



# Financial Report

For the nine month period  
ended September 30, 2012

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The Board of Directors of Lafarge, chaired by Bruno Lafont, met on November 8, 2012 to approve the accounts for the period ended September 30, 2012. Further to their limited review of the interim condensed consolidated financial statements of Lafarge, the auditors have established a report which is included in the Nine Month 2012 Financial Report.

This nine Month management report should be read in conjunction with the interim condensed consolidated financial statements and the company's Registration Document for the fiscal year 2011 filed with the Autorité des Marchés Financiers on April 10, 2012 under number D.12-0315. Lafarge operates in a constantly evolving environment, which exposes the Group to risk factors and uncertainties in addition to the risk factors related to its operations. A detailed description of these risk factors and uncertainties is included in chapter 2 "Risk factors" of the company's Registration Document. The materialization of these risks could have a material adverse effect on our operations, our financial condition, our results, our prospects or our share price, particularly during the remaining three months of the fiscal year. There may be other risks that have not yet been identified or whose occurrence is not considered likely to have such a material adverse effect as of the date hereof.

Hereinafter, and in our other shareholder and investor communications, "current operating income" (COI) 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.

The Group has implemented its new organization, with the change to a country-based organization, and has consequently adapted its external reporting. Operational results are now primarily analyzed on a country basis versus previously by product line, and the results are presented by region.

Since July 2011, the Group is committed in a disposal project of the main part of the Gypsum Division and disposed of its Gypsum operations in Western Europe, Central and Eastern Europe, Latin America and Asia in the second half of 2011. In accordance with IFRS, until the activities are effectively divested, the contribution of the Gypsum discontinued activities to the Group's consolidated statements of income and statements of cash flows is presented on specific lines for all the periods presented. In the Group's consolidated statement of financial position, Gypsum discontinued assets and liabilities are shown on separate lines for 2012 data and December 2011, with no restatement for prior periods.



## 1.1 Consolidated key figures

Variations like for like are variations at constant scope and exchange rates.

### Volumes

	9 Months		Variation	Variation like for like	3 <sup>rd</sup> Quarter		Variation	Variation like for like
	2012	2011			2012	2011		
Cement (MT)	106.3	108.8	-2%	-1%	36.6	38.2	-4%	-3%
Pure Aggregates (MT)	141.2	143.6	-2%	-2%	57.0	57.5	-1%	-
Ready-Mix concrete (Mm3)	24.0	25.5	-6%	-1%	8.3	8.7	-5%	-

### Sales

	9 Months		Variation	Variation like for like	3 <sup>rd</sup> Quarter		Variation	Variation like for like
	2012	2011			2012	2011		
<b>By geographical zone</b>								
North America	2,551	2,308	11%	11%	1,156	1,072	8%	6%
Western Europe	2,433	2,664	-9%	-10%	809	864	-6%	-9%
Central & Eastern Europe	989	997	-1%	-2%	428	436	-2%	-5%
Middle East and Africa	3,266	3,057	7%	3%	1,070	1,020	5%	-1%
Latin America	729	673	8%	11%	255	239	7%	11%
Asia	2,039	1,772	15%	11%	675	580	16%	11%
<b>By business line</b>								
Cement	7,899	7,486	6%	3%	2,772	2,664	4%	-
Aggregates & Concrete	4,040	3,921	3%	3%	1,597	1,525	5%	3%
Holding and others	68	64			24	22		
<b>TOTAL</b>	<b>12,007</b>	<b>11,471</b>	<b>5%</b>	<b>3%</b>	<b>4,393</b>	<b>4,211</b>	<b>4%</b>	<b>1%</b>

### EBITDA

	9 Months		Variation	Variation like for like	3 <sup>rd</sup> Quarter		Variation	Variation like for like
	2012	2011			2012	2011		
<b>By geographical zone</b>								
North America	383	291	32%	21%	264	233	13%	7%
Western Europe <sup>(1)</sup>	438	522	-16%	-19%	159	177	-10%	-13%
Central & Eastern Europe <sup>(1)</sup>	214	273	-22%	-20%	128	155	-17%	-19%
Middle East and Africa	942	865	9%	6%	299	293	2%	-3%
Latin America	211	180	17%	18%	82	65	26%	29%
Asia	406	288	41%	34%	139	83	67%	56%
<b>By business line</b>								
Cement	2,223	2,081	7%	5%	865	808	7%	3%
Aggregates & Concrete	330	335	-1%	-8%	200	191	5%	-
Holding and others	41	3			6	7		
<b>TOTAL <sup>(1)</sup></b>	<b>2,594</b>	<b>2,419</b>	<b>7%</b>	<b>4%</b>	<b>1,071</b>	<b>1,006</b>	<b>6%</b>	<b>2%</b>

(1) Impacted by lower sales of carbon credits:

Western Europe:

65 million euros and 33 million euros lower proceeds for 9M and Q3, respectively

Central and Eastern Europe:

23 million euros and 4 million euros lower proceeds for 9M and Q3, respectively

Cement and Total Group:

88 million euros and 37 million euros lower proceeds for 9M and Q3, respectively

## Other key figures

	9 Months		Variation	3 <sup>rd</sup> Quarter		Variation
	2012	2011	%	2012	2011	%
Current Operating Income	1,837	1,641	12%	815	750	9%
<b>Net income – Group share <sup>(1)</sup></b>	<b>332</b>	<b>596</b>	<b>-44%</b>	<b>319</b>	<b>336</b>	<b>-5%</b>
Earnings per share (in euros) <sup>(2)</sup>	1.16	2.08	-44%	1.11	1.17	-5%
Free Cash Flow <sup>(3)</sup>	211	507	-58%	523	640	-18%
Net Debt	12,202	14,262	-14%			

(1) Net income attributable to the owners of the parent of the Group

(2) Based on an average number of shares outstanding of 287.1 million and 286.3 million year-to-date 2012 and 2011, respectively, and 287.1 million and 286.8 million for the third quarter 2012 and 2011, respectively

(3) Defined as the net cash generated or used in continuing operating activities less sustaining capital expenditures

## 1.2. Review of operations and financial results

All data regarding sales, sales volume, EBITDA and COI include the proportional contributions of our proportionately consolidated subsidiaries.

When we analyze our volumes and sales trends per country, and unless specified, we comment the domestic volumes and sales both originating and completed within the relevant geographic market, and thus exclude export sales and volumes.

### Group highlights for the first nine months of 2012

- Sales increased for the quarter and year-to-date, driven by successful price actions across all product lines to respond to cost inflation and by growth in many emerging markets.
- EBITDA and current operating income rose substantially for both periods presented despite a slowdown in Europe. Operations outside of Europe generated three-quarters of the Group's EBITDA and rose 16% in the quarter and 20% year-to-date.
- EBITDA margins improved 50 basis points in both periods presented to 24.4% for the quarter and 21.6% year-to-date, up 130 basis points year-to-date and 140 in the quarter when excluding carbon credit sales.
- The Group achieved 290 million euros of cost savings through end of September, 120 million euros in the third quarter, and is on track to reach at least 400 million euros for the full year.
- Net income Group share declined due to restructuring charges, an impairment recorded in second quarter 2012, and a higher base comparison due to a one-off gain in the third quarter 2011. Excluding these items, net income Group share improved 14% year-to-date.
- Net debt declined 2.1 billion euros from September 30, 2011 and 350 million euros in the quarter. Close to 500 million euros of divestments have been secured to date<sup>1</sup>, and the Group remains committed to securing 1 billion euros of divestments before year-end.

<sup>1</sup> Of which €117million have been received in cash at the end of September, with remaining proceeds being expected before year-end.

## **Overview of operations: Sales, EBITDA and Current Operating Income**

The trend of higher sales and operating results observed in the first half of the year continued in the third quarter, driven by a combination of higher prices and cost savings.

Cement sales volumes, at 106.3 million tons (36.6 million tons in the third quarter), decreased 4% in the quarter and 2% year-to-date, reflecting the construction slowdown in Europe, unfavorable third quarter weather conditions in the central United States and divestments. Aggregates sales volumes declined by 1% in the quarter and 2% year-to-date, reflecting lower construction activity in Western and Eastern Europe. Concrete volumes declined by 5% in the quarter and 6% year-to-date due to the sale of US readymix assets last year. On a like-for-like basis, readymix concrete sales volumes were stable in the quarter and slightly down year-to-date.

Consolidated sales, at 4,393 million euros for the quarter and 12,007 million euros year-to-date, moved higher, up 4% in the quarter and up 5% year-to-date, supported by successful price actions to respond to cost inflation across all of our product lines, higher cement volumes in Latin America and Asia, and favorable foreign exchange.

Net changes in the scope of consolidation had a negative impact on our sales of 1.3% (-1.7% in the third quarter), reflecting the effect of the divestment of our southeast US assets and of A&C Portugal activities, partially offset by several targeted operations achieved in the aggregates and concrete business lines optimizing our asset portfolio. Currency impacts were favorable (3.1% for the first nine months of 2012, and 5.0% in the third quarter 2012), mainly due to the appreciation against the euro of the US and the Canadian dollar, the British pound, the Chinese renminbi, the Malaysian ringgit, the Philippine peso and the Egyptian pound, partially offset by the effect of the depreciation of the Indian rupee, the South African rand, the Brazilian real and the Polish zloty.

EBITDA improved 6% for the quarter and 7% year-to-date, and at constant scope and exchange rates, grew 2% for the quarter and 4% year-to-date. EBITDA increases in Asia, Latin America, and North America supported this growth. Declines occurred in Western and Central & Eastern Europe, reflecting 88 million euros of lower proceeds from the sale of carbon credits year-to-date compared to last year, and a challenging economic environment. Overall, cost reduction actions contributed 290 million euros to the year-to-date results, with efforts put on all levers. Selling and administrative expenses as a percentage of the total Group revenue were 8.9% for the first nine months of 2012, down 100bps versus last year.

Current operating income increased 7% in the first nine months and 4% in the quarter, at constant scope and exchange rates and when restating the impact of the stopping of depreciation of the UK assets as of March 1<sup>st</sup>, 2011 due to their scheduled contribution to the joint-venture with Tarmac UK (10 million euros less depreciation, see note 3 to the interim condensed consolidated financial statements).

## Review of operations by region

### North America

	9 Months		Variation	Variation		3 <sup>rd</sup> Quarter		Variation	Variation
	2012	2011		like for like		2012	2011		like for like
Volumes									
Cement (MT)	9.8	10.2	-4%	7%	4.1	4.5	-10%	-2%	
Pure Aggregates (MT)	72.5	70.8	2%	5%	31.9	32.2	-1%	4%	
RMX-Concrete (Mm3)	4.8	5.4	-11%	9%	1.9	2.2	-13%	2%	
Sales (million euros)	<b>2,551</b>	<b>2,308</b>	<b>11%</b>	<b>11%</b>	<b>1,156</b>	<b>1,072</b>	<b>8%</b>	<b>6%</b>	
EBITDA (million euros)	<b>383</b>	<b>291</b>	<b>32%</b>	<b>21%</b>	<b>264</b>	<b>233</b>	<b>13%</b>	<b>7%</b>	
EBITDA Margin	15.0%	12.6%			22.8%	21.7%			
COI (million euros)	235	109	116%	59%	215	172	25%	14%	

After a strong first half year, sales increased at a slower pace across all our activities on a like for like basis in the third quarter.

- **In the United States**, cement prices moved higher and compensated for slightly lower sales volumes across all activities, impacted by a more difficult base comparison, sluggish civil construction, and adverse weather.
- **In Canada**, all three product lines showed volume growth, helped by several major projects in West Canada.

Sales were up 11% in the third quarter and 8% year-to-date. The effect of the divestment of our Southeast US assets in October 2011 reduced sales by 9 percentage points year-to-date, but was offset by the appreciation of the Canadian dollar and the US dollar against the euro. At constant scope and exchange rates, sales were up 6% in the third quarter and 11% year-to-date, reflecting higher volumes and improvement in cement prices in the United States.

EBITDA was up 31 million euros for the third quarter (up 92 million euros year-to-date), driven by higher sales and strong cost-cutting measures.

**Western Europe**

	9 Months		Variation	Variation		3 <sup>rd</sup> Quarter		Variation	Variation
	2012	2011		like for like		2012	2011		like for like
Volumes									
Cement (MT)	12.5	14.2	-11%	-11%	4.2	4.9	-12%	-12%	
Pure Aggregates (MT)	38.7	45.5	-15%	-14%	12.8	14.5	-12%	-12%	
RMX-Concrete (Mm3)	7.5	9.0	-17%	-14%	2.5	2.6	-9%	-9%	
Sales (million euros)	<b>2,433</b>	<b>2,664</b>	<b>-9%</b>	<b>-10%</b>	<b>809</b>	<b>864</b>	<b>-6%</b>	<b>-9%</b>	
EBITDA <sup>(1)</sup> (million euros)	<b>438</b>	<b>522</b>	<b>-16%</b>	<b>-19%</b>	<b>159</b>	<b>177</b>	<b>-10%</b>	<b>-13%</b>	
EBITDA Margin <sup>(1)</sup>	18.0%	19.6%			19.7%	20.5%			
COI (million euros) <sup>(1)</sup>	296	364	-19%	-25%	110	129	-15%	-18%	

(1) Impacted by the effect of the lower carbon credit proceeds in 2012 versus 2011: 65 million euros and 33 million euros for 9M and Q3, respectively

Western Europe building activity declined in the first nine months of 2012 versus last year, impacted by a challenging economic environment and a difficult base comparison due to particularly favorable weather conditions in the first quarter 2011.

As a result, sales were down 6% in the quarter and 9% year-to-date. Sales volumes at constant scope experienced decreases across all business lines, while prices were stable overall.

- **In France**, lower construction activity was also impacted by adverse weather resulting in lower volumes for all three product lines. Year-to-date, our cement, pure aggregates and ready-mix concrete domestic sales volumes were down 6%, 10% and 5%, respectively.
- **In the United Kingdom**, after a relatively stable first quarter, cement domestic sales volumes decreased due to wet weather and slower construction activity, resulting in a drop in sales volumes by 9% year-to-date. Our pure aggregates and ready-mix concrete sales volumes were down 12% and 15% year-to-date, respectively, reflecting the completion of road projects, notably the A46 and M25 projects.
- **In Spain and Greece**, our cement domestic sales volumes decreased 28% and 38% year-to-date, respectively, under a challenging economic environment, with relatively similar trends across the three quarters.

Net changes in the scope of consolidation had a negligible negative impact on sales, corresponding to the effect of the divestment of our A&C activities in Portugal, while the appreciation of the British pound against the euro was slightly positive by 1 percentage point on the first nine months (+3 percentage point for the quarter). At constant scope and exchange rates, sales were down 9% in the third quarter, and 10% year-to-date.

Strong cost-cutting measures and lower cost inflation helped mitigate the impact of lower volumes and lower carbon credit proceeds. The sales of carbon credits were 56 million euros year-to-date versus 121 million euros in the first nine months of 2011 (11 million euros versus 44 million euros in the third quarter 2011). Excluding carbon credit sales, EBITDA grew 6% like for like in the third quarter, despite declines in volumes, reflecting the impact of our cost-saving actions.

## Central and Eastern Europe

	9 Months		Variation	Variation	3 <sup>rd</sup> Quarter		Variation	Variation
	2012	2011		like for like	2012	2011		like for like
Volumes								
Cement (MT)	10.4	10.9	-5%	-7%	4.5	4.7	-6%	-8%
Pure Aggregates (MT)	16.6	14.9	11%	-2%	7.5	6.6	14%	2%
RMX-Concrete (Mm3)	1.2	1.2	-3%	7%	0.5	0.4	16%	9%
Sales (million euros)	<b>989</b>	<b>997</b>	<b>-1%</b>	<b>-2%</b>	<b>428</b>	<b>436</b>	<b>-2%</b>	<b>-5%</b>
EBITDA <sup>(1)</sup> (million euros)	<b>214</b>	<b>273</b>	<b>-22%</b>	<b>-20%</b>	<b>128</b>	<b>155</b>	<b>-17%</b>	<b>-19%</b>
EBITDA Margin <sup>(1)</sup>	21.6%	27.4%			29.9%	35.6%		
COI (million euros) <sup>(1)</sup>	153	219	-30%	-26%	106	136	-22%	-22%

(1) Impacted by the effect of the lower carbon credit proceeds in 2012 versus 2011: 23 million euros and 4 million euros for 9M and Q3, respectively

In Central and Eastern Europe, sales were down 5% like for like in the third quarter and 2% year-to-date, impacted by a market correction in Poland, while most other countries positively contributed.

Year-to-date, scope effects were positive (+3 percentage points on sales), as the Group strengthened its positions within this region last year through various operations, including the successful start-up of clinker production at our new cement plant in Hungary, and the strengthening of our aggregates activities in Russia. Foreign exchange had a negative impact on sales of 2 percentage points, due to the depreciation of most currencies of the region against the euro.

At constant scope and exchange rates, sales were down 5% in the third quarter and 2% year-to-date, helped by positive pricing but with sales volumes down for cement and aggregates. Contrasted trends were experienced within the region:

- **In Poland**, building activity slowed down, reflecting the completion of construction projects in advance of the European Cup games in June and lower EU funding. Cement domestic sales volumes were down 19% in the third quarter and year-to-date, after the strong increase of 24% recorded over the first nine months last year. Our pure aggregates sales volumes were also down, with some destocking effect at our customers' premises and a high comparison base last year.
- **In Russia**, market trends were positive, but cement volumes were impacted from the second quarter by production limitations at one of our plants close to Moscow.
- **Romania** experienced positive volumes trends across all activities both for the third quarter and year-to-date.

Like for like EBITDA decreased in both periods, with energy cost inflation, lower volumes and lower carbon credit proceeds offsetting cost-savings actions. The sales of carbon credit were 13 million euros versus 36 million euros in the first nine months of 2011 (12 million euros versus 16 million euros in the third quarter 2011).



## Middle East and Africa

	9 Months		Variation	Variation	3 <sup>rd</sup> Quarter		Variation	Variation
	2012	2011		like for like	2012	2011		like for like
Volumes								
Cement (MT)	34.2	35.8	-4%	-2% <sup>(1)</sup>	10.8	11.4	-6%	-4% <sup>(1)</sup>
Pure Aggregates (MT)	6.6	6.7	-3%	-4%	2.2	2.3	-5%	-6%
RMX-Concrete (Mm3)	5.2	4.4	19%	10%	1.7	1.6	7%	7%
Sales (million euros)	<b>3,266</b>	<b>3,057</b>	<b>7%</b>	<b>3%</b>	<b>1,070</b>	<b>1,020</b>	<b>5%</b>	<b>-1%</b>
EBITDA (million euros)	<b>942</b>	<b>865</b>	<b>9%</b>	<b>6%</b>	<b>299</b>	<b>293</b>	<b>2%</b>	<b>-3%</b>
EBITDA Margin	28.8%	28.3%			27.9%	28.7%		
COI (million euros)	695	635	9%	6%	215	216	-	-5%

(1) domestic only

Market trends remained strong overall, particularly in Sub-Saharan Africa, supported by increasing demand for housing and infrastructures.

Overall, sales grew 5% in the third quarter and 7% year-to-date. Year-to-date, scope effects were positive, mostly reflecting our developing operations in Iraq, while the impact of foreign currency fluctuations also benefited sales (+3% on sales).

At constant scope and exchange rates, sales were down 1% in the quarter and up 3% year-to-date, with overall positive pricing in response to inflation and contrasted volume trends within the region.

- **In Algeria**, domestic cement sales were up 15% in the third quarter (9% year-to-date), with strong market trends.
- **Egypt** total sales improved quarter on quarter, with domestic cement sales up 3% in the third quarter helped by positive pricing and with developing ready mix concrete activities.
- **In Iraq**, domestic sales are supported by strong needs for housing, and we have strengthened our presence with the Kerbala plant located in the South together with the development of our ready-mix activities. Cement domestic sales volumes were up 8% year-to-date, with average prices below the first nine months 2011 levels.
- **In Kenya**, our cement domestic sales increased a strong 16% year-to-date, bolstered by a strong market.
- **Morocco** construction trends reversed in the third quarter after a strong 2011 year and first part of 2012, driving domestic cement sales volumes down both in the quarter and year-to-date.
- **In Nigeria**, the ramp-up of our 2.2 MT new line started in the third quarter 2011 allowed us to further capture market growth, which, combined with higher average selling prices, drove a 44% increase in our cement domestic sales in the first nine months of 2012.
- **In South Africa**, all three product lines showed volume growth and price gains on the first nine months of 2012.
- **Syria** third quarter cement sales volumes were strongly impacted by the current situation.

At constant scope and exchange rates, EBITDA decreased 3% in the quarter but rose 6% year-to-date, driven by higher sales and cost reduction. In the third quarter, cost-savings initiatives and positive pricing mostly offset strong cost inflation and lower volumes.

**Latin America**

	9 Months		Variation	Variation		3 <sup>rd</sup> Quarter		Variation	Variation
	2012	2011		like for like		2012	2011		like for like
Volumes									
Cement (MT)	6.9	6.5	5%	5%	2.4	2.3	5%	5%	
Pure Aggregates (MT)	2.1	1.8	20%	20%	0.8	0.7	16%	16%	
RMX-Concrete (Mm3)	0.8	0.6	25%	25%	0.3	0.3	18%	18%	
Sales (million euros)	<b>729</b>	<b>673</b>	<b>8%</b>	<b>11%</b>	<b>255</b>	<b>239</b>	<b>7%</b>	<b>11%</b>	
EBITDA (million euros)	<b>211</b>	<b>180</b>	<b>17%</b>	<b>18%</b>	<b>82</b>	<b>65</b>	<b>26%</b>	<b>29%</b>	
EBITDA Margin	28.9%	26.7%			32.2%	27.2%			
COI (million euros)	180	148	22%	22%	72	54	33%	34%	

The construction markets remained strong within the region, and as a result, sales increased 11% both in the third quarter and year-to-date at constant scope and exchange rates. Foreign exchange fluctuations negatively impacted the sales by 3 percentage points.

- **In Brazil**, construction market remained strong. Our cement sales were up 12% in the third quarter and 11% year-to-date, with prices well oriented in response to cost increases, while our aggregates and concrete activities benefited from various infrastructure projects in the region of Rio.
- **Honduras** also experienced positive cement sales growth, up 10% year-to date.
- **In Ecuador**, domestic cement sales rose 5% year-to-date driven by higher pricing, while an incident at the quarry temporarily limited the production levels in the third quarter.

At constant scope and exchange rates, EBITDA experienced a strong 29% increase in the quarter (18% year-to-date), supported by higher sales, and lower cost inflation coupled with cost-saving actions.

**Asia**

	9 Months		Variation	Variation		3 <sup>rd</sup> Quarter		Variation	Variation
	2012	2011		like for like		2012	2011		like for like
Volumes									
Cement (MT)	32.5	31.2	4%	4%	10.6	10.4	3%	3%	
Pure Aggregates (MT)	4.7	3.9	21%	8%	1.8	1.2	51%	30%	
RMX-Concrete (Mm3)	4.5	4.9	-7%	-3%	1.4	1.6	-10%	-1%	
Sales (million euros)	<b>2,039</b>	<b>1,772</b>	<b>15%</b>	<b>11%</b>	<b>675</b>	<b>580</b>	<b>16%</b>	<b>11%</b>	
EBITDA (million euros)	<b>406</b>	<b>288</b>	<b>41%</b>	<b>34%</b>	<b>139</b>	<b>83</b>	<b>67%</b>	<b>56%</b>	
EBITDA Margin	19.9%	16.3%			20.6%	14.3%			
COI (million euros)	278	166	67%	61%	97	43	126%	112%	

In Asia, market trends were positive in most markets where we operate, and our sales grew 11% like for like both in the third quarter and year-to-date, when restating the positive effect of foreign exchange fluctuations on sales. Scope impact was negligible.

- **In India**, while building activity slowed from the second quarter impacted by heavy rains, cement domestic sales rose 25% year-to-date as price actions were successfully implemented to offset higher logistics costs. Ready-mix sales were slightly up 1%, helped by higher prices.
- **In Malaysia**, the construction market was dynamic, especially for the infrastructure segment, resulting in positive volume trends for all our product lines. Our domestic cement sales were up 15% in the third quarter (+8% year-to-date).
- **In the Philippines**, cement domestic sales grew 11% in the third quarter (+12% year-to-date) with price gains in response to cost increases.
- **In China**, cement sales were impacted by slower construction growth and increased competition. Cement sales volumes were up 5% in the third quarter and 2% year-to-date, while average prices were below last year levels.
- **In Indonesia**, our cement domestic sales rose 14% in the first nine months of 2012, with price gains and higher volumes.
- **In South Korea**, market conditions improved and prices are progressively recovering from low levels, resulting in domestic cement sales being up 22% year-to-date. The production is temporarily hampered after a landslide occurred at a quarry at the end of August.

EBITDA strongly improved both in the quarter and year-to-date with better volumes and higher prices in a context of continuing cost inflation.

## Other income statement items

The table below shows our operating income and net income for the period ended September 30, 2012 and 2011:

	9 Months		Variation
	2012	2011	%
<b>EBITDA</b>	<b>2,594</b>	<b>2,419</b>	<b>7%</b>
Depreciation	(757)	(778)	-3%
<b>Current Operating Income</b>	<b>1,837</b>	<b>1,641</b>	<b>12%</b>
Gains on disposals, net	41	26	58%
Other operating income (expenses)	(428)	(116)	
<b>Operating Income</b>	<b>1,450</b>	<b>1,551</b>	<b>-7%</b>
Net financial (costs) income	(753)	(649)	16%
Of which			
Financial expenses	(872)	(809)	8%
Financial income	119	160	-26%
Share of net income (loss) of associates	11	(10)	
<b>Income before Income Tax</b>	<b>708</b>	<b>892</b>	<b>-21%</b>
Income tax	(234)	(271)	-14%
<b>Net Income from continuing operations</b>	<b>474</b>	<b>621</b>	<b>-24%</b>
Net income from discontinued operations	8	89	
<b>Net income</b>	<b>482</b>	<b>710</b>	<b>-32%</b>
of which part attributable to:			
- Owners of the parent Company	332	596	-44%
- Non-controlling interests	150	114	32%

**Depreciation** was reduced to 757 million euros versus 778 million euros in 2011, under the combined effect of the stopping of the depreciation of our UK assets and the outsourcing of certain quarry mobile equipment to increase operating flexibility and allow focus on our core business activities.

**Gains on disposals, net**, were 41 million euros in the first nine months of 2012 versus 26 million euros in 2011, and mainly comprise the gain on the divestment of most of our minority position in Lafarge Aso Cement in Japan to our partner Aso Corporation.

**Other operating expenses** primarily reflect the impact of impairments, restructuring, and legal actions. They were 428 million euros in the first nine months of 2012 versus 116 million euros in 2011. In 2012, the Group recorded 164 million euros (16 million euros in the third quarter) of restructuring charges as part of executing its cost-cutting program. Additionally, given the sustained downturn in economic conditions in Greece, an impairment of goodwill and other assets were recorded for a total amount of 200 million euros in the second quarter 2012. In 2011, other operating expenses mainly comprised restructuring expenses and accelerated depreciation of some assets in Western Europe.

**Operating income** decreased 7% to 1,450 million euros versus 1,551 million euros in the first nine months of 2011, reflecting the impact of the one-time items described above.

**Net Finance costs**, comprised of financial expenses on net debt, foreign exchange, and other financial income and expenses, were 753 million euros versus 649 million euros in 2011.

The financial expenses on net debt slightly increased to 663 million euros from 623 million euros, the impact of higher interest rates offsetting the effect of a lower average net debt of 1.7 billion euros. The decision 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 average interest rate on our gross debt was 6.2% in the first nine months of 2012, compared to 5.6% in 2011.



Foreign exchange resulted in a loss of 19 million euros in the first nine months of 2012 compared with a gain of 26 million euros in 2011, mostly relating to loans and debts denominated in currencies for which no hedging market is available.

Other financial costs rose from 52 million euros to 71 million euros, and mainly comprise bank commissions and the amortization of debt issuance costs.

**The contribution from our associates** represented a net gain of 11 million euros in the first nine months of 2012, versus a net loss of 10 million euros in the first nine months of 2011, benefiting from improved earnings for Unicem (Nigeria) and with the contribution of the 20% ownership in Etex Dryco (Gypsum operations in Europe and Latin America).

**Income tax** was 234 million euros in the first nine months of 2012 versus 271 million euros in 2011. The effective tax rate was 34%, impacted by a non-deductible impairment charge on goodwill recorded in the second quarter 2012.

**Net income from continuing operations** was 474 million euros in the first nine months of 2012 versus 621 million euros in 2011, under the combined effect of improved current operating income and higher non-recurring charges.

**Net income from discontinued operations** was a gain of 8 million euros year-to-date, reflecting the results of our Gypsum operations in North America, helped by improved housing construction and higher pricing. In the first nine months of 2011, net income from discontinued operations was 89 million euros, and included the results of all our Gypsum operations (except for Middle East and Africa operations) and a non-recurring net gain of 48 million euros.

**Net income Group Share<sup>2</sup>** slightly decreased to 319 million euros from 336 million euros in the third quarter 2011, and declined to 332 million euros year-to-date (versus 596 million euros in 2011), impacted by several non-recurring items. The base comparison for the third quarter was higher due to a 48 million euros non-recurring net gain on Gypsum discontinued operations in 2011. Additionally, year-to-date net income was impacted by a 200 million euros second quarter pre-tax impairment charge on Greek assets and by 164 million euros of pre-tax restructuring charges recorded as part of the Group cost saving initiatives (16 million euros for the third quarter). Excluding these items, net income Group share improved 14% year-to-date, reflecting the improvement of operating results.

**Non controlling interests** were 150 million euros in 2012 compared with 114 million euros in 2011, as 2011 third quarter minorities were negatively impacted by a retroactive effect to reevaluate the opening deferred tax position of Egypt after an increase of the tax rate in this country.

**Basic earnings per share** was 1.16 euro in the first nine months of 2012, compared to 2.08 euros in 2011, reflecting the decrease in net income attributable to the owners of the parent company, while the average number of shares was relatively stable.

## **Cash flow statement**

**Net operating cash generated by continuing operations was €393 million in the first nine months of 2012** (€723 million at the end of September 2011).

Net operating cash provided by continuing operations decreased 0.3 billion euros, primarily reflecting the evolution of the change in working capital. Due to the particularly optimized level of the working capital level at the end of 2011 and the usual impact of seasonality of our sales, the variation of working capital increased in the first nine months by 0.9 billion euros, versus an increase of 0.6 billion euros last year. Additionally, the higher EBITDA generated over the period was offset by the payment of non-recurring restructuring charges in the context of the implementation of our cost-saving program.

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<sup>2</sup> Net income/loss attributable to the owners of the parent company

**Net cash used in investing activities from continuing operations was €340 million** (€601 million in the first nine months of 2011).

Sustaining capital expenditures were contained at 182 million euros (216 million euros in the first nine months of 2011).

Capital expenditures for the building of new capacity were strongly reduced to 305 million euros versus 546 million euros in the first nine months of 2011, as part of our strict capex management.

Including the acquisitions of ownership interests with no gain of control<sup>3</sup>, and the debt acquired, acquisitions were 3 million euros year-to-date, versus 130 million euros in 2011, reduced by 60 million euros proceeds received in the second quarter for a settlement agreement (see note 9 to the financial statements).

Disposals of 117 million euros (364 million euros in the first nine months of 2011) were mainly related to the divestment of most of our minority position in Lafarge Aso Cement in Japan to our partner Aso Corporation, together with the fourth instalment of the divestment of our Venezuelan operations.

## Consolidated statement of financial position

**At September 30, 2012 total equity stood at €18,298 million** (€18,201 million at the end of December 2011) **and net debt at €12,202 million** (€11,974 million at the end of December 2011).

The increase of the total equity by 0.1 billion euros mostly reflects the net income for the period (0.5 billion euros), partly offset by dividends (negative impact of 0.3 billion euros).

Net debt increased 0.2 billion euros, as net cash provided by operating activities and by the divestments as of September 30, 2012 was more than offset by the capital spending (0.5 billion euros) and the dividends paid over the period (0.3 billion euros). On September 26, 2012, Lafarge announced the sale of cement, concrete and aggregates assets in Missouri and Oklahoma to Eagle Materials Inc. for 446 million US dollars. This agreement is expected to close prior to year-end.

The Group also further strengthened its strong liquidity through the issuance of 675 million euros mid-term bonds in July 2012 with no financial covenants and interest rates below 6 percent.

## Outlook

Overall the Group continues to see cement demand moving higher and maintains its estimated market growth of between 1 to 4 percent in 2012 versus 2011. Emerging markets continue to be the main driver of demand 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.

The Group maintains its target of reducing net debt to below €10 billion as soon as possible for 2013. Capital expenditures will be limited initially to €800 million in 2013. Additional divestments beyond the current €1 billion 2012 target may lead to an increase of this expenditures level.

*This document contains forward-looking statements. Such forward-looking statements do not constitute forecasts regarding results or any other performance indicator, but rather trends or targets, as the case may be, including with respect to plans, initiatives, events, products, solutions and services, their development and potential. Although Lafarge believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions as at the time of publishing this document, investors are cautioned that these statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are difficult to predict and generally beyond the control of Lafarge, including but not limited to the risks described in the Lafarge's annual report available on its Internet website ([www.lafarge.com](http://www.lafarge.com)) and uncertainties related to the market conditions and the implementation of our plans. Accordingly, we caution you against relying on forward looking statements. Lafarge does not undertake to provide updates of these forward-looking statements.*

*More comprehensive information about Lafarge may be obtained on its Internet website ([www.lafarge.com](http://www.lafarge.com)), including under "Regulated Information" section.*

*This document does not constitute an offer to sell, or a solicitation of an offer to buy Lafarge shares.*

<sup>3</sup> The acquisitions of ownership interests with no gain of control represented €37m in 9M 2012 and €52m in H1 2011, excluding third-party puts, already recorded as debt, exercised in the period (€51m put exercised in the first quarter 2011, a €111m put exercised in the third quarter 2011 and €28m put exercised in the second quarter 2012).

## 2. Interim condensed consolidated financial statements

### Consolidated statement of income

	9 months		3 <sup>rd</sup> quarter		December 31,
	2012	2011	2012	2011	2011
<i>(million euros, except per share data)</i>					
<b>Revenue</b>	<b>12,007</b>	<b>11,471</b>	<b>4,393</b>	<b>4,211</b>	<b>15,284</b>
Cost of sales	(9,098)	(8,695)	(3,231)	(3,092)	(11,627)
Selling and administrative expenses	(1,072)	(1,135)	(347)	(369)	(1,478)
<b>Operating income before capital gains, impairment, restructuring and other</b>	<b>1,837</b>	<b>1,641</b>	<b>815</b>	<b>750</b>	<b>2,179</b>
Net gains (losses) on disposals	41	26	(3)	1	45
Other operating income (expenses)	(428)	(116)	(45)	(43)	(541)
<b>Operating income</b>	<b>1,450</b>	<b>1,551</b>	<b>767</b>	<b>708</b>	<b>1,683</b>
Financial expenses	(872)	(809)	(281)	(280)	(1,142)
Financial income	119	160	36	34	143
Share of net income (loss) of associates	11	(10)	1	(6)	(8)
<b>Income before income tax</b>	<b>708</b>	<b>892</b>	<b>523</b>	<b>456</b>	<b>676</b>
Income tax	(234)	(271)	(152)	(167)	(432)
<b>Net income from continuing operations</b>	<b>474</b>	<b>621</b>	<b>371</b>	<b>289</b>	<b>244</b>
Net income from discontinued operations	8	89	11	69	492
<b>Net income</b>	<b>482</b>	<b>710</b>	<b>382</b>	<b>358</b>	<b>736</b>
<i>Of which attributable to:</i>					
- Owners of the parent company	332	596	319	336	593
- Non-controlling interests	150	114	63	22	143
<b>Earnings per share (euros)</b>					
<b>Attributable to the owners of the parent company</b>					
Basic earnings per share	1.16	2.08	1.11	1.17	2.07
Diluted earnings per share	1.15	2.08	1.10	1.17	2.06
<b>From continuing operations</b>					
Basic earnings per share	1.13	1.78	1.07	0.93	0.36
Diluted earnings per share	1.12	1.78	1.06	0.93	0.35
<b>Basic average number of shares outstanding (in thousands)</b>	<b>287,073</b>	<b>286,345</b>	<b>287,098</b>	<b>286,766</b>	<b>286,514</b>

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

**Consolidated statement of comprehensive income**

<i>(million euros)</i>	9 months		3 <sup>rd</sup> quarter		December 31,
	2012	2011	2012	2011	2011
<b>Net income</b>	<b>482</b>	<b>710</b>	<b>382</b>	<b>358</b>	<b>736</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Actuarial gains / (losses)	(243)	(330)	(101)	(331)	(345)
Income tax on items that will not be reclassified to profit or loss	66	90	28	96	145
<b>Total items that will not be reclassified to profit or loss</b>	<b>(177)</b>	<b>(240)</b>	<b>(73)</b>	<b>(235)</b>	<b>(200)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Available for sale investments	-	-	-	-	-
Cash-flow hedge instruments	4	(2)	3	(2)	1
Currency translation adjustments	100	(808)	(339)	441	(400)
Income tax on items that may be reclassified to profit or loss	(1)	1	-	1	2
<b>Total items that may be reclassified to profit or loss</b>	<b>103</b>	<b>(809)</b>	<b>(336)</b>	<b>440</b>	<b>(397)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>	<b>(74)</b>	<b>(1,049)</b>	<b>(409)</b>	<b>205</b>	<b>(597)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>408</b>	<b>(339)</b>	<b>(27)</b>	<b>563</b>	<b>139</b>
<i>Of which attributable to :</i>					
- <b>Owners of the parent company</b>	<b>253</b>	<b>(381)</b>	<b>(56)</b>	<b>479</b>	<b>(6)</b>
- <i>Non-controlling interests</i>	155	42	29	84	145

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

**Actuarial gains or losses**

The evolution of the Group's net position on pension obligations resulted in an actuarial loss of 243 million euros in equity during the first nine months 2012 (177 million euros net of tax effect), which essentially arises from the defined benefit pension plans in the United-Kingdom, in the United-States and in Canada. The actuarial losses on these plans result mainly from the decrease of discount rates partly offset by a decrease of inflation rates in the United-Kingdom.

**Currency translation adjustments**

Change in cumulative exchange differences on translating foreign operations from January 1, 2012 to September 30, 2012 (closing rate) comprises +270 million euros due to the appreciation of the Algerian dinar, Canadian dollar, Philippine peso, Polish zloty and British pound compared with the euro currency, partially compensated by -170 million euros mainly due to the depreciation of the Brazilian real and Syrian pound compared to the euro currency.

During the 3<sup>rd</sup> quarter, change in cumulative exchange differences on translating foreign operations is a loss of 339 million euros mainly due to the depreciation of the Egyptian pound and the US dollar compared to the euro currency.



**Consolidated statement of financial position**

(million euros)

	At September 30,		At December 31,
	2012	2011	2011
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>	<b>30,763</b>	<b>31,278</b>	<b>31,172</b>
Goodwill	12,537	13,134	12,701
Intangible assets	629	603	652
Property, plant and equipment	15,354	15,745	15,542
Investments in associates	479	273	604
Other financial assets	697	718	755
Derivative instruments	22	63	80
Deferred tax assets	1,004	696	804
Other receivables	41	46	34
<b>CURRENT ASSETS</b>	<b>10,831</b>	<b>10,208</b>	<b>9,547</b>
Inventories	1,743	1,586	1,531
Trade receivables	2,354	2,229	1,765
Other receivables	828	940	824
Derivative instruments	104	47	61
Cash and cash equivalents	3,422	1,958	3,171
Assets held for sale	2,380	3,448	2,195
<b>TOTAL ASSETS</b>	<b>41,594</b>	<b>41,486</b>	<b>40,719</b>
<b>EQUITY &amp; LIABILITIES</b>			
Common stock	1,149	1,149	1,149
Additional paid-in capital	9,693	9,678	9,684
Treasury shares	(12)	(17)	(17)
Retained earnings	6,445	6,215	6,219
Other reserves	(925)	(796)	(751)
Foreign currency translation	(185)	(613)	(280)
<b>Equity attributable to owners of the parent company</b>	<b>16,165</b>	<b>15,616</b>	<b>16,004</b>
Non-controlling interests	2,133	2,126	2,197
<b>EQUITY</b>	<b>18,298</b>	<b>17,742</b>	<b>18,201</b>
<b>NON CURRENT LIABILITIES</b>	<b>15,633</b>	<b>17,026</b>	<b>15,260</b>
Deferred tax liabilities	956	869	933
Pension & other employee benefits	1,441	1,336	1,295
Provisions	675	591	637
Financial debt	12,474	14,116	12,266
Derivative instruments	12	37	46
Other payables	75	77	83
<b>CURRENT LIABILITIES</b>	<b>7,663</b>	<b>6,718</b>	<b>7,258</b>
Pension & other employee benefits	168	137	167
Provisions	83	71	125
Trade payables	2,001	1,854	1,964
Other payables	1,666	1,576	1,499
Current tax liabilities	133	196	165
Financial debt (including current portion of long-term debt)	3,195	2,096	2,940
Derivative instruments	69	81	34
Liabilities associated with assets held for sale	348	707	364
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>41,594</b>	<b>41,486</b>	<b>40,719</b>

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

**Consolidated statements of cash flows**

<i>(million euros)</i>	9 months		3 <sup>rd</sup> quarter		December 31,
	2012	2011	2012	2011	2011
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Net income	482	710	382	358	736
Net income from discontinued operations	8	89	11	69	492
<b>Net income from continuing operations</b>	<b>474</b>	<b>621</b>	<b>371</b>	<b>289</b>	<b>244</b>
<i>Adjustments for income and expenses which are non cash or not related to operating activities, financial income or expenses or income tax:</i>					
Depreciation and amortization of assets	757	778	256	256	1,038
Impairment losses	183	48	13	23	388
Share of net (income) loss of associates	(11)	10	(1)	6	8
Net (gains) losses on disposals, net	(41)	(26)	3	(1)	(45)
Financial (income) / expenses	753	649	245	246	999
Income tax	234	271	152	167	432
Others, net (including dividends received from equity-accounted investments)	(54)	(4)	(74)	-	(59)
Change in working capital items, excluding financial expenses and income tax (see analysis below)	(930)	(648)	(128)	(21)	20
<b>Net operating cash generated by continuing operations before impacts of financial expenses and income tax</b>	<b>1,365</b>	<b>1,699</b>	<b>837</b>	<b>965</b>	<b>3,025</b>
Cash payments for financial expenses	(610)	(624)	(133)	(136)	(944)
Cash payments for income tax	(362)	(352)	(109)	(95)	(484)
<b>Net operating cash generated by continuing operations</b>	<b>393</b>	<b>723</b>	<b>595</b>	<b>734</b>	<b>1,597</b>
<b>Net operating cash generated by (used in) discontinued activities</b>	<b>6</b>	<b>(6)</b>	<b>12</b>	<b>16</b>	<b>22</b>
<b>Net cash generated by (used in) operating activities</b>	<b>399</b>	<b>717</b>	<b>607</b>	<b>750</b>	<b>1,619</b>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>					
Capital expenditures	(493)	(772)	(180)	(286)	(1,071)
Investment in subsidiaries and joint ventures <sup>(1)</sup>	43	(42)	(5)	(34)	(47)
Investment in associates	(3)	(4)	(1)	1	(4)
Acquisition of available-for-sale financial assets	(1)	(3)	1	(1)	(3)
Disposals <sup>(2)</sup>	87	263	24	157	2,084
(Increase) decrease in long-term receivables	27	(43)	11	(21)	(68)
<b>Net cash provided by (used in) investing activities from continuing operations</b>	<b>(340)</b>	<b>(601)</b>	<b>(150)</b>	<b>(184)</b>	<b>891</b>
<b>Net cash provided by (used in) investing activities from discontinued operations</b>	<b>(2)</b>	<b>(42)</b>	<b>(1)</b>	<b>(21)</b>	<b>(48)</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(342)</b>	<b>(643)</b>	<b>(151)</b>	<b>(205)</b>	<b>843</b>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>					
Capital increase (decrease) - owners of the parent company	9	11	-	7	18
Capital increase (decrease) - non-controlling interests	9	-	-	-	-
Acquisitions of ownership interests with no gain of control	(65)	(214)	(3)	(112)	(211)
Disposal of ownership interests with no loss in control	21	101	21	105	87
Dividends paid	(145)	(288)	(145)	(288)	(288)
Dividends paid by subsidiaries to non-controlling interests	(124)	(183)	(29)	(42)	(199)
Proceeds from issuance of long-term debt	1,012	740	723	585	622
Repayment of long-term debt	(576)	(1,610)	(239)	(643)	(2,442)
Increase (decrease) in short-term debt	60	139	71	(134)	(42)
<b>Net cash provided by (used in) financing activities from continuing operations</b>	<b>201</b>	<b>(1,304)</b>	<b>399</b>	<b>(522)</b>	<b>(2,455)</b>
<b>Net cash provided by (used in) financing activities from discontinued operations</b>	<b>(3)</b>	<b>40</b>	<b>(3)</b>	<b>26</b>	<b>(74)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>198</b>	<b>(1,264)</b>	<b>396</b>	<b>(496)</b>	<b>(2,529)</b>

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

<i>(million euros)</i>	9 months		3 <sup>rd</sup> quarter		December 31,
	2012	2011	2012	2011	2011
<b>Increase / (decrease) in cash and cash equivalents from continuing operations</b>	<b>254</b>	<b>(1,182)</b>	<b>844</b>	<b>28</b>	<b>33</b>
Increase (decrease) in cash and cash equivalents from discontinued operations	1	(8)	8	21	(100)
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts	(3)	(66)	(41)	29	(56)
Cash and cash equivalents at beginning of the year/period	3,171	3,294	2,619	1,960	3,294
Reclassification of cash and cash equivalents as held for sale	(1)	(80)	(8)	(80)	-
<b>Cash and cash equivalents at end of the year/period</b>	<b>3,422</b>	<b>1,958</b>	<b>3,422</b>	<b>1,958</b>	<b>3,171</b>
<sup>(1)</sup> Net of cash and cash equivalents of companies acquired	-	3	-	1	3
<sup>(2)</sup> Net of cash and cash equivalents of companies disposed of	1	8	-	-	117
<b>SUPPLEMENTAL DISCLOSURES</b>					
<b>Analysis of changes in working capital items</b>	<b>(930)</b>	<b>(648)</b>	<b>(128)</b>	<b>(21)</b>	<b>20</b>
(Increase) / decrease in inventories	(209)	(161)	(14)	(18)	(89)
(Increase) / decrease in trade receivables	(707)	(782)	(135)	(77)	(193)
(Increase) / decrease in other receivables – excluding financial and income tax receivables	(64)	(112)	17	(99)	(33)
Increase / (decrease) in trade payables	6	235	(52)	10	302
Increase / (decrease) in other payables – excluding financial and income tax payables	44	172	56	163	33

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

**Consolidated statements of changes in equity**

	Outstanding shares <i>(number of shares)</i>	of which: Treasury shares	Common stock <i>(million euros)</i>	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
<b>Balance at January 1, 2011</b>	<b>286,453,779</b>	<b>363,558</b>	<b>1,146</b>	<b>9,640</b>	<b>(26)</b>	<b>5,816</b>	<b>(555)</b>	<b>123</b>	<b>16,144</b>	<b>2,080</b>	<b>18,224</b>
Net income						596	-	-	596	114	710
Other comprehensive income, net of income tax						-	(241)	(736)	(977)	(72)	(1,049)
<i>Total comprehensive income for the period</i>						596	(241)	(736)	(381)	42	(339)
Dividends						(288)			(288)	(180)	(468)
Issuance of common stock	793,739		3	24					27	25	52
Share based payments				14					14	-	14
Treasury shares		(130,110)			9	(9)			-	-	-
Changes in ownership with no gain/loss of control						108			108	157	265
Other movements						(8)			(8)	2	(6)
<b>Balance at September 30, 2011</b>	<b>287,247,518</b>	<b>233,448</b>	<b>1,149</b>	<b>9,678</b>	<b>(17)</b>	<b>6,215</b>	<b>(796)</b>	<b>(613)</b>	<b>15,616</b>	<b>2,126</b>	<b>17,742</b>
<b>Balance at January 1, 2012</b>	<b>287,247,518</b>	<b>233,448</b>	<b>1,149</b>	<b>9,684</b>	<b>(17)</b>	<b>6,219</b>	<b>(751)</b>	<b>(280)</b>	<b>16,004</b>	<b>2,197</b>	<b>18,201</b>
Net income						332			332	150	482
Other comprehensive income, net of income tax							(174)	95	(79)	5	(74)
<i>Total comprehensive income for the period</i>						332	(174)	95	253	155	408
Dividends						(145)			(145)	(143)	(288)
Issuance of common stock									-	9	9
Issuance of common stock (stock options exercise)	7,984		-	-					-	-	-
Share based payments				9					9	-	9
Treasury shares		(75,530)			5	(5)			-	-	-
Changes in ownership with no gain/loss of control						42			42	(83)	(41)
Other movements						2			2	(2)	-
<b>Balance at September 30, 2012</b>	<b>287,255,502</b>	<b>157,918</b>	<b>1,149</b>	<b>9,693</b>	<b>(12)</b>	<b>6,445</b>	<b>(925)</b>	<b>(185)</b>	<b>16,165</b>	<b>2,133</b>	<b>18,298</b>

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



## ***Notes to the interim condensed consolidated financial statements***

### ***Note 1. Business description***

Lafarge S.A. is a French limited liability company (*société anonyme*) governed by French law. Our commercial name is “Lafarge”. The company was incorporated in 1884 under the name “J et A Pavin de Lafarge”. Currently, our by-laws state that the duration of our company is until December 31, 2066, and may be amended to extend our corporate life. Our registered office is located at 61 rue des Belles Feuilles, 75116 Paris, France. The company is registered under the number “542105572 RCS Paris” with the registrar of the Paris Commercial Court (Tribunal de Commerce de Paris).

The Group has a country-based organization (See Notes 3.1 and 4).

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 the companies included in the scope of consolidation.

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

The Board of Directors approved these interim condensed consolidated financial statements on November 8, 2012.

### ***Note 2. Summary of significant accounting policies***

#### **2.1 – Interim condensed consolidated financial statements**

The Group’s interim condensed consolidated financial statements at September 30, 2012 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 Group’s consolidated financial statement for the year ended December 31, 2011.

The accounting policies retained for the preparation of the Group interim condensed consolidated financial statements are compliant with the International Financial Reporting Standards (“IFRS”) as endorsed by the European Union as of September 30, 2012 and available on [http://ec.europa.eu/internal\\_market/accounting/ias/index\\_fr.htm](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, 2011 and described in the Note 2 of the Group consolidated financial statements of the 2011 Registration Document except for the points presented in paragraph below 2.2 New IFRS standards and interpretations.

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

- Interim period income tax expense results from the estimated annual Group effective income tax rate applied to the pre-tax result (excluding share of net income of associates) of the interim period excluding unusual material items. The income tax charge related to any unusual item of the period is accrued using its specific applicable taxation (i.e. specific taxation for gains on disposals);
- Compensation costs recorded for stock options and employee benefits are included on a prorata basis of the estimated costs for the year. For the countries where the Group’s pension and other post-retirement benefit obligations and related plan assets are the most significant – i.e. the United States of America, Canada and the United Kingdom – actuarial valuations are updated at the end of September and the related amounts of pensions and other employee benefits recognized in the interim statement of financial position are adjusted accordingly. For the other countries, actuarial valuations are performed annually and amounts recognized in the interim statement of financial position are based on estimates made at the end of the previous year.

In addition, the Group performed as of September 30, 2012, a review of indicators of impairment relating to goodwill allocated to Cash Generating Units (CGUs) or group of CGUs for which sensitivity analyses of the recoverable amounts have been presented in the consolidated financial statements as of December 31, 2011. As done previously, the assumptions used reflect the normal continuation of the Euro-Zone.

As a reminder, the Group recorded during the second quarter a total impairment loss of 200 million euros on Greece (including 160 million euros relating to the goodwill, the remaining balance relating to trade receivables).

## 2.2 – New IFRS standards and interpretations

### IFRS standards and IFRIC interpretations applicable from January 1, 2012

The new IFRS and interpretations published as of December 31, 2011 and effective from January 1, 2012, listed in the Note 2.27 – Accounting pronouncements at the closing date not yet effective – to the notes of the Group consolidated financial statements of the 2011 Registration Document (page F 22), had no material impact on the Group interim condensed consolidated financial statements at September 30, 2012.

### Early application of standards

The Group has not early adopted standards and interpretations that are not yet mandatorily effective at January 1, 2012.

## 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 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 New country-based organization

In November 2011, the Group announced a new organization project following the disposal of most of its gypsum activities and refocusing on Cement, Aggregates and Concrete. Its aim is to increase the differentiation through the development of higher value-added products and solutions for construction.

This new organization project has been implemented during the first quarter 2012. It includes:

- the implementation of an organization based on countries or group of countries, with CEO 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.

Consequently, the internal reporting as well as the segment information have been reviewed (See Note 4) and the Middle East and Africa goodwill (1,130 million euros) has been reallocated to the countries / group of countries of this region as at January 1, 2012. This new allocation has no effect on the results of impairment tests made as of December 31, 2011.

### 3.2 Discontinued operations and Assets held for sale

#### 3.2.1 Disposal of Gypsum Division operations

The Group has presented since September 2011 its Gypsum operations (activities in Middle East and Africa excluded) as discontinued operations as described in the Note 3.1.1 to the Group consolidated financial statements of the 2011 Registration Document. The completion of the divestments occurred in August 2011 for Australia and during the last quarter 2011 for Western Europe, Central and Eastern Europe, Latin America and Asia.

Interests, not disposed of, continue to be consolidated and are presented in separate lines in the consolidated financial statements. As of September 30, 2012, the related assets and liabilities held for sale have not materially changed compared to June 30, 2012.

The following table provides the net income attributable to the discontinued operations:

<i>(million euros, except per share data)</i>	9 months		3 <sup>rd</sup> quarter		December 31,
	2012	2011	2012	2011	2011
<b>Revenue</b>	175	1,051	65	338	1,236
Cost of sales	(140)	(867)	(49)	(283)	(1,028)
Selling and administrative expenses	(18)	(122)	(6)	(28)	(133)
<b>Operating income before capital gains, impairment, restructuring and other</b>	17	62	10	27	75
Other operating income (expenses) (including gains (losses) on disposals)	(11)	48	-	50	466
<b>Operating income</b>	6	110	10	77	541
Financial income (loss)	-	(8)	-	(1)	(6)
Share of net income (loss) of associates	-	3	-	-	(15)
<b>Income before income tax</b>	6	105	10	76	520
Income tax	2	(16)	1	(7)	(28)
<b>Net income / (loss) from discontinued operations</b>	8	89	11	69	492
<i>Of which, attributable to:</i>					
<b>Owners of the parent company</b>	8	87	11	67	490
Non-controlling interests	-	2	-	2	2
<b>Earnings per share from discontinued operations (euros)</b>					
- basic earnings per share	0.03	0.30	0.04	0.24	1.71
- diluted earnings per share	0.03	0.30	0.04	0.24	1.71

The depreciation charge on depreciable assets ceased (15 million euros impact for the first nine months 2012).

#### 3.2.2 Agreement between Lafarge and Anglo American

Assets and liabilities of Lafarge Cement UK and Lafarge Aggregates and Concrete UK that will be contributed to the joint venture with Tarmac Quarry Materials, have been presented since February 18, 2011 as Assets held for sale (as described in Note 3.1.2 to the Group consolidated financial statements of the 2011 Registration Document). As of May 1, 2012, the Competition Commission approved the proposed joint venture between Lafarge UK and Tarmac subject to a number of disposals. Lafarge and Anglo American are progressing towards the achievement of the operation.

The depreciation charge on depreciable assets ceased (50 million euros impact for the first nine months 2012). As of September 30, 2012, the assets and liabilities held for sale of Lafarge UK have not materially changed compared to June 30 2012.

#### 3.3 Other events

During the first nine months, the Group recorded 164 million euros in restructuring charges as part of the execution of its cost-cutting program. During the period, the cash out amounts to 143 million euros.

#### **Note 4. Operating segment information**

As of January 1, 2012, the organization by division has been replaced by a country-based organization (see Note 3.1), countries or group of countries becoming the Group's operating segments. For purposes of presentation, 6 regions corresponding to the aggregation of countries or group of countries are reported (except for North America which is an operating segment):

- Western Europe
- North America
- Central and Eastern Europe
- Middle East and Africa
- Latin America
- Asia

2011 comparative figures have been restated accordingly.

The information presented hereafter by reportable segment is in line with that reported to the Chief Executive Officer<sup>4</sup> for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Each operating segment derives its revenues from the following products:

- a wide range of cement and hydraulic binders adapted to the needs of the construction industry;
- aggregates and concrete;
- other products: mainly gypsum.

Group management internally follows the performance of the business based upon:

- Revenues by origin of production;
- Earning before interests, taxes, depreciation and amortization (EBITDA), defined as the total of operating income before capital gains, impairment losses, restructuring and others, before depreciation and amortization of property, plant and equipment and intangible assets;
- Operating income before capital gains, impairment losses, restructuring and others; and
- Capital employed, defined as the total of goodwill, intangible assets and property, plant and equipment, investments in associates and working capital.

Group financing, notably treasury process (including financial income and expenses), and income taxes are managed at Group level and are not allocated to segments.

The accounting policies used for segment information indicators comply with those applied for the consolidated financial statements (as described in Note 2).

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

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<sup>4</sup> the Chief Operating Decision Maker



**(a) Segment information**

September 30, 2012 (million euros)	Western Europe	North America	Central and Eastern Europe	Middle East and Africa	Latin America	Asia	Total
<b>STATEMENT OF INCOME</b>							
Gross revenue	2,497	2,551	1,006	3,373	729	2,109	
Less: intersegment	(64)	-	(17)	(107)	-	(70)	
<b>EXTERNAL REVENUE</b>	<b>2,433</b>	<b>2,551</b>	<b>989</b>	<b>3,266</b>	<b>729</b>	<b>2,039</b>	<b>12,007</b>
<b>EBITDA</b>	<b>438</b>	<b>383</b>	<b>214</b>	<b>942</b>	<b>211</b>	<b>406</b>	<b>2,594</b>
Depreciation and amortization	(142)	(148)	(61)	(247)	(31)	(128)	(757)
<b>Operating income before capital gains, impairment, restructuring and other</b>	<b>296</b>	<b>235</b>	<b>153</b>	<b>695</b>	<b>180</b>	<b>278</b>	<b>1,837</b>
Net gains (losses) on disposals	(2)	1	-	-	-	42	41
Other operating income (expenses)	(310)	(53)	(23)	(28)	(2)	(12)	(428)
<i>Including impairment on assets and goodwill</i>	<i>(165)</i>	<i>(3)</i>	<i>(14)</i>	<i>(1)</i>	-	-	<i>(183)</i>
<b>OPERATING INCOME</b>	<b>(16)</b>	<b>183</b>	<b>130</b>	<b>667</b>	<b>178</b>	<b>308</b>	<b>1,450</b>
<b>OTHER INFORMATION</b>							
Capital expenditures	101	62	91	90	33	116	493
Capital employed	4,129	5,795	2,714	11,996	1,372	4,084	30,090
<b>STATEMENT OF FINANCIAL POSITION</b>							
Segment assets	5,275	6,456	2,996	13,180	1,599	5,156	34,662
<i>Of which investments in associates</i>	<i>153</i>	<i>20</i>	<i>40</i>	<i>216</i>	<i>41</i>	<i>9</i>	<i>479</i>
Assets held for sale	1,939	441	-	-	-	-	2,380
Unallocated assets <sup>(a)</sup>							4,552
<b>TOTAL ASSETS</b>							<b>41,594</b>
Segment liabilities	1,960	1,824	312	1,106	232	808	6,242
Liabilities associated with assets held for sale	318	30	-	-	-	-	348
Unallocated liabilities and equity <sup>(b)</sup>							35,004
<b>TOTAL EQUITY AND LIABILITIES</b>							<b>41,594</b>

<sup>(a)</sup> Deferred tax assets, derivative instruments and cash and cash equivalents

<sup>(b)</sup> Deferred tax liability, financial debt, derivative instruments and equity

September 30, 2011 (million euros)	Western Europe	North America	Central and Eastern Europe	Middle East and Africa	Latin America	Asia	Total
<b>STATEMENT OF INCOME</b>							
Gross revenue	2,720	2,308	1,022	3,136	673	1,851	
Less: intersegment	(56)	-	(25)	(79)	-	(79)	
<b>EXTERNAL REVENUE</b>	<b>2,664</b>	<b>2,308</b>	<b>997</b>	<b>3,057</b>	<b>673</b>	<b>1,772</b>	<b>11,471</b>
<b>EBITDA</b>	<b>522</b>	<b>291</b>	<b>273</b>	<b>865</b>	<b>180</b>	<b>288</b>	<b>2,419</b>
Depreciation and amortization	(158)	(182)	(54)	(230)	(32)	(122)	(778)
<b>Operating income before capital gains, impairment, restructuring and other</b>	<b>364</b>	<b>109</b>	<b>219</b>	<b>635</b>	<b>148</b>	<b>166</b>	<b>1,641</b>
Net gains (losses) on disposals	21	1	-	1	-	3	26
Other operating income (expenses)	(71)	(8)	(8)	(15)	(3)	(11)	(116)
<i>Including impairment on assets and goodwill</i>	<i>(43)</i>	<i>-</i>	<i>(3)</i>	<i>(1)</i>	<i>-</i>	<i>(1)</i>	<i>(48)</i>
<b>OPERATING INCOME</b>	<b>314</b>	<b>102</b>	<b>211</b>	<b>621</b>	<b>145</b>	<b>158</b>	<b>1,551</b>
<b>OTHER INFORMATION</b>							
Capital expenditures	136	73	112	259	38	154	772
Capital employed	4,396	6,234	2,519	12,433	1,367	3,904	30,853
<b>STATEMENT OF FINANCIAL POSITION</b>							
Segment assets	5,889	6,738	2,777	13,661	1,554	4,655	35,274
<i>Of which investments in associates</i>	<i>31</i>	<i>17</i>	<i>40</i>	<i>110</i>	<i>6</i>	<i>69</i>	<i>273</i>
Assets held for sale	2,530	423	140	-	87	268	3,448
Unallocated assets <sup>(a)</sup>							2,764
<b>TOTAL ASSETS</b>							<b>41,486</b>
Segment liabilities	2,188	1,497	283	1,016	209	645	5,838
Liabilities associated with assets held for sale	553	26	18	-	11	99	707
Unallocated liabilities and equity <sup>(b)</sup>							34,941
<b>TOTAL EQUITY AND LIABILITIES</b>							<b>41,486</b>

<sup>(a)</sup> Deferred tax assets, derivative instruments and cash and cash equivalents

<sup>(b)</sup> Deferred tax liability, financial debt, derivative instruments and equity

December 31, 2011 (million euros)	Western Europe	North America	Central and Eastern Europe	Middle East and Africa	Latin America	Asia	Total
<b>STATEMENT OF INCOME</b>							
Gross revenue	3,547	3,110	1,323	4,200	905	2,510	
Less: intersegment	(70)	-	(30)	(108)	-	(103)	
<b>EXTERNAL REVENUE</b>	<b>3,477</b>	<b>3,110</b>	<b>1,293</b>	<b>4,092</b>	<b>905</b>	<b>2,407</b>	<b>15,284</b>
<b>EBITDA</b>	<b>669</b>	<b>431</b>	<b>329</b>	<b>1,131</b>	<b>246</b>	<b>411</b>	<b>3,217</b>
Depreciation and amortization	(213)	(235)	(73)	(311)	(42)	(164)	(1,038)
<b>Operating income before capital gains, impairment, restructuring and other</b>	<b>456</b>	<b>196</b>	<b>256</b>	<b>820</b>	<b>204</b>	<b>247</b>	<b>2,179</b>
Net gains (losses) on disposals	21	27	-	-	(1)	(2)	45
Other operating income (expenses)	(314)	(18)	(15)	(173)	(9)	(12)	(541)
<i>Including impairment on assets and goodwill</i>	<i>(253)</i>	<i>(7)</i>	<i>(10)</i>	<i>(115)</i>	-	<i>(3)</i>	<i>(388)</i>
<b>OPERATING INCOME</b>	<b>163</b>	<b>205</b>	<b>241</b>	<b>647</b>	<b>194</b>	<b>233</b>	<b>1,683</b>
<b>OTHER INFORMATION</b>							
Capital expenditures	218	93	158	307	56	239	1,071
Capital employed	4,432	5,518	2,524	12,037	1,377	4,054	29,942
<b>STATEMENT OF FINANCIAL POSITION</b>							
Segment assets	5,610	6,072	2,789	13,421	1,653	4,863	34,408
<i>Of which investments in associates</i>	<i>148</i>	<i>18</i>	<i>41</i>	<i>288</i>	<i>37</i>	<i>72</i>	<i>604</i>
Assets held for sale	1,762	433	-	-	-	-	2,195
Unallocated assets <sup>(a)</sup>							4,116
<b>TOTAL ASSETS</b>							<b>40,719</b>
Segment liabilities	1,883	1,685	249	1,125	257	736	5,935
Liabilities associated with assets held for sale	337	27	-	-	-	-	364
Unallocated liabilities and equity <sup>(b)</sup>							34,420
<b>TOTAL EQUITY AND LIABILITIES</b>							<b>40,719</b>

<sup>(a)</sup> Deferred tax assets, derivative instruments and cash and cash equivalents

<sup>(b)</sup> Deferred tax liability, financial debt, derivative instruments and equity

**(b) Information by product line**

(million euros)	External revenue			Gross revenue		
	September 30, 2012	September 30, 2011	December 31, 2011	September 30, 2012	September 30, 2011	December 31, 2011
Cement	7,899	7,486	9,975	8,440	7,960	10,622
Aggregates & Concrete	4,040	3,921	5,227	4,051	3,929	5,238
Other products	68	64	82	68	64	82
Eliminations				(552)	(482)	(658)
<b>Total</b>	<b>12,007</b>	<b>11,471</b>	<b>15,284</b>	<b>12,007</b>	<b>11,471</b>	<b>15,284</b>

**(c) Information by country**

(million euros)	September 30, 2012		September 30, 2011		December 31, 2011	
	External revenue	Non-current segment assets *	External revenue	Non-current segment assets *	External revenue	Non-current segment assets *
<b>Western Europe</b>	<b>2,433</b>	<b>4,197</b>	<b>2,664</b>	<b>4,525</b>	<b>3,477</b>	<b>4,422</b>
Of which:						
France	1,411	2,326	1,488	2,233	1,949	2,349
United Kingdom	632	-	653	-	847	-
<b>North America</b>	<b>2,551</b>	<b>5,096</b>	<b>2,308</b>	<b>5,486</b>	<b>3,110</b>	<b>5,145</b>
Of which:						
United States **	1,001	1,610	1,021	1,975	1,347	1,676
Canada **	1,550	910	1,287	899	1,763	914
<b>Central and Eastern Europe</b>	<b>989</b>	<b>2,559</b>	<b>997</b>	<b>2,327</b>	<b>1,293</b>	<b>2,465</b>
<b>Middle East and Africa</b>	<b>3,266</b>	<b>11,837</b>	<b>3,057</b>	<b>12,303</b>	<b>4,092</b>	<b>12,070</b>
Of which:						
Egypt	351	2,660	366	2,621	481	2,729
Algeria	431	3,142	387	3,153	518	2,954
<b>Latin America</b>	<b>729</b>	<b>1,336</b>	<b>673</b>	<b>1,309</b>	<b>905</b>	<b>1,403</b>
Of which:						
Brazil	508	920	478	951	638	993
<b>Asia</b>	<b>2,039</b>	<b>3,974</b>	<b>1,772</b>	<b>3,805</b>	<b>2,407</b>	<b>3,994</b>
<b>Total</b>	<b>12,007</b>	<b>28,999</b>	<b>11,471</b>	<b>29,755</b>	<b>15,284</b>	<b>29,499</b>

\* Non-current segment assets include goodwill, intangible assets, property, plant and equipment and investments in associates

\*\*Non-current assets excluding goodwill

## Note 5. Earnings per share

The computation and reconciliation of basic and diluted earnings per share from continuing operations for the periods ended September 30, 2012, September 30, 2011 and December 31, 2011 are as follows:

	9 months		December 31,
	2012	2011	2011
<b>Numerator (in million euros)</b>			
Net income attributable to owners of the parent company	332	596	593
Of which net income from continuing operations	324	509	103
<b>Denominator (in thousands of shares)</b>			
Weighted average number of shares outstanding	287,073	286,345	286,514
Total potential dilutive shares	1,128	859	801
Weighted average number of shares outstanding — fully diluted	288,201	287,204	287,315
<b>Basic earnings per share (euros)</b>	<b>1.16</b>	<b>2.08</b>	<b>2.07</b>
<b>Diluted earnings per share (euros)</b>	<b>1.15</b>	<b>2.08</b>	<b>2.06</b>
<b>Basic earnings per share from continuing operations (euros)</b>	<b>1.13</b>	<b>1.78</b>	<b>0.36</b>
<b>Diluted earnings per share from continuing operations (euros)</b>	<b>1.12</b>	<b>1.78</b>	<b>0.35</b>

## Note 6. Debt

The debt split is as follows:

(million euros)	At September 30,		At December 31,
	2012	2011	2011
Long-term debt excluding put options on shares of subsidiaries	12,425	14,035	12,216
Put options on shares of subsidiaries, long-term	49	81	50
<b>Long-term debt</b>	<b>12,474</b>	<b>14,116</b>	<b>12,266</b>
Short-term debt and current portion of long-term debt excluding put options on shares of subsidiaries	3,136	2,055	2,842
Put options on shares of subsidiaries, short-term	59	41	98
<b>Short-term debt and current portion of long-term debt</b>	<b>3,195</b>	<b>2,096</b>	<b>2,940</b>
Total debt excluding put options on shares of subsidiaries	15,561	16,090	15,058
Total put options on shares of subsidiaries	108	122	148
<b>Total debt</b>	<b>15,669</b>	<b>16,212</b>	<b>15,206</b>

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

(million euros)	At September 30,		At December 31,
	2012	2011	2011
Repayable in more than five years	4,363	5,573	4,869
Repayable between one and five years	8,062	8,462	7,347
<b>Long-term debt</b>	<b>12,425</b>	<b>14,035</b>	<b>12,216</b>
Repayable between six months and one year	2,400	473	1,627
Repayable in less than six months	736	1,582	1,215
<b>Short-term debt and current portion of long-term debt</b>	<b>3,136</b>	<b>2,055</b>	<b>2,842</b>
<b>Total debt</b>	<b>15,561</b>	<b>16,090</b>	<b>15,058</b>

The short-term debt that the Group can refinance on a medium and long-term basis through its committed credit facilities is classified in the statement of financial position under the section non-current liabilities "Financial debt". At September 30, 2012, the net variation of this debt is a decrease of 57 million euros (compared to a decrease of 326 million euros at September 30, 2011 and a decrease of 667 million euros at December 31, 2011) and is presented in the statement of cash flows in "Repayment of long-term debt".



The syndicated credit facility signed in 2004 for a 5-year term and an initial amount of 1,850 million euros, has been amended several times successfully. Through the last amendment of March 19, 2012, the amount was reduced to 1,235 million euros and the maturity extended to July 28, 2015 for 1,200 million euros. This syndicated credit facility contains an optional exit mechanism, on an individual basis, if the consolidated net debt to EBITDA ratio is higher than 4.75. Such an event would not be considered an event of default and would have no impact on the status of the Group's other financing arrangements.

### ***Interest rate***

The average spot interest rate of the gross debt after swaps, as at September 30, 2012, is 6.1% (5.7% as of September 30, 2011 and 6.2% as of December 31, 2011).

The average interest rate of the net debt after swaps (gross debt minus cash and cash equivalents) is 7.1% for the first nine months of 2012 compared to 6.1% for the first nine months of 2011 and 6.3% for the full year 2011.

### ***Securitization program***

The Group entered into multi-year securitization agreements with respect to trade receivables as described in the Note 17 of the Group consolidated financial statements of the 2011 Registration Document.

Under these programs, some of the French, North American, British and Spanish subsidiaries agree to sell trade receivables. These trade receivables sold remain on the statement of financial position and totaled 542 million euros as of September 30, 2012 (639 million euros as of September 30, 2011 and 537 million euros as of December 31, 2011).

The current portion of debt financing received from these programs includes 402 million euros as of September 30, 2012 (498 million euros as of September 30, 2011 and 404 million euros as of December 31, 2011).

The European securitization agreements are guaranteed by subordinated deposits and units totaling 140 million euros as of September 30, 2012 (141 million euros as of September 30, 2011 and 133 million euros as of December 31, 2011).

### ***Put options granted to non controlling interests***

As part of the acquisition process of certain entities, the Group has granted third party shareholders the option to require the Group to purchase their shares at predetermined conditions. These shareholders are either international institutions, such as the European Bank for Reconstruction and Development, or private investors, which are essentially financial or industrial investors or former shareholders of the acquired entities. Assuming that all of these options were exercised, the purchase price to be paid by the Group, including debt and cash acquired, would amount to 123 million euros as of September 30, 2012 (162 million euros as of December 31, 2011).

Out of the outstanding put options as of September 30, 2012, 74 million euros can be currently exercised. A portion of the remaining 49 million euros can be exercised starting in 2014 and the remaining starting in 2015.

Put options granted to non controlling interests of subsidiaries are classified as debt of the Group. Out of the total options granted by the Group, the options granted to non controlling interests amounted to 108 million euros and 148 million euros as of September 30, 2012 and December 31, 2011, respectively, the remaining options were granted on shares of joint ventures.

The goodwill resulting from put options granted to non controlling interests before January 1, 2010, amounts to 50 million euros and 71 million euros as of September 30, 2012 and December 31, 2011, respectively.

## Note 7. Equity

### (a) Dividends

The following table indicates the dividend amount per share the Group approved in 2012 for the year 2011 (paid in July 2012) as well as the dividend amount per share approved in 2011 for the year 2010 (paid in July 2011).

<i>(euros, except otherwise indicated)</i>	2011	2010
Total dividend (million euros)	145	288
Base dividend per share	0.50	1.00
Increased dividend per share	0.55	1.10

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

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

	At December 31, 2011	Gains/(losses) arising during the period	Recycling to income statement	At September 30, 2012
Available-for-sale financial assets	21	-	-	21
<i>Gross value</i>	31	-	-	31
<i>Deferred taxes</i>	(10)	-	-	(10)
Cash flow hedge instruments	(29)	2	1	(26)
<i>Gross value</i>	(41)	2	2	(37)
<i>Deferred taxes</i>	12	-	(1)	11
Actuarial gains/(losses)	(743)	(177)	-	(920)
<i>Gross value</i>	(1,070)	(243)	-	(1,313)
<i>Deferred taxes</i>	327	66	-	393
<b>Total Other reserves</b>	<b>(751)</b>	<b>(175)</b>	<b>1</b>	<b>(925)</b>
<b>Total Foreign currency translation</b>	<b>(280)</b>	<b>106</b>	<b>(11)</b>	<b>(185)</b>
<b>Total Other comprehensive income/(loss), net of income tax</b>	<b>(1,031)</b>	<b>(69)</b>	<b>(10)</b>	<b>(1,110)</b>

## Note 8. Legal and arbitration proceedings

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

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.

### Competition

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

amount of 16 million euros on November 2, 2007 and reduced the related provision of the same amount. Finally, the Court's decision related to the remaining part of the appeal has been given on June 26, 2009, exempting Lafarge Zement partly and reducing the remaining fine very significantly to 24 million euros. Lafarge Zement has appealed to the Supreme Court on the basis of legal grounds. The decision of the Supreme Court should be given in 2012.

A civil action has been brought in parallel by third parties that consider themselves to have been damaged by such anti-competitive practices in Germany. Further to the hearings which took place before the Düsseldorf Regional Court, a decision as to the next procedural steps on this civil action should be announced by the end of the year.

The global provision in connection with these cases amounts to 24 million euros as of September 30, 2012.

**India – Cement:** An investigation started in 2011 against the major players of the cement Indian market. Further to this investigation, by an Order dated June, 21, 2012, the Competition Commission of India has found cement manufacturers in violation of the provisions of the Competition Act, 2002, which deals with anticompetitive agreements. The Commission has imposed a penalty on 11 cement manufacturers, including our subsidiary Lafarge India PVT Ltd. The Commission has also imposed a penalty on the Cement Manufacturers Association. The penalty imposed on Lafarge India PVT Ltd amounts to 4.8 billion rupees (67 million euros), out of a total amount of penalty of sixty billion rupees (830 million euros). Lafarge India PVT Ltd vigorously challenges the merits of this order and lodged an appeal to the Competition Appeal Tribunal as well as a request for a stay of the penalty until final Judgment. The Competition Appeal Tribunal decision on the stay of the collection of the penalty is expected on December 2012.

No provision has been recorded.

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

**Europe – Cement:** In November 2008, the major European cement players, including Lafarge, were investigated by the European Commission for alleged anti-competitive practices. By a letter dated December 6, 2010, the Commission notified the parties of the opening of an official investigation (which do not however constitute a statement of objection), while reminding them that at that stage, it did not have conclusive evidence of anti-competitive practices. The alleged offences, which will be the subject of the detailed investigation, involve any possible restrictions of commercial trade in or upon entry to the EEA, market sharing, and coordination of prices on the cement and related markets (concrete, aggregates). In the case of Lafarge, seven (7) countries are quoted: France, the United Kingdom, Germany, Spain, the Czech Republic, Greece and Austria. The Commission's investigation is ongoing and Lafarge answered to its various requests for information. In November 2011, further to the answer by Lafarge of the last questionnaire received, the Commission notified Lafarge an injunction to waive any reserve to the answer and provide any further information deemed necessary to complete its investigation, under the threat of a penalty. Lafarge promptly complied with this new request for information and lodged a lawsuit before the EU General Court with a view to obtaining the annulment of such injunction decision. We are expecting a date of hearing on the annulment in the coming months. As a new development, European officials visited the French, German and European cement association during the third quarter. The completion date of this investigation is unknown and no conclusion can be drawn at this stage.

**United Kingdom (UK) – Cement:** On January, 18, 2012, the UK Office of Fair Trading (OFT) announced that it had referred the aggregates, cement and ready-mixed concrete markets (the "Industry") in the UK to the Competition Commission for an in-depth sector investigation. The OFT believes that it has reasonable grounds to suspect that competition problems may exist due to the existing market structure in the UK, and considers that the Industry displays a number of features which may potentially adversely affect the way competition operates in the UK. As a result, the UK Competition Commission will conduct an in-depth sector investigation into competition in relation to the supply of those products, and decide whether or not any structural and/or behavioural remedies will be required. Our UK subsidiaries will continue to fully cooperate with the UK Competition Commission, which is expected to conclude its investigation in the coming years (late 2013 or early 2014). At this stage, we cannot assess the potential consequences of this investigation.

### ***Other proceedings***

**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. (LNA), 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 LNA 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.

The Judge trial involving the first few plaintiffs commenced in late June, 2010. In a ruling dated January 20, 2011, the Judge ruled in favor of LNA. These plaintiffs filed a Notice of Appeal, but then withdrew it. Our subsidiary then filed a Motion for Summary Judgment against all the remaining plaintiffs. A Hearing was held by the Court in October 2011 and a decision was handed down on March 20, 2012 granting Summary Judgment in LNA's favour and against all

remaining cases filed in the Federal Court. Plaintiffs have filed a Notice of Appeal of the Court's decision. A new case was filed against LNA on September 16, 2011 by the Parish of Saint Bernard in Louisiana State Court. LNA moved to remove the case to Federal Court before the same Judge who had the main litigation and has won that Motion. LNA has now moved for Summary Judgment against the Parish of Saint Bernard.

Lafarge North America Inc. vigorously defends itself in all these ongoing 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.

In connection with disposals made in the past years, Lafarge and its subsidiaries provided customary warranties notably related to accounting, tax, employees, product quality, litigation, competition, and environmental matters. Lafarge and its subsidiaries received or may receive in the future notice of claims arising from said warranties. In view of the current analysis, it is globally concluded that no significant provision has to be recognized in relation to such claims and disposals.

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***

Pursuant to a settlement agreement dated June 21, 2012 (which has been prior approved by the Lafarge's board of directors and that will be presented to the next Shareholders' meeting) Orascom Construction Industries S.A.E (OCI) undertook to pay to Lafarge 73 million euros (on which 62.5 million euros have been received at June 30) as a global settlement amount to settle warranties triggered by Lafarge from the acquisition in 2008 of the cement activities of OCI, except two specific topics for which warranties are maintained.

### ***Note 10. Subsequent events***

No subsequent event.

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

***(Free translation of a French language original)***

To the Chairman and Chief Executive Officer,

In our capacity as statutory auditors of Lafarge and in accordance with your request, we have reviewed the interim condensed consolidated financial statements of Lafarge contained in the accompanying report for the period from January 1 to September 30, 2012.

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

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

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

Neuilly-sur-Seine and Paris-La Défense, November 9, 2012

The Statutory Auditors  
*French original signed by*

DELOITTE & ASSOCIES

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