity at Ewekoro, helping us to further capture the market growth opportunities.
- In Kenya, our domestic sales were up 7% driven by a strong domestic demand, even after the rise in interest rates decided by the Central Bank in September 2011 to contain inflation.
- In South Africa, domestic sales increased 5%, with good market trends and prices well oriented.
- Also during the year we benefited from two new plants started in Uganda and Syria, in the second quarter and the fourth quarter 2010, respectively.

Our sales **in Central and Eastern Europe** were up 17% in 2011 to 1,012 million euros from 864 million euros in 2010.

At constant scope and exchange rates, domestic sales increased 17% for the full year and 19% in the fourth quarter, helped by improved market situation in Russia and Poland and overall mild weather in winter. Volumes sold in Central and Eastern Europe were up 10% to 14.2 million tons.

- Poland benefited from the European Union Funding for infrastructure projects and the structural deficit in housing. As a result, domestic sales increased 27%, with significant volume increases all along the year and positive prices.
- In Russia, our domestic sales increased a strong 46% versus last year, helped by improved economic environment, pre-election construction spending and well-oriented prices progressively recovering from low levels.
- Romania experienced a 4% domestic sales increase, with positive volumes driven by non-residential and infrastructure works and lower prices partially due to a negative mix effect with higher bulk sales.
- In Serbia, domestic sales were slightly down, with positive volume trends on the back of increased public infrastructure spending offset by lower average prices.

In Latin America, our sales jumped by 22% to 881 million euros, from 722 million euros in 2010, benefiting from well-oriented markets and positive effects of change in consolidation scope.

At constant scope and exchange rates, full year domestic sales increased by 10%, and by 9% in the fourth quarter. Volumes sold in Latin America increased to 10.5 million tons from 8.4 million tons in 2010.

- In Brazil, domestic sales rose 7%, bolstered by good market trends and well-oriented prices. Additionally, the region continued to benefit from the contribution of our new Brazilian assets located in the north-east region and consolidated from the end of July 2010. Production issues at one plant lowered the potential incremental contribution for the year, but improved going into the fourth quarter.
- In Ecuador, domestic sales increased 14% with good market conditions and solid prices.
- Honduras sales strongly increased after a challenging 2010 year in terms of the economic and political environment.

Our sales **in Asia** grew by 3% to 2,106 million euros, despite the depreciation of most of the Asian currencies against the euro.

At constant scope and exchange rates, domestic sales increased 7% versus last year, and by 11% in the fourth quarter. Volumes sold in Asia were up 8% versus last year at 44.7 million tonnes.

- In China, our domestic sales were up 21% on the back of continuous strong demand and the stabilization of our new plants that started at the end of 2010. Prices progressively improved throughout the year versus the year-end 2010 levels. The fourth quarter was somewhat marked by a slowdown in demand growth due to the government's monetary policy actions to reduce inflation.
- In India, domestic sales slightly contracted 2%, with a subdued market growth in our regions due to a slowdown in government spending that also weighed on price levels.
- In Malaysia, domestic sales increased 11%, driven by positive market trends across all sub-sectors and price increases advanced in the second quarter.
- In the Philippines, market trends and prices were affected by the Government's temporary suspension of key infrastructure projects in the first half of the year. Some improvements were experienced in the second half of the year with a double-digit volume growth and prices stabilizing.

As a result, volumes were flat for the full year, but lower prices drove a 10% decrease in domestic sales.

- In South Korea, our domestic sales grew 4% mostly due to price gains.
- In Indonesia, the stabilization of our Aceh plant started in 2010 allowed us to fully capture market growth opportunities.

Current Operating income

Current operating income in emerging markets decreased by 14% in 2011 to 1,501 million euros compared to 1,751 million euros in 2010, representing 76% of the Cement Division's current operating income. Currency fluctuations had a negative impact of 84 million euros on current operating income.

At constant scope and exchange rates, and when restating the one-time reversal of a regulatory fee provision in Egypt for 67 million euros in the fourth quarter 2010, current operating income decreased by 8%, and improved 5% in the fourth quarter.

In Middle East and Africa, current operating income in 2011 decreased by 19% to 812 million euros compared to 1,000 million euros in 2010. The impact of the currency fluctuations was particularly negative as most currencies within the region depreciated against the euro and was only partly offset by the increasing contribution of our new plant in Syria.
At constant scope and exchange rates, and when restating the one-time reversal of a regulatory fee provision in Egypt for 67 million euros in the fourth quarter 2010, current operating income decreased by 8% and by 6% in the fourth quarter, mostly due to cost inflation and a challenging situation in Egypt.

- In Egypt, earnings were strongly impacted by higher cost inflation, lower prices and the political events since January 2011 that lowered our sales; we estimate the impact of the disruptions of the first quarter 2011 due to those political events to be roughly 30 million euros on our earnings.
- In Algeria, earnings strongly increased with higher sales, lower clinker purchases due to improved industrial performance, partly offset by higher raw material costs.
- In Morocco, higher volumes almost offset higher petcoke and other costs in a stable pricing environment.
- Nigeria earnings benefited from the incremental contribution of our new line started in September 2011, good market trends and the strong improvements achieved in energy costs.
- In Iraq, earnings slightly decreased under the combined effect of slightly lower prices and the start-up costs for our new operations in the south of the country.
- In Jordan, our results declined due to the impact of lower volumes and higher fuel costs. Significant cost reduction measures, including temporary kiln shutdowns were implemented to limit this impact.
- In Kenya, higher sales were more than offset by higher costs of coal, power and transport.
- In South Africa, higher sales fully compensated for higher variable production costs, notably an increase in the power tariff.

In Central and Eastern Europe, current operating income was up 7% to 235 million euros compared to 220 million euros in 2010.

At constant scope and exchange rates, current operating income increased 12% in 2011 and 67% in the fourth quarter, under the combined effect of higher sales, cost inflation and slightly lower carbon credit sales. For the full year 2011, we sold 41 million euros of carbon credit, compared with 44 million euros in 2010.

- In Poland, the strong increase in volumes was the primary driver for earnings increase, while prices progressively improved in a cost inflationary context.
- In Russia, significant price gains recovering from historical low levels more than offset higher energy, wages and maintenance costs.

- In Romania, despite an improvement in volumes, earnings decreased with lower prices and higher petcoke costs.
- In Serbia, increased volumes helped to partially offset lower prices and increased input costs.

In Latin America, current operating income was up 5% to 203 million euros from 193 million euros in 2010 and up by 2% in the fourth quarter.
At constant scope and exchange rates, current operating income decreased 2% year-to-date but was up 5% in the fourth quarter, as the effect of positive market trends in the region progressively helped to offset significantly higher variable costs.

- Brazil benefited from higher sales, but earnings were strongly impacted by large variable costs increases, particularly for petcoke and transport.
- In Ecuador, higher volumes drove the current operating income improvement.
- In Honduras, earnings strongly increased due to higher sales and contained costs.

In Asia, current operating income decreased by 26% to 251 million euros in 2011 from 338 million euros in 2010.
At constant scope and exchange rates, current operating income decreased by 24% for the year, mostly reflecting higher variable costs, but improved 15% in the last quarter, with a progressive improvement of price trends along the year.

- In China, the increase in sales was sufficient to absorb the impact of higher coal prices, with some coal shortages in certain locations due to temporary mining stoppages after some accidents have occurred.
- In India, our earnings were impacted by lower average prices for the year and higher energy and transportation costs.
- In Malaysia, well-oriented prices, higher volumes and actions to cut fixed costs more than offset the strong increase in input costs, mostly fuel.
- In the Philippines, a slowdown in government construction spending in the first part of the year, lower prices and higher energy costs put pressure on earnings.
- In South Korea, the improvements experienced in both volume and prices only partly mitigated the impact of increased fuel prices.
- In Indonesia, higher sales and improved operational performance only partially offset higher fixed costs, higher costs of cement imports during the ramp-up phase and higher depreciation charge due to the start-up of the plant at the end of 2010.

Aggregates & Concrete

Sales and Current Operating Income

	Full year				4th quarter			
	2011 (M€)	2010 (M€)	Variation (%)	Variation at constant scope and exchange rates (%)	2011 (M€)	2010 (M€)	Variation (%)	Variation at constant scope and exchange rates (%)
Sales before elimination of Inter-division Sales	5,238	5,093	3%	5%	1,309	1,260	4%	7%
Current operating income	237	216	10%	2%	72	53	36%	23%

Sales

Contribution to our sales by activity and geographic origin for the years ended December 31, 2011 and 2010, and the related percentage change between the two periods were as follows:

	Full year				4th quarter			
	2011 (M€)	2010 (M€)	Variation (%)	Variation at constant scope and exchange rates (%)	2011 (M€)	2010 (M€)	Variation (%)	Variation at constant scope and exchange rates (%)
Aggregates & related products	**2,647**	**2,511**	**5%**	**8%**	**675**	**624**	**8%**	**9%**
of which pure aggregates:								
Western Europe	829	805	3%	4%	188	184	2%	4%
North America	931	913	2%	5%	256	232	10%	10%
Emerging markets	404	318	27%	21%	107	83	29%	21%
Total pure aggregates	**2,164**	**2,036**	**6%**	**7%**	**551**	**499**	**10%**	**10%**
Ready-mix concrete & concrete products	**2,971**	**2,946**	**1%**	**4%**	**727**	**724**	**-**	**5%**
of which ready-mix:								
Western Europe	1,127	1,153	-2%	3%	260	268	-3%	4%
North America	783	793	-1%	3%	194	203	-4%	5%
Emerging markets	933	892	5%	3%	240	225	7%	4%
Total ready-mix concrete	**2,843**	**2,838**	**-**	**3%**	**694**	**696**	**-**	**4%**
Elimination of intra Aggregates & Concrete Division sales	**(380)**	**(364)**	**4%**		**(93)**	**(88)**	**6%**	
Total Aggregates & Concrete before Elimination of Inter-division Sales	***5,238***	***5,093***	***3%***	***5%***	***1,309***	***1,260***	***4%***	***7%***

Sales of the Aggregates & Concrete Division were up 3% to 5,238 million euros in 2011 compared to 5,093 million euros in 2010, and up 4% to 1,309 million euros in the fourth quarter.

Net scope effects and net impact of currency fluctuations were -32 million euros and -87 million euros on sales, respectively. The effect of the divestment of some of our activities in France, Portugal or in the South East of the United States was partly offset by the development of our Aggregates and Ready-mix activities in some targeted emerging markets.

At constant scope and exchange rates, sales increased 5% year-on-year, and 7% in the fourth quarter, benefiting from improved volumes in France, UK, Canada and Central and Eastern Europe, with contrasted trends in the other regions.

Sales of **pure aggregates** increased by 6% to 2,164 million euros in 2011 compared with 2,036 million euros in 2010. Currency fluctuations had a negative impact on sales of 33 million euros, partially offset by the net impact of scope changes of 19 million euros. At constant scope and exchange rates, sales increased by 7% year-to-date and by 10% in the fourth quarter. Aggregates sales volumes in 2011 were stable at 192.7 million tonnes; at constant scope, sales volumes increased by 1%.

Sales of **ready-mix concrete** were 2,843 million euros in 2011, stable versus 2010. Currency fluctuations and changes in scope of consolidation had a negative impact on sales of 50 million euros and 26 million euros, respectively. At constant scope and exchange rates, sales increased by 3% year-to date, and by 4% in the fourth quarter. Sales volumes of ready-mix concrete were stable at 33.8 million cubic meters.

Current Operating Income

Contribution to our current operating income by activity and by region for the years ended December 31, 2011 and 2010, and the related percentage change between the periods were as follows:

	Full year			4th quarter		
	2011 (M€)	**2010** (M€)	**Variation** (%)	**2011** (M€)	**2010** (M€)	**Variation** (%)
Aggregates & related products	192	175	10%	55	47	17%
Ready-mix concrete & concrete products	45	41	10%	17	6	183%
TOTAL	***237***	***216***	***10%***	***72***	***53***	***36%***
By geographic area:						
Western Europe	82	62	32%	13	4	225%
North America	122	96	27%	54	39	38%
Emerging markets	33	58	-43%	5	10	-50%

Current operating income of the Aggregates & Concrete Division increased by 10% to 237 million euros in 2011 from 216 million euros in 2010. Changes in scope had a positive impact of 19 million euros while the effect of currency fluctuations was negligible. At constant scope and exchange rates, current operating income was up 2% year-to-date and up 23% in the last quarter.

As a percentage of the Division's sales, current operating income margin improved to 4.5% in 2011, compared to 4.2% in 2010, reflecting cost containment and further helped by the 18 million euros effect of the stopping of depreciation of the UK assets as of March 1st, 2011 due to their scheduled contribution to the joint-venture with Tarmac UK (see note 3 to the consolidated financial statements).

Current operating income for aggregates & related products increased by 10% to 192 million euros in 2011 from 175 million euros in 2010. Excluding the 15 million euros impact of the stopping of depreciation of the UK assets, current operating income stabilized, as higher sales and significant cost cutting measures implemented in all regions helped limit the impact of production and shipping costs increases.

Current operating income for ready-mix concrete & concrete products was up 10% in the year, at 45 million euros in 2011, from 41 million euros in 2010. Excluding the 3 million euros impact of the stopping of depreciation of the UK assets, current operating stabilized, under the combined effect of

higher delivery costs and other costs partially passed on to customers, the value-added products incremental contribution and cost containment measures.

Return on capital employed[4] increased to 4.7% in 2011 from 4.3% in 2010, reflecting the improving current operating income.

Western Europe

Sales

Pure aggregates sales increased 4% like for like to 829 million euros compared with 805 million euros in 2010 with the same trend in the fourth quarter. France, and to a lesser extent the UK, benefited from higher volumes partly due to a particularly low base level of activity in the fourth quarter 2010 versus a favorable weather in fourth quarter 2011. Spain and Greece suffered from difficult economic conditions with reduced public spending and the impact of austerity measures. Overall, prices were solid.

Asphalt and paving sales increased, helped by several infrastructure projects in the UK.

Ready-mix concrete sales increased 3% like for like to 1,127 million euros compared with 1,153 million euros in 2010 and were up 4% like for like in the fourth quarter. Ready-mix concrete volumes were 9% up in France on an annual basis driven by large projects and also favorable weather, and continued to grow in the UK. In other parts of Western Europe, and noticeably in Greece and Spain, depressed market conditions drove volume declines. Prices were well oriented overall.

Current Operating Income

Current operating income in Western Europe was up 32% to 82 million euros in 2011 versus 62 million euros in 2010 with a strong increase in the fourth quarter. Excluding the 18 million euros impact of the stopping of depreciation of the UK assets, current operating income stabilized for the year, as higher sales and significant cost cutting measures implemented in all regions helped limit the impact of production costs and delivery costs increases.

North America

Sales

At constant scope and exchange rates, pure aggregates sales and ready-mix concrete sales increased 5% and 3% respectively for the year (10% and 5% for the quarter), with positive market trends and projects works in West Canada and in some regions of the United States. Overall, the market demand remained subdued due to constraints with federal and States funding. Prices were solid for aggregates, and were slightly lower for ready-mix concrete, partly due to adverse product and geographical mix.

At constant scope and exchange rates, Asphalt and paving sales benefited from positive market trends in most of our regions and benefited from price gains.

[4] Before tax

Current Operating Income

In North America, current operating income strongly increased to 122 million euros in 2011 from 96 million euros in 2010, and rose 38% in the fourth quarter. At constant scope and exchange rates, the increase in current operating income was driven by strong cost cutting measures, higher aggregates prices and higher ready-mix volumes that fully compensated for cost inflation, mostly due to higher energy costs.

Emerging Markets

Sales

At constant scope and exchange rates, pure aggregates sales and ready-mix concrete sales in emerging markets increased 21% and 3% like for like, respectively, with similar trends in the fourth quarter.
The strong pure aggregates sales increase was driven by the marked positive trends in Poland all along the year, while South Africa was down 5%. The ready mix concrete sales benefited from higher volumes in Central and Eastern Europe, Brazil and India, while South Africa was mostly stable and Egypt down due to the slowdown of infrastructure projects.

Current Operating Income

Current operating income decreased by 43% to 33 million euros in 2011, as higher volumes and price gains in some countries only partially mitigated strong cost inflation and lower earnings in Middle East and Africa.

Other (including holdings)

Sales

Sales from other operations, mainly comprised of sales from our Gypsum activities in Middle East and Africa, decreased to 82 million euros in 2011 compared to 90 million euros in 2010, mostly due to adverse foreign exchange fluctuations.

Current Operating Income (Loss)

Current operating loss of our other operations, which notably includes central unallocated costs and the results of our Gypsum operations in Middle East and Africa was 26 million euros in 2011 compared to a loss of 53 million euros in 2010. Excluding a one time gain for a pension curtailment of 66 million euros in 2011, a net change in captive insurance results of -20 million euros, and the gain from a change in the pension indexation in the UK in 2010, current operating loss was 72 million euros for 2011 versus 73 million euros in 2010.

Operating income and net income

The table below shows our operating income and net income for the years ended December 31, 2011 and 2010:

	2011 (M€)	2010 (M€)	% Variation (%)
Current Operating Income	**2,179**	**2,393**	**-9%**
Gains on disposals, net	45	45	-
Other operating income (expenses)	(541)	(304)	78%
Operating Income	**1,683**	**2,134**	**-21%**
Finance (costs) income	(999)	(712)	-40%
Of which *Finance costs*	(1,142)	(1,055)	-8%
Finance income	143	343	-58%
Income from associates	(8)	(23)	65%
Income before Income Tax	**676**	**1,399**	**-52%**
Income tax	(432)	(305)	-42%
Net Income from continuing operations	**244**	**1,094**	**-78%**
Net income from discontinued operations	492	20	nm
Net income	**736**	**1,114**	**-34%**
out of which part attributable to:			
- Owners of the parent of the Group	**593**	**827**	**-28%**
- Non-controlling interests	143	287	-50%

Gains on disposals, net, were 45 million euros in 2011, stable versus 2010, and mainly include the gain of the divestment of our operations in the South East of the United States and our A&C business in Portugal.

Other operating expenses primarily reflect the impact of impairments, restructuring, and legal actions. They were 541 million euros in 2011 versus 304 million euros in 2010. This is mainly comprised of an impairment of goodwill in Greece and United Arab Emirates for a total of 285 million euros, given the strained economic environment in those two countries, accelerated depreciation of some assets in Western Europe, restructuring costs for 61 million euros in various locations, and costs of on-going disposals. In 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, and restructuring costs primarily in Western Europe.

Operating income decreased by 21% to 1,683 million euros, from 2,134 million euros in 2010.

Finance costs, comprised of financial expenses on net debt, foreign exchange results and other financial income and expenses, were 999 million euros versus 712 million euros in 2010.

The financial expenses on net debt increased 10% from 766 million euros to 841 million euros, reflecting the higher average cost of debt. The decisions of Standard & Poor's and Moody's to downgrade our credit rating on March 17th, 2011 and August 8th, 2011 respectively, triggered step-up clauses on certain of our bonds, increasing the rate of interest to be paid. The impact of the application of these step-up clauses was 21 million euros of additional financial costs for 2011, and will be

65 million euros in 2012. The average interest rate on our gross debt was 5.7% in 2011, as compared to 5.3% in 2010.

Foreign exchange resulted in a loss of 79 million euros in 2011 compared with a loss of 24 million euros in 2010, mostly relating to loans and debts denominated in currencies for which no hedging market is available.

Other finance income and expenses included the gain of the disposal of Cimpor shares for 161 million euros in 2010. Excluding this one-off item, other financial costs slightly decreased from 83 million euros to 79 million euros, and mainly comprise bank commissions and the amortization of debt issuance costs.

The contribution from our associates represented in 2011 a net loss of 8 million euros, versus a loss of 23 million euros in 2010.

Income tax increased to 432 million euros in 2011 from 305 million euros in 2010. The effective tax rate for 2011 increased to 63% from 21% in 2010, mostly reflecting the non-deductibility of impairments of goodwill, the one-off impact on the Egyptian deferred tax position to reflect the newly applicable tax rate and some other one-off elements such as the impact of the divestment of our South East US assets, while 2010 benefited from the non taxable gain on the disposal of Cimpor shares.

Net income from continuing operations was 244 million euros versus 1,094 million euros in 2010, mostly due to a significant impact from impairments in 2011, a lower current operating income, higher net financial expenses, some one-time negative effects on income tax and a difficult comparison basis due to a one time gain of 161 million euros relating to the sale of the investment in Cimpor in 2010.

Net income from discontinued operations increased to 492 million euros from 20 million euros, with a net non-recurring gain of 466 million euros, mostly due the gain of the divestments of our Gypsum operations in Europe, Latin America, Asia and Australia.

Net income Group Share[5] decreased 28% to 593 million euros in 2011 from 827 million euros in 2010.

2011 and 2010 were impacted by significant one-off items. In 2011, they included a net non-recurring gain of 466 million euros on discontinued operations, and impairments on goodwill for 285 million euros whereas in 2010, they comprised the gain on the disposal of Cimpor shares for 161 million euros.

Non controlling interests were 143 million euros in 2011, halved versus 2010, under the combined effect of lower volumes, notably in Egypt and Jordan, and the one-off impact of the increase in the Egyptian tax rate, with a reevaluation of the opening deferred tax position.

Basic earnings per share decreased 28% for 2011 to 2.07 euros, compared to 2.89 euros in 2010, reflecting the decrease in net income - attributable to the owners of the parent company, while the average number of shares was relatively stable at 286.5 million versus 286.1 million in 2010.

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

Cash flow statement

Net cash provided by continuing operating activities was 1,597 million euros in 2011, versus 2,098 million euros in 2010.

Excluding the non-recurring payment of the Gypsum competition fine for 0.3 million euros in July 2010, net cash provided by the operations decreased 0.8 billion euros, reflecting the decrease of cash flows from operations and the evolution of the change in working capital.

The decrease of cash flows from operations primarily comes from the decrease in operating earnings and higher income taxes paid, notably in North America and because of the progressive withdrawal of temporary tax holidays in certain emerging countries.

Due to the particularly optimized level of the working capital level at the end of 2010, the working capital was stable versus December 2010 level, while it decreased by 0.4 billion euros between December 2009 and December 2010. In 2011, we pursued our actions to optimize our strict working capital[6] that further decreased 2 days to 31 days when expressed as a number of days sales at the end of December 2011.

Net cash provided by investing activities from continuing operations was 891 million euros in 2011, while in 2010, 1,186 million euros were used by investing activities.

Sustaining capital expenditures were contained at 389 million euros in 2011 compared to 337 million in 2010.

Capital expenditures for the building of new capacity decreased to 665 million euros from 914 million euros in 2010, and reflect mainly major cement projects such as the extension of our capacities in Eastern India, China and Nigeria.

Including the acquisitions of ownership interests with no gain of control[7], acquisitions had a net impact of 145 million euros on our net debt, versus 83 million euros in 2010.

Net of debt disposed of, and including the proceeds of the disposals of ownership interests with no loss of control, the divestment operations performed in 2011 have reduced, net of selling costs, the Group's net financial debt by 2,226 million euros (362 million euros in 2010). In addition to the proceeds of the sale of some minority interests, disposals mainly comprise the proceeds of the sale of our Gypsum operations in Australia, Asia, Europe and Latin America, the proceeds of the divestment of our Cement and A&C South East US assets, the proceeds of the sale of our A&C business in Portugal, the third instalment of the divestment of our Venezuelan operations and the sale of industrial assets. In 2010, 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, the divestment of our A&C operations in Alsace and Switzerland and the sale of several industrial assets and lands.

[6] Strict working capital defined as trade receivables plus inventories less trade payables.
[7] Acquisitions of ownership interests with no gain of control were 49 million euros year-to-date, excluding two third-party puts, already recorded as debt, that were exercised in the period (a 51 million euros third-party put exercised in the first quarter, and a 111 million euros third-party put exercised in the third quarter).

Statement of financial position

Total equity was 18,201 million euros at December 31, 2011, stable versus December 31, 2010.

The total equity was stable, with the positive impact of the net income for the period (0.7 billion euros), the effect of the capital increase granted to employees (0.1 billion euros), the impact of dividends (-0.5 billion euros) and the non cash impact of translating our foreign subsidiaries net assets into euros given the depreciation of some currencies against euro (-0.4 billion euros).

Net debt decreased 14% to 11,974 million euros from 13,993 million euros at the end of December 2010.

This two billion euros debt reduction was achieved through the execution of our divestment program, while net cash provided by operating activities was use to fund dividends and targeted investments.

As of December 31, 2011, the Group had €4 billion in committed credit lines, of which none was drawn, with an average maturity of 2.2 years in addition to €3.2 billion euros cash and equivalents.

Update on our divestments

Over the period, Lafarge has pursued its actions to reduce debt while optimizing its portfolio. In this respect, four significant divestment operations were achieved within the year, representing 1.9 billion euros out of the 2.2 billion euros of net cash proceeds received over the period.

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

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

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

On August 17, 2011, Lafarge agreed with Boral to sell them its stake in their common Asian Gypsum joint-venture LBGA (Lafarge Boral Gypsum Asia) for 429 million euros (representing the enterprise value of Lafarge's 50%-stake in the joint-venture). This agreement was closed and cash received in December 2011.

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

Outlook for 2012

Overall the Group sees cement demand moving higher and estimates market growth of between 1 to 4 percent in 2012 versus 2011. Emerging markets are the main driver of demand growth and Lafarge benefits from its well balanced geographic spread of high quality assets.

We expect higher pricing for the year and that cost inflation will increase at a lower rate than in 2011.

Group announced new organization

On November 21, 2011, the Group has announced a new organization project designed to accelerate the Group's development and profitability.

The product line-based organization will be replaced with a country-based organization. This will include the removal of a layer of management and the reorganization of the Executive Committee.

The project involves three main measures:

- implementing a country-based organization, with country CEOs' responsibilities extended to cover all cement, aggregates and concrete activities, using common support functions;
- the removal of one hierarchical layer, with the aim of cutting out the regional level;
- the resulting transformation of the structure and responsibilities of the Executive Committee, including the creation of a Performance function and an Innovation function.

As part of this project, the Group will implement its new country-based organization in 2012, and announced its proposed reorganization of its Corporate functions on February 2nd, 2012.

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

2. Consolidated financial statements

Consolidated statements of income

	YEARS ENDED DECEMBER 31,	
(million euros, except per share data)	**2011**	**2010***
REVENUE	**15,284**	**14,834**
Cost of sales	(11,627)	(10,920)
Selling and administrative expenses	(1,478)	(1,521)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	**2,179**	**2,393**
Gains on disposals, net	45	45
Other operating income (expenses)	(541)	(304)
OPERATING INCOME	**1,683**	**2,134**
Finance costs	(1,142)	(1,055)
Finance income	143	343
Share of profit of associates	(8)	(23)
INCOME BEFORE INCOME TAX	**676**	**1,399**
Income tax	(432)	(305)
NET INCOME FROM CONTINUING OPERATIONS	**244**	**1,094**
Net income / (loss) from discontinued operations	**492**	**20**
NET INCOME	**736**	**1,114**
Out of which part attributable to:		
Owners of the parent of the Group	**593**	**827**
Non-controlling interests	143	287
EARNINGS PER SHARE *(euros)*		
NET INCOME - ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		
Basic earnings per share	2.07	2.89
Diluted earnings per share	2.06	2.89
FROM CONTINUING OPERATIONS		
Basic earnings per share	0.36	2.83
Diluted earnings per share	0.35	2.83
FROM DISCONTINUED OPERATIONS	-	-
Basic earnings per share	1.71	0.06
Diluted earnings per share	1.71	0.06
BASIC AVERAGE NUMBER OF SHARES OUTSTANDING *(in thousands)*	**286,514**	**286,087**

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

Consolidated statement of comprehensive income

	December 31,	
(million euros)	**2011**	**2010**
NET INCOME	**736**	**1,114**
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains / (losses)	(346)	(64)
Income Tax on items that will not be reclassified to profit or loss	145	9
Total items that will not be reclassified to profit or loss	**(201)**	**(55)**
Items that may be reclassified subsequently to profit or loss		
Available for sale investments	-	(138)
Cash-flow hedge instruments	2	12
Currency translation adjustments	(400)	1,175
Income Tax on items that may be reclassified to profit or loss	2	(4)
Total items that may be reclassified to profit or loss	**(396)**	**1,045**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	**(597)**	**990**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**139**	**2,104**
Out of which part attributable to :		
- Owners of the parent of the Group	(6)	1,712
- Non-controlling interests	145	392

Consolidated statement of financial position

(million euros)	AT DECEMBER 31, 2011	2010
ASSETS		
NON CURRENT ASSETS	**31,172**	**34,752**
Goodwill	12,701	14,327
Intangible assets	652	661
Property, plant and equipment	15,542	17,912
Investments in associates	604	422
Other financial assets	755	863
Derivative instruments	80	78
Deferred income tax	804	489
Other receivables	34	-
CURRENT ASSETS	**9,547**	**7,742**
Inventories	1,531	1,647
Trade receivables	1,765	1,774
Other receivables	824	971
Derivative instruments	61	56
Cash and cash equivalents	3,171	3,294
Assets held for sale	2,195	-
TOTAL ASSETS	**40,719**	**42,494**
EQUITY & LIABILITIES		
Common stock	1,149	1,146
Additional paid-in capital	9,684	9,640
Treasury shares	(17)	(26)
Retained earnings	6,219	5,816
Other reserves	(751)	(555)
Foreign currency translation	(280)	123
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	**16,004**	**16,144**
Non-controlling interests	2,197	2,080
EQUITY	**18,201**	**18,224**
NON CURRENT LIABILITIES	**15,260**	**16,765**
Deferred tax	933	871
Pension & other employee benefits	1,295	1,108
Provisions	637	633
Long-term debt	12,266	14,096
Derivative instruments	46	57
Other payables	83	-
CURRENT LIABILITIES	**7,258**	**7,505**
Pension & other employee benefits	167	139
Provisions	125	146
Trade payables	1,964	1,996
Other payables	1,499	1,642
Current tax payable	165	314
Short term debt and current portion of long-term debt	2,940	3,184
Derivative instruments	34	84
Liabilities associated with assets held for sale	364	-
TOTAL EQUITY AND LIABILITIES	**40,719**	**42,494**

Consolidated statements of cash flows

(million euros)	YEARS ENDED DECEMBER 31, 2011	2010*
NET CASH PROVIDED (USED IN) BY OPERATING ACTIVITIES		
NET INCOME	**736**	**1,114**
NET INCOME FROM DISCONTINUED OPERATIONS	**492**	**20**
NET INCOME FROM CONTINUING OPERATIONS	**244**	**1,094**
Adjustments for income and expenses which are non cash or not related to operating activities, financial expenses or income taxes:		
Depreciation and amortization of assets	1,038	1,093
Impairment losses	388	154
Income from associates	8	23
(Gains) on disposals, net	(45)	(45)
Finance costs (income)	999	712
Income taxes	432	305
Others, net (including dividends received from equity affiliates)	(59)	(305)
Change in operating working capital items, excluding financial expenses and income taxes (see analysis below)	20	361
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS BEFORE IMPACTS OF FINANCIAL EXPENSES AND INCOME TAXES	**3,025**	**3,392**
Cash payments for financial expenses	(944)	(911)
Cash payments for income tax	(484)	(383)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS	**1,597**	**2,098**
NET OPERATING CASH GENERATED BY DISCONTINUED OPERATIONS	**22**	**74**
NET CASH GENERATED BY OPERATING ACTIVITIES	**1,619**	**2,172**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(1,071)	(1,272)
Investment in subsidiaries and joint ventures [1]	(47)	(27)
Investment in associates	(4)	(3)
Investment in available for sale investments	(3)	(19)
Disposals [2]	2,084	208
Net decrease in long-term receivables	(68)	(73)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	**891**	**(1,186)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS	**(48)**	**(58)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**843**	**(1,244)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Capital increase (decrease) - owners of the parent company	18	26
Capital increase (decrease) - non controlling interests	-	15
Acquisitions of ownership interests with no gain of control	(211)	-
Disposals of ownership interests with no loss in control	87	139
Dividends paid	(288)	(575)
Dividends paid by subsidiaries to non controlling interests	(199)	(273)
Proceeds from issuance of long-term debt	622	2,224
Repayment of long-term debt	(2,442)	(1,174)
Increase (decrease) in short-term debt	(42)	(323)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	**(2,455)**	**59**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS	**(74)**	**(21)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(2,529)**	**38**

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

	YEARS ENDED DECEMBER 31,	
(million euros)	**2011**	**2010***
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**33**	**971**
Increase (decrease) in cash and cash equivalents from discontinued operations	(100)	(5)
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts	(56)	108
Cash and cash equivalents at beginning of year/period	3,294	2,220
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**(123)**	**3,294**
(1) Net of cash and cash equivalents of companies acquired	*3*	*35*
(2) Net of cash and cash equivalents of companies disposed of	*117*	*23*
ANALYSIS OF CHANGES IN OPERATING WORKING CAPITAL ITEMS	***20***	***361***
(Increase)/decrease in inventories	*(89)*	*109*
(Increase)/decrease in trade receivables	*(193)*	*71*
(Increase)/decrease in other receivables – excluding financial and income taxes receivables	*(33)*	*31*
Increase/(decrease) in trade payables	*302*	*167*
Increase/(decrease) in other payables – excluding financial and income taxes payables	*33*	*(17)*

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

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 the owners of the parent company	Non controlling interests	Equity
	(number of shares)										(million euros)
BALANCE AT JANUARY 1ST, 2010	**286,453,316**	**380,148**	**1,146**	**9,620**	**(27)**	**5,555**	**(370)**	**(947)**	**14,977**	**1,823**	**16,800**
Net income	-	-	-	-	-	827	-	-	**827**	287	**1,114**
Other comprehensive income, net of income tax	-	-	-	-	-	-	(185)	1,070	**885**	105	**990**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**-**	**-**	**-**	**827**	**(185)**	**1,070**	**1,712**	**392**	**2,104**
Dividends paid	-	-	-	-	-	(575)	-	-	**(575)**	(277)	**(852)**
Issuance of common stock	*463*	-	-	-	-	-	-	-	**-**	15	**15**
Share based payments	-	-	-	20	-	-	-	-	**20**	-	**20**
Treasury shares	-	*(16,590)*	-	-	1	(8)	-	-	**(7)**	-	**(7)**
Changes in ownership with no gain / loss of control	-	-	-	-	-	17	-	-	**17**	118	**135**
Other movements - Non-controlling interests	-	-	-	-	-	-	-	-	**-**	9	**9**
BALANCE AT DECEMBER 31, 2010	**286,453,779**	**363,558**	**1,146**	**9,640**	**(26)**	**5,816**	**(555)**	**123**	**16,144**	**2,080**	**18,224**

	Outstanding shares	Of which Treasury shares	Common stock	Additional paid-in capital	Treasury shares	Retained earnings	Other reserves	Foreign currency translation	Equity attributable to the owners of the parent company	Non controlling interests	Equity
	(number of shares)										*(million euros)*
BALANCE AT JANUARY 1ST, 2011	**286,453,779**	**363,558**	**1,146**	**9,640**	**(26)**	**5,816**	**(555)**	**123**	**16,144**	**2,080**	**18,224**
Net income	-	-	-	-	-	593	-	-	**593**	143	**736**
Other comprehensive income, net of income tax	-	-	-	-	-	-	(196)	(403)	**(599)**	2	**(597)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**-**	**-**	**-**	**593**	**(196)**	**(403)**	**(6)**	**145**	**139**
Dividends paid	-	-	-	-	-	(288)	-	-	**(288)**	(199)	**(487)**
Issuance of common stock	*793,739*	-	3	24	-	-	-	-	**27**	26	**53**
Share based payments	-	-	-	20	-	-	-	-	**20**	-	**20**
Treasury shares	-	*(130,110)*	-	-	9	(9)	-	-	**-**	-	**-**
Changes in ownership with no gain / loss of control	-	-	-	-	-	109	-	-	**109**	145	**254**
Other movements – Non-controlling interests	-	-	-	-	-	(2)	-	-	**(2)**	-	**(2)**
BALANCE AT DECEMBER 31, 2011	**287,247,518**	**233,448**	**1,149**	**9,684**	**(17)**	**6,219**	**(751)**	**(280)**	**16,004**	**2,197**	**18,201**