



2008 ANNUAL REPORT

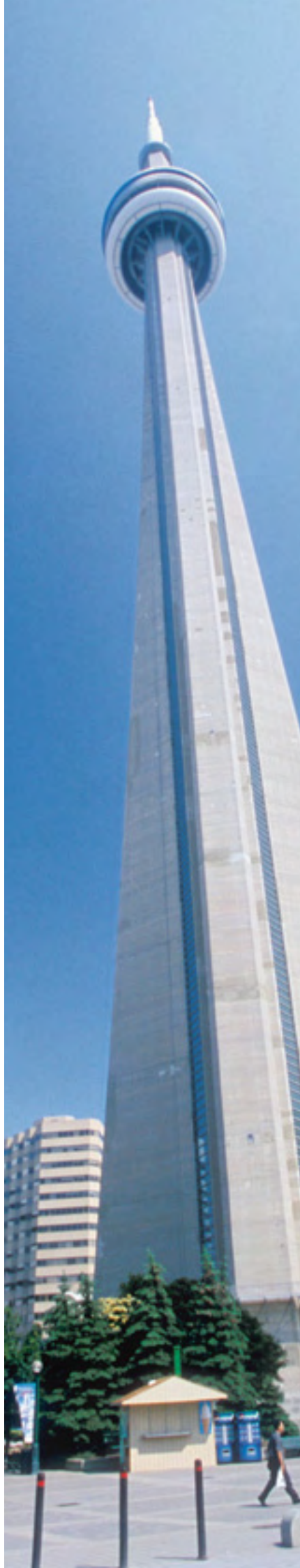
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bringing materials to *life*™

CN TOWER

the Canadian national tower, Toronto, by architect John Andrews and WZMH Architects.



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This Annual Report was filed in the French language with the *Autorité des marchés financiers* on March 16, 2009 in accordance with article 212-13 of its General Regulations.

2008 Annual Report

(Document de Référence)

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n this Annual Report, the following terms have the meanings indicated below:

"GROUP" or "LAFARGE": Lafarge S.A. and its consolidated subsidiaries.

"COMPANY" or "LAFARGE S.A.": our parent company Lafarge S.A., a société anonyme organized under French law.

"DIVISION": one of our three Divisions: Cement, Aggregates & Concrete, and Gypsum. Each Division, as well as our "Other activities" and our holdings, constitutes a business segment for the purpose of reporting our results of operations.

"BUSINESS UNIT": a management organization for one of our three Divisions in one geographic area, generally one country.

"CONTINUING OPERATIONS": the three Divisions: Cement, Aggregates & Concrete and Gypsum, as well as "Other activities" and holdings.

"DISCONTINUED OPERATIONS": the Roofing Division, which we sold on February 28, 2007.

"ORASCOM CEMENT": the cement activities of Orascom Construction Industries S.A.E, acquired by the Group on January 23, 2008 and held by its subsidiary Orascom Building Materials Holding S.A.E. The latter was renamed Lafarge Building Materials Holding Egypt on January 24, 2008.

"EMERGING MARKETS" or "GROWING MARKETS": all countries outside Western Europe and North America, except Japan, Australia and New Zealand.

"EXCELLENCE 2008": detailed strategic plan of the Group presented on February 23, 2006. Notably, this plan includes a cost reduction program.

"ERP": Enterprise Resource Planning.

Due to rounding of amounts and percentages for presentation in this Annual Report, the addition of data in text or charts may not total. Indeed, totals include decimals.

Lafarge

The world leader in construction materials, Lafarge holds world top-ranking positions in Cement, Concrete, Aggregates and Gypsum, with nearly 84,000 employees in 79 countries. As the inventor of materials that are vital to economic and social development, Lafarge benefits from positive indicators such as demographics and the need for housing and infrastructure.

Key figures *at December 31, 2008*

SALES in million euros

19,033

EMPLOYEES

84,000

PRESENT IN

79 COUNTRIES

NUMBER OF PRODUCTION SITES

2,187

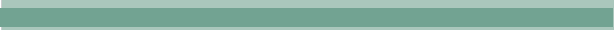




















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In 2008, Lafarge enjoyed a positive operational performance and continued to register the best performance in its sector. Operating margin ended the year up at 18.6%.

These results are the fruit of the Group's geographic spread and of its strategy. The objectives of the Excellence 2008 strategic plan have been exceeded, with 420 million euros of cost reduction achieved in 2008 compared to 2005, against an original objective of 340 million euros and basic earnings per share that have increased on average by 12% per annum from 2005 to 2008, or a performance 10% ahead of the objective (excluding exceptional items).

Over the year, current operating income increased by 9% (+14% at constant exchange rates), and free cash flow by 22%. Benefiting from the implementation of Group strategy and the acquisition of Orascom Cement in the Middle East, our emerging markets businesses displayed growth of 44% in current operating income, representing 60% of total profits in 2008.

In 2009, and for the fifth year in a row, Lafarge figures on the list of the "Global 100 Most Sustainable Corporations in the World". With the world's leading research facility on construction materials, innovation for the purposes of sustainable construction and architectural creativity lies at the very heart of Lafarge's priorities.

SALES			<i>in million euros</i>
2008		19,033	Group's sales in 2008 improved, driven by our presence in emerging markets and global improved pricing.
2007		17,614	
2006		16,909	
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER ⁽¹⁾			<i>in million euros</i>
2008		3,542	Strong improvement in operating margin up sharply to 18.6% in 2008 from 15.5% in 2005.
2007		3,242	
2006		2,772	
FREE CASH-FLOW ⁽²⁾			<i>in million euros</i>
2008		2,113	Free cash flow up 22% in 2008 compared to 2007.
2007		1,726	
2006		1,404	
GROUP NET DEBT ⁽³⁾			<i>in million euros</i>
2008		16,884	Lafarge announced a dynamic €4.5 billion action plan to strengthen its financial structure in 2009.
2007		8,685	
2006		9,845	
NET INCOME GROUP SHARE			<i>in million euros</i>
2008		1,598	Up 3% in 2008 to €1,713 million excluding one-off items ⁽⁵⁾ .
2007		1,909	
2006		1,372	
BASIC EARNINGS PER SHARE ⁽⁵⁾			<i>in euros</i>
2008		8.27	From 2005 to 2008, earnings per share have increased by 12% ⁽⁵⁾ a year on average.
2007		11.05	
2006		7.86	
DIVIDEND PER SHARE			<i>in euros</i>
2008		2.00 ⁽⁴⁾	A proposed dividend of €2 per share, representing 25% of our net income, Group share, in 2008.
2007		4.00	
2006		3.00	

The selected financial information is derived from our consolidated financial statements for the year ended December 31, 2008.

(1) Current operating income – See section 4.1 (Overview – Definition).

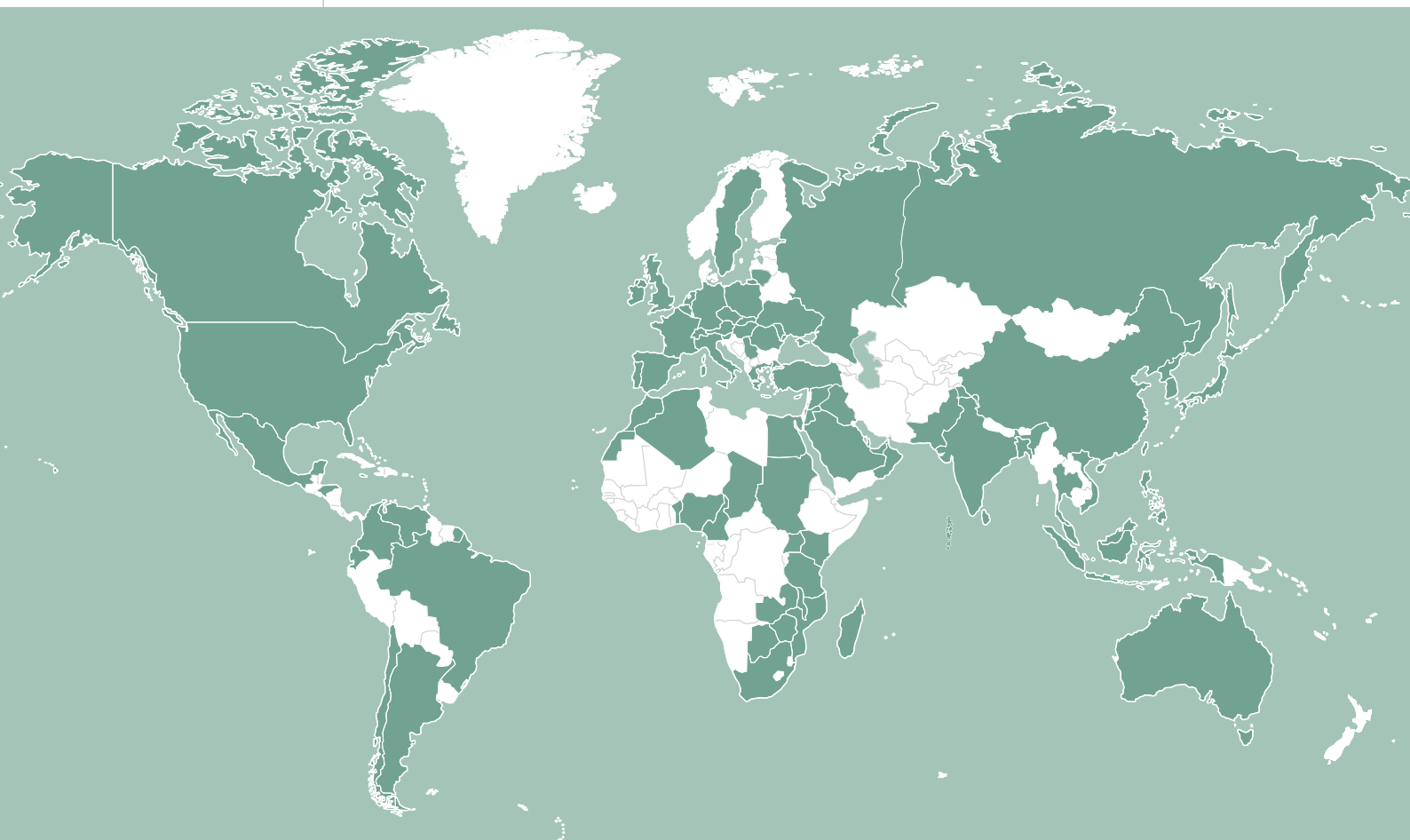
(2) See Section 4.1 (Overview – Reconciliation of our non-GAAP financial measures) for more information on the free cash-flow.

(3) See Section 4.1 (Overview – Reconciliation of our non-GAAP financial measures) for more information on Group net debt.

(4) Proposed dividend to be decided at the General Meeting of shareholders on May 6, 2009.

(5) Excluding the impact in 2007 of the disposal of the Roofing business and our Cement and Aggregates & Concrete operations in Central Anatolia, Turkey, and in 2008, the disposal of the Lafarge Titan joint venture in Egypt, the Gypsum legal provision adjustment and goodwill write-off.

Lafarge worldwide

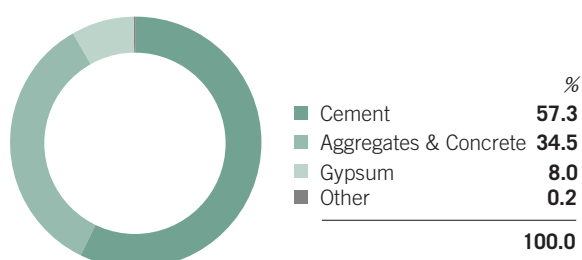


World map of Lafarge presence as at December 31, 2008. The depiction of boundaries shown is not guaranteed to be error free, nor does it imply official endorsement or acceptance by Lafarge.

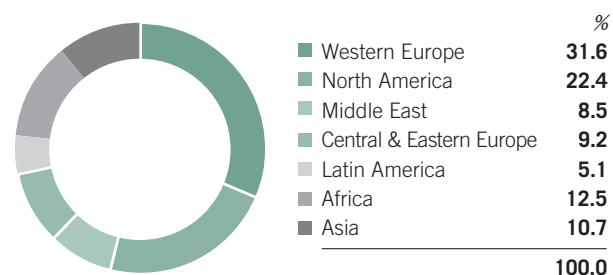
Key figures by Division and by geographic area at December 31, 2008

Employee, site and country information is posted on the basis of 100%, excluding companies held in equity at December 31, 2008.

GROUP'S SALES BY DIVISION



GROUP'S SALES BY GEOGRAPHIC AREA OF DESTINATION



Cement | World leader

SALES in million euros

10,911

NUMBER OF PLANTS

166

NUMBER OF EMPLOYEES

49,673

PRESENT IN

50 countries

Lines of cement, hydraulic binders and lime for construction, renovation and public works.

Aggregates & Concrete | No.2 & No.3 worldwide

SALES in million euros

6,573

NUMBER OF PLANTS

1,945

NUMBER OF EMPLOYEES

25,633

PRESENT IN

40 countries

Lines of aggregates, ready-mix and precast concrete products, asphalt and paving for engineering structures, roads and buildings.

Gypsum | No.3 worldwide

SALES in million euros

1,521

NUMBER OF PLANTS

76

NUMBER OF EMPLOYEES

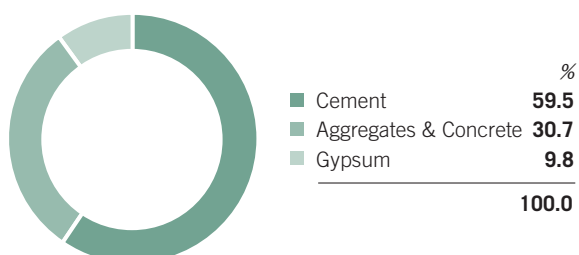
8,132

PRESENT IN

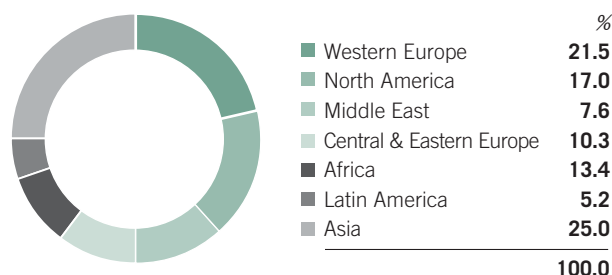
29 countries

Plasterboard systems and gypsum-based interior solutions for new construction and renovation.

GROUP'S EMPLOYEES BY DIVISION



GROUP'S EMPLOYEES BY GEOGRAPHIC AREA OF DESTINATION



**OVIEDO CONVENTION**

and exhibition center,
Spain, by architect Santiago
Calatrava, made with Lafarge
high-density concretes.

1

Selected Financial Data

1

SELECTED FINANCIAL DATA

In accordance with European Regulation no. 1606/2002 issued on July 19, 2002, the Group has prepared consolidated financial statements for the year ended December 31, 2008 in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the European Union as of December 31, 2008.

The first table below shows selected consolidated financial data under IFRS at and for the years ended December 31, 2008, 2007 and 2006. The selected financial information is derived from our consolidated financial statements, which were audited by Deloitte & Associés and Ernst & Young Audit. The audited consolidated financial

statements at and for the years ended December 31, 2008, 2007 and 2006 appear at the end of this report.

KEY FIGURES OF THE GROUP

(million euros, unless otherwise indicated)	2008	2007	2006
STATEMENT OF INCOME			
Revenue	19,033	17,614	16,909
Operating income before capital gains, impairment, restructuring and other	3,542	3,242	2,772
Operating income	3,362	3,289	2,678
Net income from continuing operations	1,939	2,038	1,593
Net income/(loss) from discontinued operations	-	118	(4)
Net income	1,939	2,156	1,589
<i>Of which:</i>			
Group share	1,598	1,909	1,372
Minority interests	341	247	217
Basic earnings per share (euros)	8.27	11.05	7.86
Diluted earnings per share (euros)	8.24	10.91	7.75
Basic earnings per share from continuing operations (euros)	8.27	10.37	7.88
Diluted earnings per share from continuing operations (euros)	8.24	10.24	7.77
Basic average number of shares outstanding (thousands)	193,172	172,718	174,543

(million euros)	2008	2007	2006*
BALANCE SHEET			
ASSETS			
Non-current assets	32,928	21,490	20,474
Current assets	7,680	6,818	9,367
<i>Of which assets held for sale</i>	-	-	2,733
TOTAL ASSETS	40,608	28,308	29,841
LIABILITIES			
Shareholders' equity - parent company	12,910	10,998	10,314
Minority interests	1,725	1,079	1,380
Non-current liabilities	17,043	10,720	11,962
Current liabilities	8,930	5,511	6,185
<i>Of which liabilities associated with assets held for sale</i>	-	-	842
TOTAL EQUITY AND LIABILITIES	40,608	28,308	29,841

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

(million euros)	2008	2007	2006
STATEMENT OF CASH FLOWS			
Net cash provided by operating activities	3,001	2,676	2,566
Net cash/(used in) investing activities	(8,771)	(703)	(4,847)
Net cash provided by/(used in) financing activities	6,030	(1,664)	1,896
Increase/(decrease) in cash and cash equivalents	260	309	(385)
Of which net cash generated by discontinued operations:			
<i>Net operating cash generated by discontinued operations</i>	-	(26)	184
<i>Net cash provided by/(used in) investing activities from discontinued operations</i>	-	(15)	(198)
<i>Net cash provided by/(used in) financing activities from discontinued operations</i>	-	41	15

	2008	2007	2006
ADDITIONAL FINANCIAL INDICATORS *			
Free Cash-flow (million euros)	2,113	1,726	1,404
Return on capital employed (%)	8.8	11.0	9.4
Group net debt (million euros)	16,884	8,685	9,845

* See Section 4.1 (Overview – Reconciliation of non-GAAP financial measures) for the definition of these indicators.

(million euros, except number of shares and per share data)	2008 *	2007	2006
DIVIDENDS			
Total dividend paid	393 ***	784	521
Basic dividend per share	2.00	4.00	3.00
Loyalty dividend per share**	2.20	4.40	3.30

* Proposed dividend.

** See Section 8.3 (Articles of Association (Statuts)) for an explanation of our "Loyalty dividend".

*** Based on an estimation of the number of shares eligible for dividends of 194,799,741 shares.



HILTON HOTEL'S RECEPTION
hall, Sydney, Australia, made
with Lafarge plasterboard,
by architect Johnson Pitton
Walker.

2

Risk Factors

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2.1 Presentation of the material risks faced by the Group

Lafarge operates in a constantly evolving environment, which exposes us to risk factors and uncertainties in addition to the risk factors related to our operations. The materialization of the risks described below could have a material adverse effect on our operations, our financial condition, our results, our prospects or our share price. There may be other risks that have not yet been identified as of the date hereof, or whose occurrence as of the date hereof is not considered likely to have such a material adverse effect. The information given below is based on certain assumptions and hypothesis, which could, by their nature, prove to be inaccurate.

2.1.1 Risks related to our business

Risks relating to the global economic recession

Our results depend mainly on residential, commercial and infrastructure construction activity and spending levels. Starting in the second half of 2008, a downturn in the global economy, sparked by uncertainty in credit markets and deteriorating consumer confidence, has significantly impacted the construction activity. To varying degrees depending on geographical area, this has had, and may continue to have, a negative effect on the market for our products, and has impacted our business and results of operations.

It is impossible to predict how long the global recession will last, and whether the economic situation will deteriorate before it improves. Depending on the geographical area, a worsening of the current economic crisis could negatively affect demand for our products. While significant infrastructure spending has been announced in connection with economic stimulus packages adopted in a number of countries, the implementation of those packages may take some time, and it is impossible to predict how significant the impact of these packages will be once they are implemented, particularly if the private

sector construction market continues to deteriorate.

We have prepared internal analyses of potential worldwide demand for our products for purposes of internal planning and resource allocation. Our analysis of worldwide demand for cement is described in Section 3 – Our Strategy and 4.6 – Trend information. We have based our internal planning and resource allocation for 2009 on the assumption that cement volumes in our markets will be down 0 to 3% overall compared to 2008, with reduced growth in emerging markets and decreases in Western Europe and North America. If economic conditions worsen, it might be necessary to adapt our analysis. While we are optimistic that the cement market provides significant medium and long-term growth opportunities, current cement demand might decline in 2009, particularly if the crisis affects emerging market demand more sharply than market indicators would currently suggest.

We are taking a number of measures in response to the market downturn and slowdown in construction activity, including reinforcing our financial structure by increasing our capital and reducing debt, bolstering our leadership in the sector and positioning our Group to benefit from the recovery. We have also announced and are implementing an increased cost cutting initiative, a reduction in capital expenditures and a continued divestment program. The measures we are taking are described in Section 4.1 – Overview. While we are confident that these measures will allow us to improve our financial performance, they might not prove sufficient to offset the impact of the global recession, particularly if it proves to be more severe or to last longer than currently anticipated.

Risk related to our worldwide presence

OPERATIONS AND CYCLE

Our products are used in buildings and civil works. Demand for our products in the different markets in which we operate is

dependent on the level of activity in the construction sector. The construction sector tends to be cyclical and dependent on various factors such as the level of infrastructure spending, the level of residential and commercial construction activity, interest rates and more generally the level of economic activity in a given market. The cyclicity of the construction sector together with its dependence on economic activity could have a negative impact on our financial results and profitability of our operations. We manage this risk by operating in geographically diverse markets, with a portfolio of operations both in mature markets such as Western Europe and North America and in emerging countries, thereby minimizing our exposure to risk in a given country although we might be significantly affected by global downturns or in individual significant markets.

EMERGING MARKETS

In 2008, we derived approximately 46% of our revenues from emerging markets defined as countries outside Western Europe and North America other than Japan, Australia and New Zealand. Our growth strategy focuses on opportunities in emerging markets, and we expect that an increasing portion of our total revenues and earnings will continue to flow from these markets. Following the acquisition of Orascom Cement in January 2008, approximately 63% of the 2008 consolidated sales of our Cement Division came from these markets.

Our increased presence in emerging markets exposes us to risks such as gross domestic product volatility, significant and unstable currency fluctuations, political, financial and social uncertainties and turmoil, high rates of inflation, the possible implementation of exchange controls, less certainty concerning legal rights and enforcement mechanisms and the possible nationalization or expropriation of privately-held assets, any of which could damage or disrupt our operations in a given market. While we have attempted to manage these risks by spreading emerging

markets operations among a large number of countries (with no individual country representing over 6% of our consolidated current operating income before capital gains, impairment, restructuring and others), our diversification efforts will not enable us to avoid risks that affect multiple emerging markets at the same time.

As an example of the risks we face, in April 2008, Venezuelan authorities announced plans to nationalize Venezuela's cement industry. On August 18, 2008, Lafarge and representatives of the Venezuelan authorities signed a preliminary agreement ("memorandum of understanding") agreeing to nationalization terms. However, the final agreements, in particular relating to compensation for the nationalization, have not been signed within the agreed time period for reasons beyond our control. While we remain committed to finding a solution through negotiations, we have served a notice of dispute under the France-Venezuela bilateral investment treaty dated July 2, 2001 and are contemplating initiating arbitration proceedings before the International Centre for Settlement of Investment Disputes (ICSID). The Venezuelan activities in question only account for approximately 1% of the sales and net income of the Group.

CLIMATE AND NATURAL DISASTERS

Our presence in 79 countries increases our exposure to meteorological and geological risks such as natural disasters, climate hazards or earthquakes which could damage our property or result in business interruptions, and which could have a material adverse effect on our operations. We have put in place a specific process relating to natural events to identify the sites most at risk and classify potential losses depending on their financial impact by event, country or financial year and probability of occurrence. The current outcome of this process is that the following countries where Lafarge

is present are currently believed to present a natural disaster risk: Algeria, Saudi Arabia, Bangladesh, Chili, China, Egypt, Greece, Indonesia, Jordan, Morocco, Philippines, Syria and Turkey. These countries represent approximately 15% of our consolidated sales. In the future, other countries may be exposed to meteorological and geological risks.

See Section 2.2.2 (Risk management systems) and Section 2.3 (Insurance and risk coverage) for more information on risk management by the Group.

Energy and fuel costs

Our operations consume significant amounts of energy and fuel, the cost of which can fluctuate significantly in many parts of the world. The price of energy has varied significantly in the past several years and may vary significantly in the future largely as a result of market conditions and other factors beyond our control, including significant volatility in oil prices.

While we take a number of steps designed to manage the risk of energy and fuel costs, these measures may not be fully effective to protect us from this risk. For example, we sometimes enter into medium-term supply contracts.

Our centralized purchasing organization at Group and regional level also gives us more leverage with our suppliers when sourcing for energy and fuel, enabling us to obtain the most competitive terms and conditions. Nonetheless, if our supply contracts contain indexation clauses, they will not protect us from fluctuations in energy prices. Similarly, if we enter into fixed price contracts when prices are high, we will not benefit if energy prices subsequently decline.

We also use derivative instruments, such as forward energy agreements on organized markets or on the over the counter (OTC) market, to manage our exposure to commo-

dity risk. In addition, we encourage our plants to use a variety of fuel sources, including alternative fuels such as used oil, recycled tires and other recycled materials or industrial by-products, which has resulted in less vulnerability to price increases. While these protective measures can be useful, they may not fully protect us from exposure to energy price volatility.

As a result, in spite of these measures, energy and fuel costs have significantly affected, and may continue to affect, our results of operations and profitability.

See Sections 2.1.2 (Financial and Market risks) and 3.3 (Business description) for further information and Section 2.2.2 (Risk management systems) and 4.5 (Market Risks) for more information on how the Group manages this risk.

Sourcing and access to raw materials

We generally maintain reserves of limestone, gypsum, aggregates and other materials that we use to manufacture our products. Increasingly, however, we obtain certain raw materials from third parties who produce such materials as by-products of industrial processes, such as synthetic gypsum, slag and fly ash. In general, we are not dependent on our raw materials suppliers and we try to secure the supply of these materials needed through long-term renewable contracts and framework agreements, which ensure better management of our supplies. We do, however, have short-term contracts in certain countries. Should our existing suppliers cease operations or reduce or eliminate production of these by-products, our sourcing costs for these materials may increase significantly or we may be required to find alternatives to these materials.

Access to the raw materials necessary for our operations is a key consideration in our investments. We actively manage the quar-

ries we operate or expect to operate in order to secure long-term sourcing. We usually own or hold long-term land and mining rights on the quarries of raw materials essential to our operations spread in a large number of countries across the world, and are managing with the necessary care the time-consuming and complex process to obtain and renew our various rights and permits. However, failure to obtain or maintain these land and mining rights or expropriation as a result of local legislative action could have a material adverse effect on the development of our operations and results.

See Section 3.3 (Business description) for further information on our quarries and Section 2.2.2 (Risk management systems) for more information on how the Group manages this risk.

Industrial risks relating to safety and the environment

While our industrial processes are very well known and are dedicated to the production of cement, gypsum, aggregates and concrete, which are not usually considered to be hazardous materials, our operations are subject to environmental and safety laws and regulations, as interpreted by relevant agencies and the courts, which impose increasingly stringent obligations, restrictions and protections regarding, among other things, land use, remediation, air emissions, waste and water, health and safety. The costs of complying with these laws and regulations could increase in some jurisdictions.

See Section 3.5 (Environment) for more information on the impact of environmental matters on our operations, our environmental policy and our various environmental initiatives. See Section 2.2.2 (Risk management systems) for more information on how the Group manages these risks.

See Notes 2.3 and 24 to our consolidated financial statements.

Risks related to our financial organization

Lafarge S.A. is a holding company with no significant assets other than direct and indirect interests in the numerous subsidiaries.

A number of our subsidiaries are located in countries that may impose regulations restricting the payment of dividends outside the country through exchange control regulations. To the best of our knowledge, aside from North Korea, there are currently no countries in which we operate that prohibit the payment of dividends.

Furthermore, the continued transfer of dividends and other income from our subsidiaries may be limited by various credit or other contractual arrangements and/or tax constraints, which could make such payments difficult or costly.

Should such regulations, arrangements and constraints restricting the payment of dividends be significantly increased in the future simultaneously in a large number of countries where we operate, it might impair our ability to make shareholders distributions in line with announced proposals.

See Section 2.2.2 (Risk management systems) for more information on how the Group manages these risks.

Competition - Competition Law Investigations

Each of our three Divisions operates in markets where competition is strong. Competition, whether from established market participants or new entrants could cause us to lose market share, increase expenditures or reduce pricing, any one of which could have a material adverse effect on our business, financial condition, results of operations or prospects. The factors affecting our competitive environments include barriers to entering our markets, pricing policies and the financial strength of competitors and proximity to natural resources.

Given the worldwide presence of our three Divisions and the fact that we sometimes operate in markets where the concentration of market participants is high, we are currently, and could in the future be, subject to investigations and civil or criminal proceedings by competition authorities for alleged infringement of antitrust laws. These investigations and proceedings can result in fines or civil or criminal liability, which may have a material adverse effect on our image and financial condition and results of operations of some of the Group's Divisions, particularly given the level of fines imposed by European authorities in recent cases.

As an example of investigation, in November 2008, the major European cement companies, including Lafarge, were placed under investigation by the European Commission for alleged anti-competitive practices. At this stage, given the fact-intensive nature of the issues involved and the inherent uncertainty of such litigation and investigations, we are not in a position to evaluate the possible outcome of this investigation.

We are committed to the preservation of vigorous, healthy and fair competition and to compliance with relevant antitrust laws in countries where we operate. In line with this objective, the Group has a competition policy and a competition compliance program described in Section 2.2.2 of the present Chapter. Nonetheless, these procedures cannot provide absolute assurance against the risks relating to these issues.

See Note 29 to our consolidated financial statements for further information relating to competition law proceedings involving our Group.

See Section 3.3 (Business description) for a description of our competitors in each of our markets. See Note 29 to our consolidated financial statements for further information on material legal and arbitration proceedings. See Section 2.2.2 (Risk management systems) for more information on our competition policy and on how the Group manages this risk.

Litigation

Our Group has worldwide operations and our subsidiaries are required to comply with applicable national and local laws and regulations, which vary from one country to another. As part of our operations we are, or could be in the future, involved in various claims, legal and arbitration proceedings. New proceedings may be initiated against the Group's entities in the future.

See Note 29 to the consolidated financial statements for more information on material legal and arbitration proceedings.

Risks related to minority shareholders and certain equity investments

We conduct our business through operating subsidiaries. In some instances, third-party shareholders hold minority interests in these subsidiaries. While we generally consider this positively by entering into such partnerships or investments, various disadvantages may also result from the participation of minority shareholders whose interests may not always coincide with ours. Some of these disadvantages may, among other things, result in our inability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively.

In addition, we do not have a controlling interest in some of the businesses in which we have invested and may make future investments in businesses in which we will not hold a controlling interest. Certain key matters, such as the approval of business plans and the timing and amount of dividends, may require the consent of our partners or may be approved without our consent.

These and other limitations arising from investments in companies we do not control may prevent us from achieving our objectives for these investments.

See Section 3.4 (Organization) for further information on our relationship with minority shareholders within our subsidiaries and Section 2.2.2 (Risk management systems) for more information on how the Group manages these risks.

Seasonality and weather

Construction activity, and thus demand for our products, decreases during periods of cold weather, snow, or heavy or sustained rainfall. Consequently, demand for our products is lower during the winter in temperate countries and during the rainy season in tropical countries. Our operations in Western Europe, North America and similar markets are seasonal, with sales generally increasing during the second and third quarters because of usually better weather conditions. However, high levels of rainfall can adversely affect our operations during these periods as well. Such adverse weather conditions can materially affect our results of operations and profitability if they occur with unusual intensity, during abnormal periods, or last longer than usual in our major markets, especially during peak construction periods.

Acquisition-related accounting issues

As a result of our significant acquisitions in recent years (including the Orascom acquisition in January 2008), many of our tangible and intangible assets are recorded in our consolidated balance sheet at amounts based on their fair value as of the acquisition

date. We have also recorded significant goodwill (we had 13.4 billion euros of goodwill in our consolidated balance sheet as of December 31, 2008, including 6.3 billion euros relating to the Orascom Cement acquisition). In accordance with IFRS, we are required to test goodwill for impairment, as described in more details in the Note 10 to our consolidated financial statements. We recorded in 2008, 250 million euros of goodwill impairment charges (200 million euros of which related to our UK cement Cash Generating Unit (CGU), and the remainder of which related to our North American Aggregates and Concrete CGU). The goodwill impairment test is performed generally once a year. Depending on the evolution of the recoverable value of CGU, which is mostly related to future market conditions, further impairment charges might be necessary and could have a significant impact on our future operating results.

2.1.2 Financial and Market risks

Indebtedness

We are exposed to different market risks, which could have a material adverse effect on our financial condition or on our ability to meet our financial commitments. In particular, our access to global sources of financing to cover our financing needs or repayment of our debt could be impaired by the deterioration of the financial markets or downgrading of our credit rating. At December 31, 2008, our net debt (which includes put options on shares of subsidiaries and derivative instruments) amounted to 16,884 million euros, and our gross debt amounted to 18,281 million euros (excluding put options on shares of subsidiaries, amounting to 340 million euros and deriva-

tive instruments). 4,472 million euros of our gross debt as of December 31, 2008 was due in one year or less, including 194 million euros of put options on shares of subsidiaries that could be exercised in one year or less. While we have announced certain measures designed to improve our financial structure (such as a share capital increase), we cannot give any assurance that we will be able to implement these measures effectively or that we will not require further measures in the future.

Our financing agreements and those of our subsidiaries contain covenants, some of which require us or our subsidiaries to comply with certain financial ratios. Our agreements and those of our subsidiaries also include cross-acceleration clauses. Our principal covenants are described in Note 25(e) to our consolidated financial statements. If we, or under certain conditions, our subsidiaries, fail to comply with our or their covenants, then our lenders could declare default and accelerate a significant part of our indebtedness.

If the construction sector deteriorates further, consequently reducing operating cash flows, we may come under liquidity pressure, depending in particular on conditions in the credit markets. In addition, our high level of outstanding debt could have adverse consequences, including by impairing our ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes, and limiting our flexibility to adjust to changing market conditions or withstand competitive pressures, resulting in greater vulnerability to a downturn in general economic conditions.

Our financial costs and our ability to raise new financing can be significantly impacted by the level of our credit ratings. Our long-term corporate credit ratings are currently BBB- (stable outlook) according to Standard & Poor's Ratings Services, and Baa3 (outlook

negative) according to Moody's Investor Services. The ratings agencies could downgrade our ratings either due to factors specific to us or a prolonged cyclical downturn in the construction sector. Any decline in our credit rating would increase our cost of borrowing and could significantly harm our financial condition, results of operations and profitability, including our ability to refinance our existing indebtedness.

Interest Rate Risks

Interest rate levels have a direct influence on our financing expenses. Although we manage our exposure to interest rates to some extent, it cannot immunize us fully from interest rate risks. As of December 31, 2008, 11,604 million euros of our gross debt of 18,281 million euros (excluding put options relating to shares of subsidiaries and derivative instruments) bore interest at floating rates. An increase of 1% in average market interest rates would have had a negative impact of 116 million euros on our financing costs in 2008.

Currency exchange risks

We hold assets, earn income and incur expenses and liabilities directly and through our subsidiaries in a variety of currencies. Our financial statements are presented in euros. Therefore, when we prepare our financial statements, we must translate our assets, liabilities, income and expenses in other currencies into euros at then-applicable exchange rates. In 2008, we earned approximately 74% of our revenues in currencies other than the euro. Consequently, increases and decreases in the value of the euro in respect of these other currencies will affect the value of these items in our financial statements, even if their value has not changed in their original currency. For example, an increase in the value of the euro may result in a decline in the reported value,

in euros, of our interests held in foreign currencies.

See Note 25 to our consolidated financial statements for further information and Sections 4.4 (Liquidity and capital resources) and 4.5 (Market risks) for more information on our exposure to foreign exchange risk, interest risk, equity risk and other market risks.

See Section 2.2.2 (Risk management systems) for more information on how the Group manages these risks.

Pension plans

We have obligations under defined benefit pension plans, principally in the United Kingdom and North America. Our funding obligations depend upon future assets performance, the level of interest rates used to discount future liabilities, actuarial assumptions and experience, benefit plan changes and government regulations. Because of the large number of variables that determine pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for our pension plans and other post-employment benefit plans could be significantly higher than currently estimated amounts. If so, these funding requirements could have a material adverse effect on our business, financial condition results of operations or prospects.

See Section 4.1 (Overview - Critical accounting policies) and Note 23 to the consolidated financial statements for more information on pension plans. See Section 2.2.2 (Risk management systems) for more information on how the Group manages these risks.

2.2 Risk management

In order to ensure the sustainability of its business development and to meet the targets defined by its Executive Committee, the Group must make ongoing efforts to prevent and control the risks to which it is exposed.

Risk management requires establishing standard procedures to identify and analyze the main risks to which the Group is exposed and deploying and managing on an ongoing basis risk management systems designed to eliminate or reduce the probability that risks will arise and to limit their impact.

2.2.1 Risk identification and analysis

Risk identification and analysis are structured around several coordinated approaches conducted within the Group under the responsibility of the Group Executive Committee.

A risk mapping study was carried out in 2007 and submitted to the Audit Committee. The main areas identified have been subjected to in-depth analysis and development of action plans, which were implemented in 2007 and 2008.

As part of the Group's management cycle, strategic reviews of all Group operational units are conducted periodically by the heads of the operational units, the Divisions and the Group. These strategic reviews include an analysis of the main risks to which the operational entities are exposed.

Every year, an analysis of risks related to the reliability of financial information, asset protection and fraud detection and prevention is performed at Group level by the Internal Control department, in conjunction with the relevant functional departments. This analysis serves as a basis for updating the Group's internal control standards, which are deployed across the Group's main operational units, the Divisions and within the Group's functional departments.

The annual audit plan drawn up by the Group Internal Audit and approved by the Audit Committee takes into account the various analyses described above. In preparing this plan, Group Internal Audit also conducts a large number of interviews and

corroborates or supplements these analyses. Implementation of this plan and the summary of work presented to the Group Executive Committee and Audit Committee lead to more in-depth analyses in certain areas and contribute to the ongoing risk identification process.

2.2.2 Risk management systems

Active risk management plan based on the risk identification and analysis work described above has been in place within the Group for several years. It is continually adjusted in response to new issues and risks to which the Group is exposed.

General risk management framework and code of conduct

RESPONSIBILITY AND PRINCIPLES UNDERLYING RISK MANAGEMENT

Generally speaking, the heads of the Divisions, operational units and functional departments are responsible for defining and/or applying the measures required to reduce the Group's risk exposure.

Risk management is based primarily on certain defining principles, such as:

- the Group's principles of action, which set out the Group's commitments to customers, employees, local community institutions and shareholders, and explain the "Lafarge Way", i.e. the Group's management philosophy;
- the principles of organization, which define responsibilities at different levels within the organization (unit, Division, Group), the different factors in the management cycle and key principles for improving performance.

These principles are communicated on an ongoing basis and are a major component of preventive management of the Group's main risks by defining the Group's fundamental values and clearly identifying the responsibilities of each staff member.

In addition, the Group and each functional department have defined a set of complementary policies and rules. The functional managers, their staff and the operational unit managers are in charge of disseminating and applying these policies and rules to ensure that practices are consistent at each

level of the organization. All of these rules have been gradually gathered to facilitate their implementation.

CODE OF CONDUCT

As a core part of its policies, in 2004, the Group adopted a Code of Business Conduct that sets out the principles of conduct that each individual is to adopt in every day business situations. The Code of Business Conduct is essential in preventing many risks, by setting out the issues, recommendations and prohibitions applying primarily to the following: compliance with laws and regulations, abiding by free competition, prevention of the risk of corruption, insider trading, conflicts of interest, participation in politics, health and safety, prevention of discrimination and harassment, respect for the environment, protection of assets, reliability of information, importance of internal control and application of sanctions in case of violations.

In 2008, an action was initiated to strengthen the dissemination of the Business Code of Conduct and its appropriation by all Group employees. This training programme, which is based on concrete case studies drawn from business examples and was reviewed by Transparency International and the International Chamber of Commerce, is in the process of being rolled out.

ASSET PROTECTION

For many years, the Group has been defining policies and practices implemented for the purpose of protecting its assets, both tangible (fixed assets, inventories, accounts receivable, financial assets, etc.) and intangible (brand, information, know-how, patents, etc.). The application of these policies has been strengthened by the establishment of internal control standards in the Group's main operational units and functional departments, with one main objective being the safeguard of assets.

FRAUD PREVENTION PROGRAMME

The Group has a programme designed to prevent, deter and detect fraud. This programme has been gradually reinforced since 2004 and encompasses:

- the Code of Business Conduct, which provides a general framework in this area;

- a procedure that was defined and deployed for reporting and monitoring cases of fraud and breaches of the Code of Business Conduct, which requires that each case be reported to Group through the various channels set out in this procedure and defines the role of the different parties involved (Group heads of the operational units, Legal department, Internal Audit and Internal Control), the various types of fraud and the course to be followed in case of suspected fraud;
- an ethics line set up to enable employees, anywhere in the world, to exercise their whistleblowing rights, to report any breach of the rules laid down in the Code of Business Conduct and, more specifically, to report cases of fraud. The guidelines issued by the CNIL (the French national data protection and privacy agency) were used to set up this system;
- the Group's internal control standards, which cover many key controls that directly and indirectly target the risk of fraud and have been widely deployed;
- more generally, the body of rules, procedures and controls applied within the Group's organizations.

Systems for managing specific risks

In particular, risk management systems have been developed and applied in the following areas:

- Management of the Group's asset portfolio;
- Actions to secure access to raw materials;
- Environmental risk management and safety program;
- Antitrust compliance program;
- Financial and market risks management.

These systems are defined by precise objectives, which are approved by the Group's governing bodies, the use of dedicated tools and resources to achieve these objectives, and a set of oversight and monitoring actions to ensure that they are properly implemented.

MANAGEMENT OF THE GROUP'S ASSET PORTFOLIO

Management of the Group's asset portfolio mainly entails:

- active monitoring of country risks, particularly those arising from the economic, political and social climate;
- a process for geographic modeling of natural disaster risks;
- a structured decision-making process for investments and divestments;
- a system to optimize flows of funds into the Group.

The Group strategy department has defined a methodology for measuring and monitoring country risk trends over time. This analysis is conducted annually and is taken into account in defining the Group's asset management strategy. With the support of these analyses, the Group continues to diversify its portfolio geographically and exercises care to ensure that no given emerging country accounts for a material percentage of its assets and current operating income.

The Group's Insurance department has developed a process for modeling natural event risks with the primary aim of setting up insurance programmes to secure optimum coverage for such risks.

Acquisitions and disposals are subject to review and approval at various levels as a function of their materiality, upon completion of each phase – economic opportunity study, feasibility study and detailed study. The Risk and Portfolio Committee reviews the risks and rewards of each acquisition or disposal project submitted thereto, based on an assessment report that covers the strategic, business and financial, legal, tax, HR, and technical aspects (status of assets and mineral reserves, energy access conditions), as well as aspects related to sustainable development. A risk and opportunity analysis is performed in each of these areas.

Lastly, for companies in which the Group has invested but that it does not control, a Dividends Committee, in which the Group's Tax, Legal, Control and Consolidation and Treasury departments are represented,

determines how to optimise returns of cash to the Group.

ACTIONS TO SECURE ACCESS TO CERTAIN RAW MATERIALS

Management of the risk associated with access to raw materials is organized upstream in the Group's development process, primarily through actions to secure long-term access to resources *via* acquisitions and development projects and ongoing management of land resources and other supply sources.

MANAGEMENT OF ENVIRONMENTAL, HEALTH AND SAFETY RISKS

The Group takes many measures to manage the environmental impact of its business operations. The Group's Environmental and Public Affairs department monitors the application of its environmental policy throughout all Group entities. This policy covers managing production facilities in compliance with the law, minimizing quantities of non-renewable resources used, minimizing waste production and implementing quarry rehabilitation plans. Audits and performance controls are carried out to ascertain that standards and performance targets are met.

The Group is engaged in an ambitious programme to improve its performance in terms of the health and safety of persons who work on its sites. This is being accomplished by defining and deploying specific rules and standards, as well as through systematic analyses of the causes of serious incidents, and by disseminating information on lessons learned and good practices throughout the sites. All Group operational units have been mobilized to implement these standards, which are gradually reducing accident risks. The main existing standards apply to working at heights, the wearing of protective equipment, reporting and analyzing incidents and accidents, and overseeing the safety of work outsourced to subcontractors.

ANTITRUST COMPLIANCE PROGRAMME

In 2007, the Group reviewed its antitrust policy in order to draw from its experience, to ensure that Group employees are aware of the importance of fighting antitrust practices and to ascertain worldwide application of Group policy, which aims to comply with the letter of antitrust laws and regulations in every country where our business Divisions operate. The antitrust compliance programme is being deployed steadily and continuously worldwide through a number of awareness-building and training actions for the Group's business Divisions and employees, as well as verifications and information reporting through a dedicated

network of antitrust coordinators based in the Group's main subsidiaries.

FINANCIAL AND MARKET RISK MANAGEMENT

Management of financial and market risks (currency and interest rate risk, liquidity risk, equity risk and risk of price volatility for energy sources used in the production cycle) is centralized by the Group Finance department, which works jointly with the Group Purchasing department for energy source issues. The targets determined by the Group's Executive Committee to cover these risks are laid down in a set of policies that also define the responsibilities of the different parties involved.

Approval must be secured from the Group Finance department for all operations or transactions involving setting up financing and guarantees for a term of more than one year, the use of hedging instruments or derivatives and the distribution of dividends.

Lafarge actively participates in the selection and monitoring of financial assets covering pension benefit obligations by participating in Board of Directors meetings of the entities that manage these funds.

2.3 Insurance and risk coverage

The Group's general insurance policy is based on the following key principles:

- implement prevention and protection actions in order to mitigate risks;
- retain exposure to frequency risks through self-retention, including captive schemes;
- transfer only severity risks, above the self-retention threshold, to the insurance and reinsurance markets. Special attention is given to the financial strength of market participants;
- cover under Group-wide insurance policies, subsidiaries in which we own a majority shareholding, subject to local regulatory constraints and specific geographical exclusions.

Property damage and business interruption insurance

This insurance program covers property losses following fire, explosion, natural disasters, machinery breakdown, etc. and related business interruption, if any. This program provides worldwide coverage. Assets are insured at their actual cash value. Total insured values amount to 24.2 billion euros. Potential loss scenarios for the largest sites are evaluated with specialized engineers from an external consulting firm. In the

global process of integration of Orascom's plants in the insurance programs, these evaluations were updated in December 2008: the fire highest "Maximum Foreseeable Loss" per site remains lower than 200 million euros apart for the Group's Egyptian cement plant, for which it could reach 270 million euros.

Due to the highest "Maximum Foreseeable Loss" in Egypt, an additional 70 million euros coverage has been taken for this plant in 2009 (i.e. a global cover for Egypt of up to 270 million euros). The Group "Property Damage and Business Interruption" program limit remains at 200 million euros per claim, with sub-limits usually set by insurance companies.

Further to the earthquake that affected our cements assets in the Sichuan region of China on May 12, 2008 the Group purchased a full reinstatement of the earthquake insurance cover.

The Group has implemented a regular modeling process of risks linked to natural disasters, based on the best tools used by international insurers and reinsurers. This process aims at identifying the sites with main exposure, classifying potential losses according to their financial impact per event,

country, period and to their occurrence probability, in order to adjust the coverage of the Group's assets. This process covers modelisable risks (earthquake, flood, storm, hurricanes, cyclones) based on hypotheses and available data.

The number and the diversified geographical location of the Group's industrial sites all over the world contribute to mitigate the risk of high business interruption exposure.

Lastly, the loss control program was continued and extended compared to previous years. Qualified loss prevention engineers from an external consulting firm carried out a total of 93 site surveys in 2008 (71 in 2007), including Orascom sites. The major sites are ranked and benchmarked internally. Key recommendations to improve the property damage risks were issued as Standards by the cement Division early 2008. The implementation of such Standards is mandatory for all of the Group sites and will progressively be conducted.

Liability insurance

Public liability, product liability, directors and officers' liability, charterer's liability and environmental impairment policies are the main liability-type policies within the Group.

They cover amounts commensurate with the nature of Lafarge's business activities, the relevant countries, loss experience and available capacity in the insurance and reinsurance markets. Within the global public and product liability program, Lafarge North America Inc. has its own stand-alone primary casualty insurance program designed to cover the specific liability risks in North America.

Insurance captives

The Group has one insurance and two reinsurance captives located in Europe to manage the frequency risk of the Group's subsidiaries. The level of risk retained by these captives stands at a maximum of two million euros per casualty claim and five million euros per property damage claim.

In North America, the Group operates two insurance captives covering workers compensation, auto liability and general liability coverage. The maximum risk retained by these captives ranges from two million to five million dollars per claim, depending on the type of coverage.

The total cost of the Group's insurance programs, including the risks self-insured *via* the captives, amounted to 3.05 per thousand of the revenues of the insured perimeter in 2008.


URBAN FURNITURE.

made with fiber reinforced
ultra high performance
concrete Ductal®, place des
Nations, Geneva, Switzerland,
by architects Christian Drevet,
Arlette Ortis and Sandra Robyr.

3

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General Presentation

Lafarge S.A. is a limited liability company incorporated in France and governed by French law (*société anonyme*). The Group produces and sells building materials – cement, aggregates, concrete, gypsum wallboard, and related products – worldwide, primarily under the “Lafarge” brand. Based on sales, the Group is the world leader in building materials. Our products are used to build and renovate residential, commercial and public works throughout the world. Based on internal and external research, we are believed to be the world leader in the cement market, the second largest aggregates producer, the third largest concrete producer and the third largest gypsum wallboard manufacturer worldwide.

Its reporting currency is the euro (€). In 2008, the Group generated 19,033 million euros in sales, and posted a current operating income (*as defined in Section 4.1 (Overview – Definition)*) of 3,542 million euros and net income, Group share of

1,598 million euros. At year-end 2008, its assets totaled 40,608 million euros. At year-end 2008, it employed approximately 84,000 people in the 79 countries in which it operates. Its shares have been traded on the Paris Stock Exchange since 1923. They are a component of the French CAC 40 market index (and have been since its inception) and are included in the SBF 250 index. Its market capitalization totaled 6.5 billion euros at the March 13, 2009 market close, including 15 million euros attributable to its treasury shares.

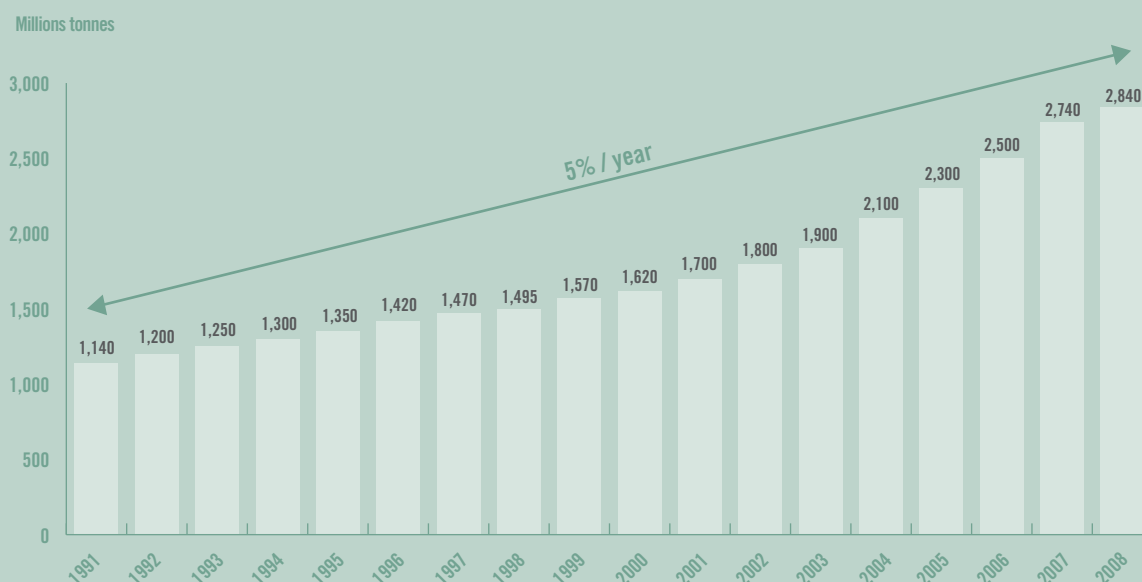
Our Strategy

The Group's strategy aims at strengthening our position as world leader in building materials, in terms of market share, corporate image with customers, geographic deployment, innovation and profitability.

We have two strategic priorities: cement, notably in fast-growing markets, and innovation, especially in concrete.

World cement consumption has significantly increased over the last ten years, with an average increasing rate of 5% per year. Although the current economic and financial crisis may incur a slowdown in demand in 2009, the mid and long term prospects remain favorable notably in emerging markets, which now account for 60% of Group earnings (66% for the cement division). With our program aiming at boosting the production capacity launched in 2006, whose implementation planning was adjusted in order to take into account the current economic crisis and the acquisition of Orascom Cement in January 2008, we are very well placed to benefit from this growth. Most of our new production capacity projects are located in emerging markets. We are particularly determined to accelerate the pace of our development in China, where we intend to double our production capacity to 50 million tonnes by 2012.

EVOLUTION OF THE CEMENT WORLD MARKET



Sources: Cembureau, Lafarge estimates, JP Morgan.

The second strategic priority is innovation, especially in concrete with the brands Agilia®, Chronolia®, Extensia® and Artevia®. By 2012, high value-added products should account for 35% of Lafarge's ready-mix concrete production in terms of volume.

Growth and innovation must benefit not only the Group but also our customers: ultra-modern production facilities close to their markets and innovative products that provide them with greater satisfaction.

The Group also has three operating priorities:

- the first one is the safety of the women and men who work within the Group day after day, be they on the payroll or sub-contractors, and whether they work on site or on the road. In 2008, we managed

to reduce by 12% the number of workplace accidents resulting in sick leave, demonstrates our commitment to achieving results in this area;

- the Group's second operating priority is cost cutting. This objective was reflected in our 2008 results and in the improvement of our operating margin. The Group is also striving to optimize its organizational efficiency by simplifying and streamlining its operations to enhance its ability to plan ahead and work effectively;
- thirdly, we have major ambitions in terms of sustainable development. All our manufacturing facilities must meet the Lafarge standard, a unique program based on three themes: combating climate change by maintaining our target of

reducing greenhouse gas emissions by 20% worldwide between 1990 and 2010; setting up a biodiversity plan for all our quarries with the potential to preserve rare species of fauna and flora; and ensuring the safest possible environment for our employees, while helping to improve the medical care and awareness in the neighboring communities, all around the world.

We estimate that the Group's strategy gives us every possible chance of being recognized as the best creator of value by our shareholders, the best supplier of products and services by our customers, the best employer by our employees and the best partner for the communities in which we operate.

3.1 History and Development of the Group

Lafarge S.A. was incorporated in 1884 under the name "J. et A. Pavin de Lafarge". Our corporate term is due to expire on December 31, 2066 and may be extended pursuant to our by-laws. Our registered office is located at 61, rue des Belles Feuilles, 75116 Paris, France, and our telephone number is + 33 1 44 34 11 11. We are registered under the number "542 105 572 RCS Paris" with the registrar of the Paris Commercial Court (*Tribunal de commerce de Paris*).

We began operating around 1833 when Auguste Pavin de Lafarge set up a lime operation in France. Through numerous acquisitions of lime and cement companies throughout France, we became France's largest cement producer by the late 1930s. Our first foray outside France took place in 1864 when we supplied lime for construction of the Suez Canal. Our international expansion continued in the twentieth century when we set up operations in North Africa and the United Kingdom and later when we began doing business in Brazil and Canada. Through our 1981 acquisition of General Portland Inc., we became one of the largest cement manufacturers in North America.

We conduct these operations principally through Lafarge North America Inc., now a wholly owned subsidiary following our acquisition on May 16, 2006 of the interests previously held by minority shareholders. We further expanded internationally through the purchase of Blue Circle Industries plc ("Blue Circle") in 2001 and further acquisitions, mainly around the Mediterranean Basin, in Eastern Europe and in Asia. The January 2008 acquisition of Orascom Building Materials Holding S.A.E., the cement activities of the Orascom group provided us with a leading position and unparalleled exposure to the Middle East and Mediterranean Basin. This transaction represented a decisive step in the Group's Cement strategy and accelerates our growth in the emerging markets.

We are the world leader in the cement industry, with production facilities in 50 countries.

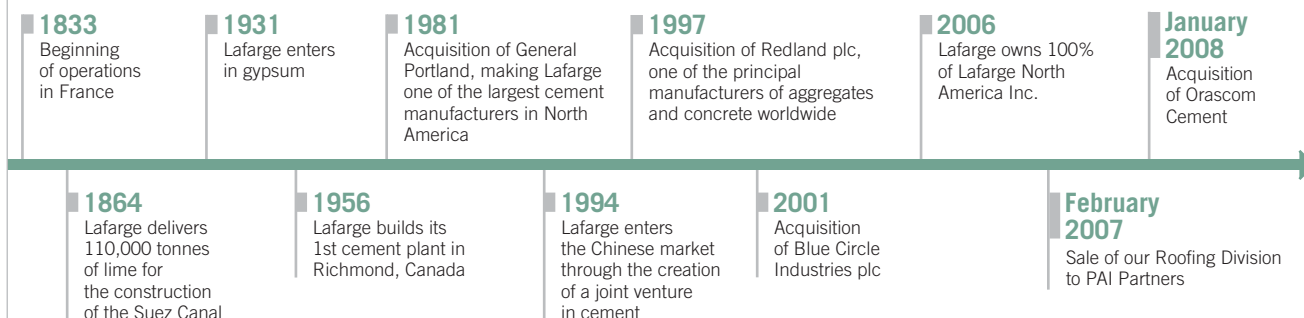
We have also broadened our other long-standing product lines of aggregates, concrete and gypsum plasterboard. Our aggregates and concrete business, now operating in 40 countries, made a significant

leap forward in 1997 with the acquisition of Redland plc, one of the principal manufacturers of aggregates and concrete worldwide at the time, and to a lesser extent through our acquisition of Blue Circle in 2001. We first entered the market for gypsum products in 1931, with the production of powdered plaster. Since then, we have become the world's third largest wallboard producer, offering a full range of gypsum-based building solutions, with operations in 29 countries.

In February 2007, we sold our Roofing Division, which came on board through our 1997 acquisition of Redland plc. We retained a 35% minority interest in the new entity.

We have an organizational structure predicated on our three Divisions, with decentralized local operations and strong corporate expert departments, which are involved in strategic decisions. The Group is underpinned by an ambition and culture shared by all our employees, and which are translated by our principles of action.

KEY DATES IN LAFARGE'S HISTORY



3.2 Investments

3.2.1 Significant recent acquisitions

Lafarge North America Inc. In 2006, we acquired the interest in Lafarge North America Inc. previously held by minority shareholders through a public tender offer launched on February 21, 2006. Lafarge North America Inc. is now a wholly-owned subsidiary.

Heracles. On April 19, 2007, we increased our stake in Greek company Heracles by 26% through the acquisition of approximately 18.5 million shares from National Bank of Greece. We have continued to acquire Heracles shares during the course of 2007 and 2008, lifting our equity interest to 88.99% at December 31, 2008. Heracles is Greece's largest cement manufacturer and also has aggregates and concrete operations.

Orascom Cement. On January 23, 2008, we acquired 100% of the company holding the cement activities of Orascom Construction Industries S.A.E ("OCI").

At December 31, 2008, the acquisition price as adjusted amounted to 8,321 million euros.

Following this acquisition, we signed an agreement on February 8, 2008 to purchase the 50% stake not held by Orascom Building Materials Holding Company S.A.E. in Grupo GLA in Spain. The acquisition of 100% of Grupo GLA (comprising of the 50% stake held by Orascom Cement and the 50% stake held by its partner) was completed simultaneously on April 1, 2008.

See Sections 6 (Major shareholders), 8.1 (Share capital) as well as Note 3 (a) to our consolidated financial statements for more information on this transaction.

L&T Concrete. On October 23, 2008, we acquired the L&T Concrete business of the Larson & Tourbo group in India, corresponding to 69 concrete plants. This acquisition establishes Lafarge as the leader in the Indian ready-mix concrete market.

See Note 10 (b) to our consolidated financial statements for more information on this acquisition.

In addition, over the past three years, we have acquired several small-to-medium sized businesses. These acquisitions had an overall positive effect on our revenues of 227 million euros in 2008 compared with 2007 and 190 million euros in 2007 compared with 2006.

3.2.2 Significant recent divestitures

Materis. In April 2006, we sold our 7.27% stake in Materis Holding Luxembourg S.A. We no longer have any equity interest in Materis Holding Luxembourg S.A. or in any entity of the Materis group at large.

Turkey. On February 27, 2007, we sold our 50% interest in Turkish company Yibitas Lafarge Orta Anadolu Cimento to Cimentos de Portugal (Cimpor).

Roofing. On February 28, 2007, we sold our Roofing Division to an investment fund managed by PAI Partners, we retain a 35% stake in the new entity housing the Roofing business.

Egypt. On May 6, 2008, we sold our 50% stake in our joint venture Lafarge Titan Egypt Investments Ltd to our Greek partner Titan. The assets of the joint venture included two cement plants in Egypt, located in Alexandria and Beni Suef. Following this transaction we remain a leading player in the Egyptian building materials sector through our Cement and Aggregates & Concrete operations in Egypt, acquired as a result of our investment in Orascom Cement.

See Note 3 (b) to our consolidated financial statements for more information on this transaction.

Italy. On December 31, 2008, we sold our Cement and Aggregates & Concrete operations in Italy to the Italian group Sacci including two cement plants in the Lombardia and Abruzzo regions, 13 ready-mix concrete plants and three aggregates quarries in Abruzzo, and four cement terminals along the east coast of the country. As a result of this divestment we do not retain any operations in Cement, Aggregates & Concrete in Italy.

See Note 3 (b) to the consolidated financial statements for more information on this transaction.

In total, divestitures during the last three years reduced the Group's sales from continuing operations by 91 million euros in 2008 compared with 2007, and 104 million euros in 2007 compared with 2006.

3.2.3 Summary of our Consolidated Capital Expenditures in 2008, 2007 and 2006

The following table presents the Group's capital expenditures for each of the three

years ended December 31, 2008, 2007 and 2006. Sustaining expenditures serve to maintain or replace equipment, while internal development expenditures are intended to enhance productivity, increase capacity or build new production lines.

External development expenditures are devoted to the acquisition of production assets and equity interests in companies, net of cash and cash equivalents of companies acquired.

	SUSTAINING AND INTERNAL DEVELOPMENT EXPENDITURES			EXTERNAL DEVELOPMENT EXPENDITURES		
(million euros)	2008	2007*	2006*	2008 **	2007*	2006*
Western Europe	611	568	470	1,058	973	76
North America	441	409	522	89	181	3,055
Middle East	435	80	42	3,248	0	2
Central & Eastern Europe	319	257	98	503	18	52
Latin America	132	117	75	15	0	47
Africa	476	258	177	3,506	8	10
Asia	371	278	143	557	23	45
TOTAL	2,785	1,967	1,527	8,976	1,203	3,287

* 2007 and 2006 have been adjusted to reflect the classification of some countries of Middle East into Africa.

** Includes the provisional allocation of the purchase price of Orascom Cement (8,321 million euros).

See Section 4.4 Liquidity and Capital Resources for more information on 2008 investments.

The Group generally owns its plants and equipments. The legal status of the quarries and lands depends on the activity of the Division:

- concerning the Cement Division, we own our quarries or hold long-term operating rights;
- concerning the Aggregates Division, we foster numeral right contracts in order to mitigate the capital employed;

- concerning the Gypsum activity, we own the quarries and secure long-term supply of synthetic or natural gypsum.

3.2.4 Capital Expenditures in Progress or Planned for 2009

Capital expenditures for 2009 for each of our three Divisions, including Orascom Cement units, are expected to be approximately:

- 1,400 million euros for Cement;
- 300 million euros for Aggregates & Concrete;
- 100 million euros for Gypsum.

These amounts, which are geographically spread across the Group's business units, comprise sustaining and internal development expenditures.

See Section 3.3 (Business description) for more information on internal development expenditures.

These capital expenditures will be notably financed by the cash provided by operating activities, the cash provided by the issuance of debt, and set up of short and medium term credit lines.

3.3 Business Description

Overview

The 2008 contribution to the Group's consolidated sales from continuing operations by Division (after elimination of inter-Division sales) and by region (by destination) was as follows compared with 2007 and 2006:

SALES BY DIVISION

	2008		2007		2006	
	(million euros)	(%)	(million euros)	(%)	(million euros)	(%)
Cement	10,911	57.3	9,456	53.7	8,847	52.3
Aggregates & Concrete	6,573	34.5	6,586	37.4	6,439	38.1
Gypsum	1,521	8.0	1,556	8.8	1,610	9.5
Other	28	0.2	16	0.1	13	0.1
TOTAL	19,033	100.0	17,614	100.0	16,909	100.0

SALES BY GEOGRAPHIC AREA

	2008		2007		2006	
	(million euros)	(%)	(million euros)	(%)	(million euros)	(%)
Western Europe	6,021	31.6	6,285	35.7	5,953	35.2
North America	4,270	22.4	4,780	27.1	5,116	30.2
Middle East	1,611	8.5	527	3.0	628	3.7
Central & Eastern Europe	1,761	9.2	1,467	8.3	1,014	6.0
Latin America	968	5.1	876	5.0	796	4.7
Africa	2,373	12.5	1,911	10.9	1,801	10.7
Asia	2,029	10.7	1,768	10.0	1,601	9.5
TOTAL	19,033	100.0	17,614	100.0	16,909	100.0

For each of the three Divisions, the following schedule presents the contribution made to consolidated sales and current operating income in the year ended December 31, 2008:

	Contribution to consolidated sales	Contribution to current operating income *
Cement	57.3	83.7
Aggregates & Concrete	34.5	17.6
Gypsum	8.0	1.0
Other	0.2	(2.3)
TOTAL	100.0	100.0

* As defined in Section 4.1 (Overview – Definition).

In the following discussion, sales figures are presented “by destination” market. They include all the amounts both produced and sold in the market, as well as any amounts imported into the market by its operations, and exclude any exports to other markets. They are presented before elimination of inter-Division sales and calculated following applicable consolidation rules.

Data regarding the number of sites and production capacity include 100% of all its subsidiaries' facilities and production capacity, whether fully or proportionately consolidated.

The percentage of sales for each region is computed in relation to the total sales of the relevant Division, before elimination of inter-Division sales.

Cement

Cement is a fine powder which is the principal strength-giving and property-controlling component of concrete. It is a high quality, cost-effective building material that is a key component of construction projects throughout the world, including the 50 countries in which our Cement Division has production facilities in 2008. Based on

both internal and external research, Lafarge believes that we are the world leader producer of cement taking into account sales, production capacity, geographical positions, technological development and quality of service. At year-end 2008, its consolidated businesses operated 125 cement, 33 clinker grinding and 8 slag grinding plants, with an annual production capacity of 205 million tonnes (total capacity of entities controlled by Lafarge). Consolidated sales for 2008 reached approximately 155 million tonnes.

Products

We produce and sell an extensive range of cements and hydraulic binders for the construction industry, including basic portland and masonry cements and a variety of other blended and specialty cements and binders. We offer our customers a broad line, which varies somewhat by market. Our cement products (all of which are referred to as “cement” in this report) include specialty cements suitable for use in a variety of environmental conditions (e.g. exposure to seawater, sulfates and other natural conditions hostile to concrete) and specific applications (e.g. white cement, oil-well cements, blended silica fume, blended fly-ash, blended pozzolana, blended slag cements and road surfacing hydraulic binders), natural lime hydraulic binders, masonry cements and ground blast furnace slag.

We design our cements to meet the varying needs of our customers, including high-performance applications for which enhanced durability and strength are required. We also offer our customers a number of extra services, such as technical support in connection with the use of our cements, ordering and logistical assistance to ensure timely delivery to the customers, plus documentation, demonstrations and training relating to the properties and appropriate use of our cements.

Production and Facilities Information

COMPOSITION AND PRODUCTION OF CEMENT

Cement is made by crushing and grinding calcium carbonate (limestone), silica (sand), alumina and iron ore in appropriate proportions and heating the resulting mixture in a kiln to approximately 1,500°C. In the more modern “dry process” used by around 85% of Lafarge’s plants, the ore mixture enters the kiln dry, as opposed to the older process in which it is mixed with water. Each process produces “clinker”, which is then finely ground with gypsum to make cement powder. A breakdown of the production cost of cement (before distribution and administrative costs) is approximately: energy 32%, raw materials and consumables 29%, production, labor and maintenance costs 28%, and depreciation 11%.

Raw materials for making cement (calcium carbonate, silica, alumina, and iron ore) are usually present in limestone, chalk, marl, shale and clay, and are available in most countries. Cement plants are normally built close to large deposits of these raw materials. For most of our cement plants, we obtain these materials from nearby land that we either own or over which we hold long-term quarrying rights. The quantity of proven and permitted reserves at our cement plants is believed to be adequate to operate the plants at their current levels for their planned service life.

Where technically available and economically viable, we may substitute ground blast furnace slag, pozzolan or fly ash for certain raw materials when making cement, or mix slag, pozzolan or fly ash with cement at the end of the process. Ground blast furnace slag is a by-product of steel manufacturing, and fly ash is a product of burning coal in electric utility plants. Whether and how they are used depends on the physical and chemical characteristics of the slag or ash and on the physical and chemical properties

required of the cement being produced. These materials help lower our capital costs per tonne of cement produced. Their use is environmentally friendly since it increases cement supplies by recycling post-industrial material that would otherwise be used as landfill. In 2008, the ratio of slag, fly ash and pozzolan we used to produce cement to total cement produced was 15% (16.5% and 15.0% in 2007 and 2006, respectively). Use of these materials is part of our long-term development strategy.

SOURCING AND USE OF FUEL OPTIMIZATION

Fuel is the largest expense item among the Group’s production costs (32% of total, excluding distribution and administrative costs). Wherever possible, we use advanced plant designs (such as preheaters to heat raw materials prior to entering the kiln) and less costly fuel waste materials (e.g. tires, used oils) to curb the use of more expensive fossil fuels. In 2008, fuel waste materials accounted for close to 11% of our worldwide cement manufacturing fuel consumption, with almost two-thirds of our cement plants using some form of fuel waste materials. The availability of fuel waste materials varies widely from region to region, and in particular between developed countries (where they are more abundant) and emerging markets (where they are less abundant). In addition, many of our plants can switch between several fuels with minimum disruption to production, allowing us to enjoy the benefit of lower cost fuels.

MANUFACTURING EXPERTISE

We have developed significant expertise in cement manufacturing through our experience of operating numerous cement production facilities worldwide for over 150 years. This expertise has been formally documented and is passed on *via* our seven technical centers, which employ over 600 engineers and technicians worldwide. We strive to share our collective knowledge throughout the Group to improve our asset utilization, lower our production costs and increase the efficiency of our products. Through this culture of knowledge-sharing, we also endeavor to disseminate best production practices and employ benchmarking tools worldwide to drive superior performance and unlock continuous operating improvements.

Customers

In each of the major regions in which we operate, we sell cement to several thousand customers, primarily concrete producers, precast concrete product manufacturers, contractors, builders and masons, as well as building materials wholesalers. Our cement is used in three major segments of the construction industry:

- civil engineering projects;
- residential and commercial construction;
- renovation;

and is used in a wide range of projects, such as offices, schools, hospitals, homes, dams, highways, tunnels, plants and airports.

Cement performance characteristics and the service requirements of our customers vary widely depending on the projects for which

our cement is used, as well as their experience and expertise. We strive to meet our customers' diverse demands and to deliver distinctive and targeted solutions enabling them to create more value in their businesses.

Our customers generally purchase cement from us through current orders in quantities sufficient to meet the needs of their building or renovation projects. Contracts are also signed with certain buyers (*i.e.* producers of pre-fabricated concrete products or wholesalers) to supply the requisite volume of cement over a lengthy period of time of a year or more.

Markets

CEMENT INDUSTRY

Historically, the global cement industry has been fragmented, with most markets served by local producers. Beginning in Europe in the 1970s, then continuing in the United States during the 1980s and later in Asia (outside China), the cement industry underwent significant worldwide consolidation. Today, there are just a handful of multinational cement companies, including Lafarge and our major worldwide competitors, *i.e.* Buzzi (Italy), Cemex (Mexico), Cimentos de Portugal SGPS, S.A. Cimpor (Portugal), HeidelbergCement (Germany), Holcim (Switzerland), Italcementi (Italy), Taiheiyo (Japan), and Votorantim (Brazil). These companies compete against local producers in various markets around the world. Cement production is capital intensive. To build a new dry process cement line producing 1 million tonnes annually costs between

50 million euros and 160 million euros depending on the country in which it is located.

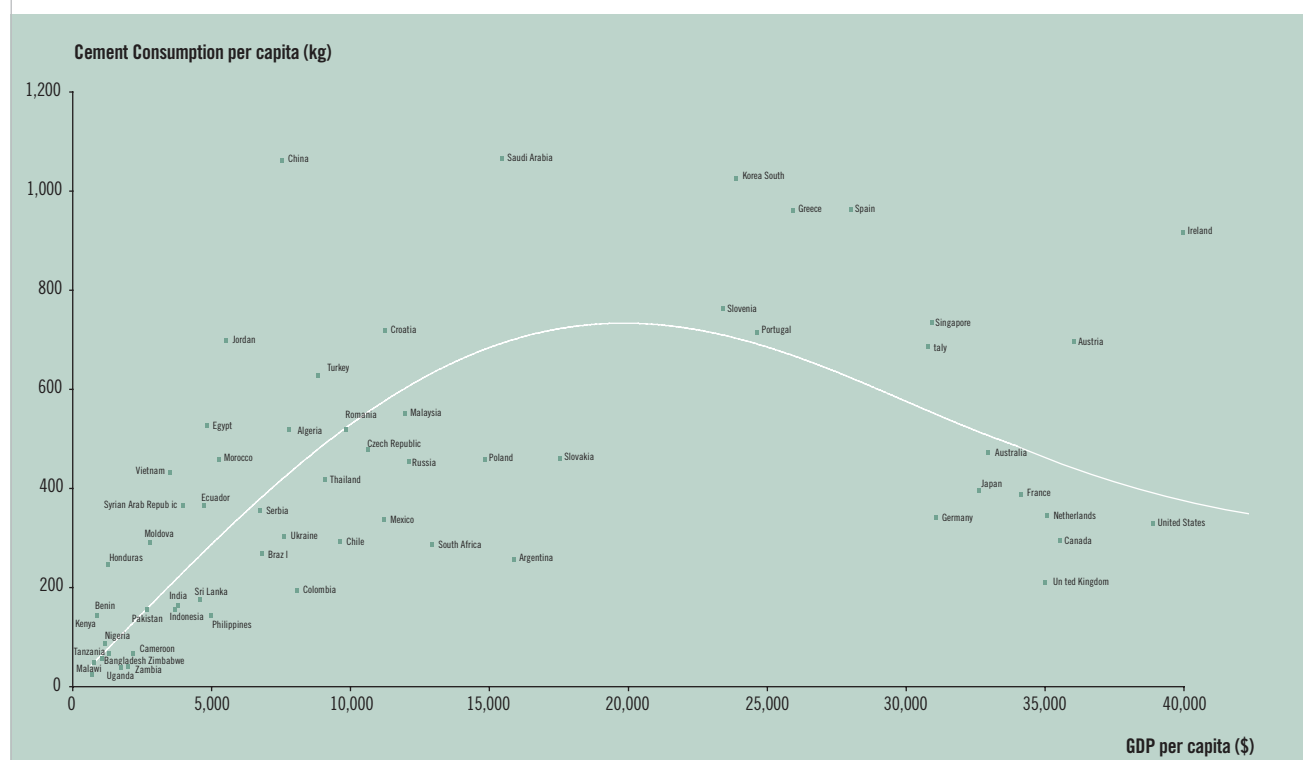
The cement industry is highly competitive in our major markets. Some countries or regions are more exposed during certain periods than others owing to factors such as the strength of demand, market access and raw materials reserves.

CEMENT MARKETS

Emerging markets (notably China, India Central & Eastern Europe and Africa) represent 70% of the worldwide market, with North America and Western Europe accounting for most of the remainder. We have substantial operations in each of these markets, along with other multinational cement companies and local cement producers.

A country's cement demand is generally related to growth in per capita income, which usually correlates with the country's industrialization. As emerging markets become industrialized, cement consumption tends to grow rapidly with increased expenditure on public works and housing. Owing to the growth potential they harbor Lafarge has invested (and will continue to consider further investment opportunities) in these markets in which we sold 7.4 billion euros of cement during 2008 compared to 5.4 billion euros in 2007 and 4.8 billion euros in 2006. These sales accounted for respectively 63%, 53% and 50% of our total cement sales for each such year.

CEMENT CONSUMPTION PER CAPITA IN 2008



On January 23, 2008, we completed the acquisition of Orascom Cement, the leading cement manufacturer in the Mediterranean Basin and Middle East. With its capacity of 35 million tonnes in 2008 which it intends to increase to 45 million tonnes in 2011, this acquisition represents an excellent opportunity to accelerate our strategy of profitable growth in these markets.

LOCATION OF CEMENT PLANTS AND OF CEMENT MARKETS

Cement is a product that is costly to transport over land. Consequently, the radius within which a typical cement plant is competitive extends for no more than 300 kilometers for the most common types of cement. However, cement can be shipped economically by sea and inland waterway over great distances, significantly extending the competitive radius of cement plants with access to waterborne shipping lanes. Thus, the location of a cement plant and the cost of transportation of the cement we produce through our distribution terminals significantly affect the

plant's competitiveness, the prices we can charge and ultimately our profitability.

CEMENT QUALITY AND SERVICES

The reliability of a producer's deliveries and the quality of our cement and our support services are also factors influencing a cement producer's competitiveness. Accordingly, the Group strives to deliver consistent cement quality over time, to maintain a high standard and quality of support service and to offer special-purpose cements to set ourselves apart from our competitors.

BREAKDOWN BY REGION

We produce and sell cement in the regions and countries listed in the tables below.

The following presentation shows each region's percentage contribution to our 2008 cement sales in euros, as well as the number of plants we operate, our cement production capacity and approximate market share in each country over the year ended December 31, 2008.

SALES BY DESTINATION 2008



	%
Western Europe	24
North America	14
Latin America	6
Africa	18
Asia	15
Middle East	11
Central and eastern Europe	12
TOTAL	100

In the following section, stated production capacities are reported on the basis of 100% of operating plants controlled by Lafarge in the indicated country. However, sales are reported on a Group contribution basis.

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

Western Europe, North America, Central and Eastern Europe, Latin America and Asia remain unchanged.

The former Mediterranean Basin is transformed into a “Middle East” region after the reclassification of Algeria and

Morocco to the new “Africa” which replaces the former Sub-Saharan Africa.

The countries of the ex-Orascom Cement which are already operated will be classified as follows:

- Egypt, Iraq, UAE and Turkey in the Middle East;
- Algeria and Nigeria in Africa;
- North Korea and Pakistan in Asia;
- Spain in Western Europe.

Our approximate market share has been calculated per country based on information and estimates contained in the Construction & Building Materials Sector report published by JP Morgan in September 2008 (the “JP Morgan Report”).

WESTERN EUROPE (24% OF THE DIVISION'S 2008 SALES)

Countries	Cement plants	Number of Grinding plants	Cement production capacity	Approximate market share
			(million tonnes)	(%)
France	10	4	9.5	36
United Kingdom	6	-	5.9	41
Greece	3	-	9.8	53
Spain	3	3	6.7	10
Germany	3	-	3.4	10
Austria	2	-	2.0	28

Most Western European cement markets have reached maturity. The region as a whole consumed close to 207 million tonnes

of cement in 2008, according to the JP Morgan Report. We sold 30.8 million tonnes of cement in Western Europe

in 2008, 34.3 million tonnes in 2007 and 33.8 million tonnes in 2006.

NORTH AMERICA (14% OF THE DIVISION'S 2008 SALES)

Countries	Cement plants	Number of Grinding plants	Cement production capacity	Approximate market share
			(million tonnes)	(%)
United States	12	3	15.8	12.8
Canada	7	2	6.7	33

North America is also a mature cement market. Sales are seasonal in Canada and much of the east coast and mid west of the United States, because temperatures in the

winter fall below minimum setting temperatures for concrete. The region as a whole consumed close to 111 million tonnes of cement in 2008, according to the

JP Morgan Report. We sold 17.2 million tonnes of cement in North America in 2008, 19.3 million tonnes in 2007 and 20.7 million tonnes in 2006.

CENTRAL AND EASTERN EUROPE (12% OF THE DIVISION'S 2008 SALES)

Countries	Cement plants	Number of Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
Poland	2	-	4.8	20
Romania	2	1	4.5	32
Moldavia	1	-	1.4	54
Russia	2	-	4.1	7
Ukraine	1	-	1.3	9
Serbia	1	-	2.0	45
Slovenia	1	-	0.6	38
Czech Republic	1	-	1.2	9

We believe that the entry into the European Union of a number of countries in this region will positively influence their long-term growth prospects. The region as a whole

consumed 129 million tonnes of cement in 2008, according to the JP Morgan Report. We sold 16.2 million tonnes of cement in Central and Eastern Europe in 2008,

15.5 million tonnes in 2007 and 13.3 million tonnes in 2006.

MIDDLE EAST (11% OF THE DIVISION'S 2008 SALES)

Countries	Cement plants	Number of Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
Jordan	2	-	4.8	90
Turkey	2	1	2.0	4
Egypt	1	-	10.0	20
United Arab Emirates	1	-	3.0	10
Iraq	2	-	4.8	20

We believe that the emerging markets in this region have strong growth potential in the medium to long term as they become more industrialized and urbanized. Many Middle

Eastern cement markets have only recently opened up to competition after years of state ownership. The region as a whole consumed close to 170 million tonnes of cement

in 2008, according to the JP Morgan Report. We sold 20.0 million tonnes of cement in the Middle East in 2008, 7.6 million tonnes in 2007, 9.5 million tonnes in 2006.

LATIN AMERICA (6% OF THE DIVISION'S 2008 SALES)

Countries	Cement plants	Number of Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
Brazil	5	1	5.0	6
Chile	1	1	1.9	34
Ecuador	1	-	1.4	20
Honduras	1	1	1.3	55
Mexico	2	-	0.8	0.4
French West Indies/Guyana	-	3	1.0	100

3 INFORMATION ON LAFARGE

3.3 Business Description – Cement

Latin America as a whole consumed 136 million tonnes of cement in 2008, according to the JP Morgan Report. We sold 8.6 million tonnes of cement in Latin America in 2008, 8.5 million tonnes in 2007 and 7.6 million tonnes in 2006.

In addition, we still hold a 62.2% interest in Fabrica Nacional de Cemento, in Venezuela, which is under a nationalization process.

See Section 2.1.1 (Risks inherent to our operations – Risks inherent to our world-wide presence).

AFRICA (18% OF THE DIVISION'S 2008 SALES)

Countries	Cement plants	Number of Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
South Africa	1	1	2.7	20
Zambia	2	-	1.3	91
Malawi	-	1	0.2	75
Tanzania	1	-	0.3	38
Kenya	1	1	2.0	60
Uganda	1	-	0.4	56
Nigeria	3	-	3.5	30
Algeria	2	-	8.6	33
Morocco	3	1	6.0	41
Cameroon	1	1	1.7	95
Benin	1	-	0.7	34

Africa as a whole consumed close to 113 million tonnes of cement in 2008, according to the JP Morgan Report and our internal research. We sold 22.4 million

tonnes of cement in the countries in which we were present in 2008, 16.4 million tonnes in 2007 and 13.3 million tonnes in 2006.

In addition, we hold a 76.4% interest in Circle Cement in Zimbabwe, which operates one plant with a capacity of 400,000 tonnes.

ASIA (15% OF THE DIVISION'S 2008 SALES)

Countries	Cement plants	Number of Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
China	18	10	22.5	6 – 22 **
South Korea	2	1	9.6	10
India	2	2	6.5	24 ***
Pakistan	1	-	2.1	5
Malaysia	3	1	12.5	43
Philippines	6	1	6.5	32
Indonesia	1	-	0.0 *	3
Vietnam	-	1	0.5	1
Bangladesh	1	-	1.6	17

* The Banda Aceh plant in Indonesia was severely damaged during the 2004 tsunami and is under reconstruction.

** Depending on regions.

*** For the North East region.

We believe that the long-term growth prospects for Asia are very promising. The region as a whole consumed close to 1,900 million tonnes of cement in 2008, according to the JP Morgan Report. We sold 39.5 million tonnes of cement in the region in 2008, 34.8 million tonnes in 2007 and 31.1 million tonnes in 2006. Furthermore, in Japan, we hold a 39% indirect interest in Lafarge Aso Cement (accounted for by the equity method and therefore not included in the table above), which operates two plants with a combined capacity of 3 million tonnes.

In China, a market estimated at almost 1,500 million tonnes, the Group signed a joint venture in 2005 with Hong Kong based company Shui On. This joint venture is currently the market leader in southwest China (Sichuan, Chongqing, Guizhou and Yunnan) and also operates in Beijing.

CEMENT TRADING ACTIVITIES

The Group also manages worldwide cement trading activities, which helps us to meet fluctuations in demand in certain countries, without building plants that result in excess capacity. We conduct these activities primarily through our Cementia Trading and Marine Cement subsidiaries. During 2008, Cementia Trading purchased and sold approximately 10.6 million tonnes of cement and clinker. Marine Cement acts mainly as an importer and distributor of cement in the Reunion island, the Seychelles and the Red Sea countries. Marine Cement sold approximately 2.6 million tonnes of cement in 2008, which it purchased from our own subsidiaries as well as from third parties.

Aggregates & Concrete

Aggregates and concrete, like cement, are key components of construction projects. Based on volumes sold in 2008, we believe that Lafarge is the second world producer of aggregates and the third world producer of ready-mix concrete. At December 31, 2008, we have production facilities in 40 countries. In the year ended December 31, 2008,

our consolidated businesses operated 620 aggregates quarries, which sold approximately 248 million tonnes of aggregates, and 1,325 concrete plants, which sold approximately 44 million m³ of concrete. We also produce asphalt and pre-cast concrete products and provide road contracting and surfacing services in several markets.

We are vertically integrated to varying degrees with our Cement Division which supplies substantial volumes of cement to our concrete operations in several markets. Also within our Aggregates & Concrete Division, our aggregates operations supply a substantial volume of aggregates required for our concrete, asphalt and paving operations.

I Products

AGGREGATES

Aggregates are used as raw materials for concrete, masonry, asphalt and other industrial processes, and as base materials for roads, landfills and buildings. The primary aggregates we produce and sell are hard rock (usually limestone and granite), but we also produce natural sand and gravel. Additionally, depending on the market, we process and sell recycled asphalt and concrete. Aggregates differ in their physical and chemical properties, granularity and hardness. Local geology determines the type of aggregates available in a given market, and not all types of aggregates are available in every market. Through our research and development (Lafarge Research Center, LRC) we have greatly increased our understanding of the impact that the various properties of aggregates have in their final applications. Consequently, we have been able to refine our product offerings and step up innovation in our downstream products.

See Section 3.8 (Research & Development) for more information.

CONCRETE

Concrete is a blend of aggregates, cement, admixtures and water that hardens to form

the world's most used building material. We produce and sell a wide range of concrete and masonry mixes to meet our customers diverse needs. Tensile strength, resistance to pressure, durability, set times, ease of placing, aesthetics, workability under various weather and construction conditions are but a few of the characteristics that our customers consider when buying concrete. From the very basic to the cutting edge, we offer a broad range of concrete mixes.

Through our internal Research center we have introduced new products such as: Agilia®, which offers superior coverage and filling abilities and self-leveling capability, with enhanced durability and appearance. In addition, we recently introduced decorative concretes in some markets through our Artevia Color® series. Demand for new products and for a broader range of products is accelerating due to sustainability initiatives and new customer needs. We believe our strong research and development program gives us a distinct advantage over our competitors.

See Section 3.8 (Research & Development) for more information.

ASPHALT AND PAVING

In North America and the United Kingdom, we produce and sell asphalt for road surfacing and paving. Asphalt consists of 90-95% dried aggregates mixed with 5-10% heated liquid bitumen, a by-product of oil refining that acts as a binder. In these markets, we also provide road contracting and surfacing services.

In Asphalt we are using our internal Research center to develop new products, such as the Durapave, with enhanced appearance, placing and energy efficiency properties. Demand for new products and for a broader range of products is accelerating due to environmental initiatives and new customer needs.

Production and Facilities Information

AGGREGATES

Aggregates production involves primarily blasting hard rock from quarries and then crushing and screening it to various sizes to meet our customer's needs. Aggregates production also involves the extraction of sand and gravel from both land and marine locations, which generally requires less crushing but still requires screening to different sizes. The production of aggregates entails intensive use of heavy equipment and involves regular use of loaders, haul trucks, crushers and other heavy equipment at our quarries. After mineral extraction, we restore our sites to a high standard so that they may be used for other purposes: agricultural, commercial and natural.

In a world of growing environmental pressures, where it is increasingly difficult to obtain extraction permits, and where mineral resources are becoming scarcer, mineral reserve management is a key to success in the aggregate business. Consequently, we emphasize mineral and land management in our business. Across our existing markets, we regularly search for new material reserves to replace depleting deposits well in advance of their exhaustion and we work to obtain necessary government permits allowing the extraction of our raw materials. We seek to position new reserves as close to our markets as possible. We are also very active in developing our reserve portfolio in new markets. At December 31, 2008, we estimate that we had approximately 40 years of permitted reserves. We control significant additional aggregates deposits, for which we have either not yet received or requested extraction permits.

CONCRETE

Concrete is produced by blending aggregates, cement, chemical admixtures and water at concrete production plants and placing the resulting mixture in concrete trucks where it is mixed further and delivered to our customers. We obtain most of our concrete raw materials (e.g. cement and aggregates) from internal sources. Concrete

is produced at low capital-intensive plants consisting of raw material storage facilities and equipment for combining raw materials in desired ratios and placing the mixture into concrete trucks. Concrete plants can be either fixed permanent sites or portable facilities, which may be located at our customers' construction sites.

Many concrete mixtures are designed to achieve various performance characteristics desired by our customers. Cement and aggregate chemistries may be varied, chemical admixtures may be added (such as retarding or accelerating agents) and other cementitious materials (such as fly ash or slag) may be substituted for portions of cement to adjust the concrete performance characteristics desired by the customer. Consequently, significant technical expertise and quality control are required to address the many construction issues our customers face, such as concrete setting time, pumpability, placeability, weather conditions, shrinkage and structural strength. Through our extensive research and development activities, we focus on supplying concrete that meets these various needs.

Because of concrete's limited setting time, delivery logistics are key to ensure the cost efficiency and timely delivery of our product.

Raw material prices account for approximately 70% of the cost to supply concrete and may vary considerably across the many markets in which we operate. Given the significantly high percentage of raw materials costs, we strive to adjust concrete mix designs to optimize our raw material usage. Delivery represents the next largest cost component, accounting for approximately 20% of the costs to supply concrete.

PRE-CAST CONCRETE PIPE, WALL PANELS AND OTHER PRODUCTS

These products are manufactured by pouring the proper type of concrete into molds and compacting the concrete through pressure or vibration or a combination of both. The pre-cast plants are usually located close to aggregates resources in order to limit the transport costs.

ASPHALT AND PAVING

As described above, asphalt is produced by blending aggregates with liquid bitumen at asphalt production plants. We obtain much of the aggregates needed to produce asphalt from internal sources and purchase the bitumen from third party suppliers. Bitumen is a by-product of petroleum refining, the price of which is tied to oil prices. Asphalt is produced at low capital-intensive plants consisting of raw material storage facilities and equipment for combining raw materials in the proper proportions at a high temperature. Our asphalt plants range in output from 5,000 to 500,000 tonnes per year and are located in North America and the United Kingdom. In conjunction with our asphalt production, we also provide road contracting and surfacing services in these regions where we frequently have leading positions based on sales.

Customers

We sell our aggregates, concrete and asphalt primarily in local markets to thousands of unaffiliated customers throughout the world. Markets are local because of the high cost of transporting these products over land and because most of these products are delivered in trucks. However, where our quarries have access to shipping lanes or railroads, we may ship aggregates over significant distances.

We sell aggregates primarily to concrete producers, manufacturers of pre-cast concrete products (pipes, curbs, building blocks, block pavers), asphalt producers, road contractors, masons and construction companies of all sizes. In some markets, we sell aggregates for use in various industrial processes, such as steel manufacturing. We sell concrete primarily to construction and road contractors ranging from major international construction companies to small residential builders, farmers and do-it-yourself enthusiasts. We sell asphalt primarily to road contractors for the construction of roads, driveways and parking lots, as well as directly to state and local authorities.

Our customers generally purchase aggregates, concrete and asphalt in quantities sufficient to meet their immediate requirements, often through competitive bidding processes. Occasionally, we enter into agreements to supply aggregates to certain plants, which produce concrete, asphalt or pre-cast concrete products. These contracts tend to be renegotiated annually. Backlog orders for our aggregates, concrete and asphalt are normally not significant.

Markets

DESCRIPTION OF MARKETS AND OF OUR POSITION IN THESE MARKETS

Most local aggregates, concrete and asphalt markets are highly fragmented and are served by a number of multinational, regional and local producers.

Globally, the **aggregates** industry is in the early stages of consolidation. We face competition in our local markets from independent operators, regional producers (such as Vulcan Materials and Martin Marietta Materials in the United States) and international players (Cemex, CRH, HeidelbergCement and Holcim).

Environmental and planning laws in many countries restrict new quarry development. In addition, excluding the cost of land and mineral rights, the plant and equipment costs for a new quarry range from around two to four million euros for a small quarry to over 45 million euros for a very large quarry. We have implemented modules to standardize the design and construction of our plants.

We believe we have a strong competitive position in aggregates through our strong reserve positions in key markets. Our worldwide experience allows us to develop, employ and refine business models through which we share and implement best practices relating to strategy, sales and marketing, manufacturing and land management; this gives us a superior quality product to offer to the market. In addition, we have a strong understanding of the needs of most of our aggregates customers since we are vertically integrated in their predominant lines of business. Finally, we believe that we have a reputation for responsible environmental stewardship and and restoration, which assists us in obtaining new permits more easily and encourages

landowners to deal with us as the operator of choice.

Consolidation in the global **concrete** industry is less pronounced and, as with aggregates, we face competition from numerous independent operators throughout our markets. However, we often compete with multinational groups such as Cemex, CRH, HeidelbergCement, Holcim and Italcementi. These competitors have integrated from cement downstream into aggregates and concrete operations.

Traditionally, low barriers to entry in the concrete industry, along with readily available and competitively priced raw materials enable competitors to quickly bring additional capacity to market, thereby tending to constrain concrete prices. Therefore, an essential element of our business is differentiation. Value added products contribute to raising the barriers to entry. These products require a high degree of technical sophistication. The added complexity of highly variable input materials increases barriers to entry for suppliers of these higher end products. We have developed substantial technical expertise relating to concrete. Consequently, we can provide significant technical support and services to our customers to differentiate us from competitors. Furthermore, as a consequence of this technical expertise, we recently developed several new products, such as Agilia®, Artevia®, Chronolia® and Extensia®. Again, our worldwide experience permits us to further differentiate ourselves based on product quality and capability.

To improve our competitive position in local concrete markets, we locate our plants to optimize our delivery flexibility, production capacity and backup capability. We evaluate each local market periodically and may realign our plant positioning to maximize profitability when market demand declines or capacity rises too high. We increased our use of mobile plants in a number of markets to increase our flexibility in realigning plants in response to market changes and to meet customers' needs.

Like concrete, **asphalt** must be delivered quickly after it is produced. Thus, the competitive radius of an asphalt plant is limited and asphalt markets tend to be very local. Generally speaking, asphalt is sold directly by the asphalt producer to the

customer, with only very limited use of intermediate distributors or agents since prompt and reliable delivery in insulated vehicles is essential.

LOCATION OF OUR MARKETS

The majority of our aggregates, concrete and asphalt operations are located in Western Europe and North America, where national demand generally moves in line with the country's level of infrastructure and construction spending. Concrete and asphalt cannot be transported over distances that involve more than about one hour's transportation time. Consequently, markets for these products tend to be local in nature and, while brand recognition and loyalty play a role in sales of these products, local customers tend to choose producers based on location, quality of product, reliability of service and price. Furthermore, demand for concrete and asphalt depends mostly on local market conditions, which can vary dramatically within and across a broader regional or national market. In certain markets we develop logistics networks to transport aggregates into areas where no mineral is locally available.

Generally, we restrict our aggregates and concrete operations to markets where the nature and enforcement of applicable regulations provide a level playing field. We usually avoid countries where small local operators are not obliged to follow appropriate environmental and labor standards, since they either do not exist locally or are not enforced. Consequently, we are selective in choosing the growing markets in which we wish to conduct our aggregates and concrete operations, selecting only those where the appropriate standards are in place.

BREAKDOWN BY REGION

We produce and sell aggregates and concrete in those regions and countries of the world listed in the table below. The table shows the number of sites we operated at December 31, 2008 and the volume of aggregates and concrete our consolidated operations sold in 2008.

Volumes sold take into account 100% of volumes from fully consolidated subsidiaries and the consolidation percentage for proportionately consolidated subsidiaries.

Region/Country	NUMBER OF INDUSTRIAL SITES		VOLUMES SOLD	
	Aggregates	Concrete	Aggregates (million tonnes)	Concrete (million m ³)
WESTERN EUROPE				
France	136	278	47.0	8.2
United Kingdom	57	120	16.0	2.1
Spain	19	141	8.4	4.1
Portugal	4	28	2.1	1.5
Greece	10	27	3.7	1.3
Other	3	19	2.0	0.9
NORTH AMERICA				
Canada	226	141	61.8	4.9
United States	84	146	63.3	4.7
CENTRAL & EASTERN EUROPE				
Poland	15	28	8.4	0.8
Ukraine	2	-	0.3	-
Romania	13	14	4.2	0.7
MIDDLE EAST				
Qatar	1	15	3.9	0.8
Oman	-	11	-	0.2
Saudi Arabia	-	3	-	0.2
United Arab Emirates	-	3	-	0.4
Turkey	3	12	1.4	0.9
Egypt	5	17	1.9	1.6
OTHER				
South Africa	23	67	8.1	2.2
Brazil	3	42	2.5	0.9
Chile	5	54	3.6	2.8
Malaysia / Singapore	4	36	2.3	1.8
India	-	69	-	0.7
Other	7	54	6.9	2.1
TOTAL	620	1,325	247.8	43.7

In 2008, our asphalt operations produced and sold a total of 8.7 million tonnes in the United States, Canada and the United Kingdom.

Gypsum

Gypsum wallboard (also known as “plaster-board”) and other gypsum-based products (e.g. plaster, plaster blocks, joint compounds

and related products such as metal studs and accessories) are used primarily to offer gypsum-based building solutions for constructing, finishing or decorating interior walls and ceilings in residential, commercial and institutional construction projects throughout the world, as well as for sound and thermal insulating partitions. Other gypsum-based products include industrial

plaster (used for special applications such as moldings or sculptures) and self-leveling floor-screeds.

We believe that we are the third-largest manufacturer of gypsum wallboard world-wide. At the end of 2008, we had production facilities in 29 countries. Our consolidated businesses operated 41 wallboard plants (with an annual production capacity of

approximately 1,220 million m²) and 35 other plants which produced primarily plaster, plaster blocks or joint compounds as well as three wallboard paper plants.

I Products

WALLBOARD

Our principal gypsum product is wallboard. We produce wallboard in a number of standard lengths, widths and thicknesses and with a variety of characteristics depending on the intended use of the board. We offer a full line of wallboard and finishing products: “standard” wallboard; wallboard designed for various decorative treatments; and wallboard for use in a variety of applications – e.g. sound and thermal insulating partitions, high humidity, fire retardant, water-resistant, sag-resistant, design and decoration and high traffic areas.

We regularly seek to expand and improve the range of our wallboard products. Following the recent launch of Synia®, a new generation wallboard with all four edges tapered, in 2008 we launched an exclusive and very high performance wet area board (WAB) in four countries with outstanding success with distributors and installers.

OTHER PRODUCTS

We also produce gypsum plaster, plaster blocks, joint compounds, metal studs, anhydrite binders for self-leveling floor-screeds and industrial plasters, which are intended for the construction and decorating industries. Sales of such products accounted for approximately 33% of our Gypsum Division sales in 2008.

I Production and Facilities Information

Gypsum wallboard exploits the crystalline structure of gypsum (calcium sulfate dihydrate – a naturally occurring mineral common in sedimentary environments), within which water molecules are physically locked. Wallboard is made by grinding and heating gypsum to release the trapped water molecules, mixing the residue with water to form a slurry, extruding the slurry between two continuous sheets of paper, and then drying and cutting the resulting board into proper

sizes. When drying, the slurry rehydrates into gypsum crystals which interlock with each other and “grow” into the liner paper, giving the board its strength. We use both naturally occurring gypsum and synthetic gypsum to produce wallboard. Synthetic gypsum is produced as a by-product of certain chemical manufacturing and electrical power production operations.

At the end of 2008, our consolidated businesses operate and own 20 gypsum quarries worldwide, including 14 in Europe. Some of our plants have entered into long-term supply contracts with third parties to supply natural gypsum. Generally, we obtain synthetic gypsum under long-term contracts, most of which contain one or more options to renew. Occasionally, depending on supply needs and local market conditions, we enter into contracts for shorter periods. We believe our current supply of gypsum, both natural and synthetic, is adequate for current and foreseeable operating levels.

Paper and gypsum account for approximately 24% and 13% respectively, of our wallboard production costs. We produce about half of our wallboard paper at our own mills in France and Sweden, and at one mill in the United States operated through a joint venture. The major raw material for our paper is recycled paper fiber.

I Customers

We sell our gypsum wallboard products mostly to general building materials distributors, wallboard specialty dealers, lumber yards in the United States, decorating companies in growing markets and do-it-yourself home centers. In some markets, specifiers (such as architects) may influence which products are to be used to construct given projects. Our marketing efforts are focused not only on actual purchasers, but also on those who may indirectly determine which materials are used.

I Markets

DESCRIPTION OF MARKETS AND OF OUR POSITION IN THESE MARKETS

We believe we share approximately 77% of today's worldwide wallboard market with six

other producers in a sector which is increasingly concentrated (Georgia Pacific, Knauf, National Gypsum, Saint-Gobain, U.S. Gypsum and Yoshino). These companies operate gypsum wallboard plants and usually own the gypsum reserves they use to produce their wallboard.

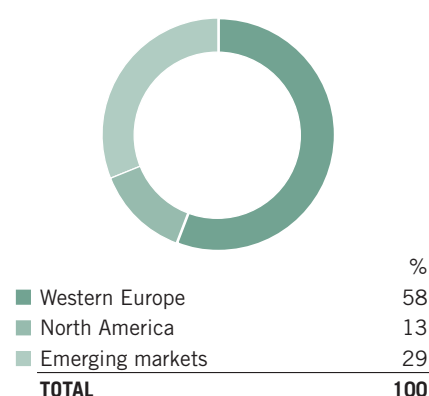
The gypsum wallboard industry is highly competitive. Because wallboard is expensive to transport and does not travel well in large quantities, producers compete on a regional basis, primarily based on price, product range, product quality, solution design, efficiency, flexibility and customer service. Our largest competitors in Western Europe are Knauf and Saint-Gobain, and in the United States National Gypsum, Saint-Gobain and US Gypsum.

The sector is highly competitive in Western and Central & eastern Europe and North America with production mostly concentrated among several national and international players.

BREAKDOWN BY REGION

The following presentation shows the percentage contribution made by each of these regions to our 2008 Gypsum Division sales in euros.

SALES BY DESTINATION 2008



Western Europe (58% of the Division's 2008 sales)

Western Europe is the second largest worldwide regional wallboard market. The technical performance of products and systems plays a critical role in this market. The region as a whole consumed close to 1.2 billion m² of wallboard in 2007, based on our estimates. We sold 289 million m² of wallboard in Western Europe in 2008, 289 million m² in 2007 and 283 million m² in 2006.

In 2007, we started operating a new wallboard plant in the United Kingdom, with an annual capacity of 25 million m². At the end of 2008 we mothballed our wallboard plant in Lübbenau, Germany. In Spain, we have a minority interest in a wallboard plant and three plaster plants.

North America (13% of the Division's 2008 sales)

North America is the largest worldwide regional wallboard market. The region as a whole consumed close to 3.2 billion m² of wallboard in 2007, based on our estimates. We sold 195 million m² of wallboard in North America in 2008, 191 million m² in 2007 and 214 million m² in 2006.

In 2007, we expanded the capacity of our wallboard plant in Silver Grove, Kentucky, to 150 million m². In July 2007, we closed our wallboard plant in Cornerbrook, Canada. In July 2008, we mothballed our wallboard plant in Newark, New Jersey.

Emerging markets (29% of the Division's 2008 sales)

We also conduct wallboard and related operations in other markets. In Romania,

Lafarge tripled its plant's production capacity in 2007 to support the expansion of the market. In Ukraine, a plant with plasterboard capacity of 15 million m², extendable to 30 million m², was completed at the end of 2007.

In Turkey, we operate a wallboard plant and a construction plaster plant near Ankara through a joint venture with Dalsan Insaat. Together, we have built a new wallboard plant in Istanbul, which was completed at the end of 2008.

In South Africa, Lafarge completed the construction of a plasterboard plant with a capacity of 15 million m² mid-2007, complementing its existing manufacturing line for gypsum components.

In Algeria, Lafarge built a plaster plant with a capacity of 150,000 tonnes in 2007.

In Saudi Arabia, Lafarge signed a joint venture agreement in 2005 with local players to build a new plaster plant with a capacity of 150,000 tonnes that became operational in 2007. In Morocco, we operate a plaster plant with a capacity of 140,000 tonnes.

In Australia, we operate two wallboard plants. In 2007, we built a plaster compound plant in Altona on the site of the existing wallboard plant.

In Latin America, through companies we control jointly with the Etex group, we operate one wallboard plant in Argentina, Brazil and Chile and a plaster plant in Brazil and Chile. In 2007, we began the construction of a wallboard plant with a capacity of 15 million m² in Colombia with our joint-venture partner. In Mexico, Lafarge operates

through a joint-venture with a majority partner, the Comex group. The joint-venture built a new wallboard plant that began operations in January 2007.

In Asia, we conduct gypsum wallboard and related operations through a 50/50 joint venture managed jointly with the Australian company Boral Limited. The joint venture operates three wallboard plants in South Korea, three in China, one in Malaysia, two in Thailand and two in Indonesia. It also has several plaster and metal stud plants in these countries. In 2008, the joint-venture built a new wallboard plant in Central Western China and closed one of its two plants in Chongqing. In addition, the joint venture has started the construction of a new wallboard plant in Shanghai with a capacity of 62 million m². In 2007, the capacity of the joint-venture's Dangjin plant in South Korea was doubled to 75 million m². The joint venture completed the construction of a wallboard plant in Rajasthan (India) which began production early 2008.

Our wallboard and related products sales in emerging markets totaled 453 million euros in 2008, 390 million euros in 2007 and 336 million euros in 2006. These sales accounted for 29.3%, 24.7% and 20.5% of our total wallboard and related product sales for each respective year.

3.4 Organizational Structure

See Note 35 to our consolidated financial statements for more information on our principal subsidiaries, including their full legal name and country of incorporation.

Lafarge S.A. is a holding company. We conduct our operations through approximately more than 800 direct and indirect majority owned subsidiaries and around 300 companies in which we have a minority shareholding. We have a large number of operating companies because we conduct our operations through several Divisions, our businesses are local in nature, and we have facilities in 79 countries.

Lafarge S.A.'s relationship with its subsidiaries

Lafarge S.A.'s relationship with its subsidiaries includes a financial component and an assistance component.

The financial component covers the financing by Lafarge S.A. of most subsidiaries' operations and the pooling of cash generated by subsidiaries, where possible, and the transfer of dividends from subsidiaries.

At December 31, 2008, Lafarge S.A. held approximately 83% of the Group's debt excluding put options on shares of subsidiaries. Lafarge S.A. is subject to a quotation by Standard and Poor's and by Moody's. The Company has access to short-term and long-term financial markets and large banking networks, and provides financing to its subsidiaries through inter-company loans. To fund such loans, we draw primarily on our Euro Medium Term Note program for medium to long-term financing and the related Commercial Paper program for short-term financing.

Nevertheless this general financing rule has some exceptions. If we cannot obtain financing through these programs in a subsidiary's local currency, we secure local funding to ensure the subsidiary's operations are financed in the relevant local currency. Furthermore, certain of our consolidated subsidiaries, which have minority shareholders, can access the financial markets on their own and, thus, obtain and carry their own financing.

For those subsidiaries for which it is possible (most subsidiaries located in the euro-zone, Poland, Romania, Switzerland and the United Kingdom), Lafarge S.A. uses a cash pooling program, through which cash generated by such subsidiaries is consolidated and managed by Lafarge S.A. in connection with the financing of the subsidiaries' operations.

The assistance component relates to the supply by Lafarge S.A. of administrative and technical support to the subsidiaries of the Group. Lafarge S.A. also grants rights to use its brands, patents and industrial know-how to its various subsidiaries. The Research & Development activities are managed by the Lafarge Research Center located in Lyon (L'Isle-d'Abeau), France. In the Cement Division, technical support services are provided by our various regional Technical Centers located in Lyon, Vienna, Montreal, Rio de Janeiro, Beijing, Cairo and Kuala Lumpur.

Subsidiaries are charged for these various services and licenses under franchise, support or brand licensing contracts.

Group relationship with minority shareholders of its subsidiaries

In addition to our listed subsidiaries that have a broad base of minority shareholders, certain other controlled subsidiaries may have industrial or financial partners, government entities, prior employees or prior owners as minority shareholders. In some cases, such minority shareholders are required by local law or regulations (e.g. in the case of a partial privatization). In other instances, we have partnered with them to share our business risk. In many cases, we have entered into shareholder agreements with such minority shareholders providing for board membership or other similar provisions, shareholders' information rights and control provisions. We have not recently experienced any difficulties in managing these subsidiaries with our partners, which could present a risk to our financial structure.

Some of these shareholder agreements contain exit provisions for our minority shareholders that may be exercised at any time, at certain fixed times or in specific circumstances, such as a continuing disagreement between Lafarge S.A. and the shareholder or a change in control of the relevant subsidiary or Lafarge S.A. In particular, our shareholder agreements relating to our cement operations in Morocco, as well as the shareholder agreement concluded with our joint venture partner Boral in Asia for Gypsum activities, contain provisions that enable our partners to buy back our shareholding in these businesses in the event of a change in control of Lafarge S.A.

See Note 25 (f) to our consolidated financial statements for more information on put options on shares of subsidiaries.

3.5 Environment

Our operations involve the use, release, discharge, disposal, and clean up of substances which are subject to regulations. Extraction of materials and minerals is ruled by national regulation for the land use and the rehabilitation of the quarries at the end of their life. Laws and regulations impose standards for environmental protection which are more and more stringent, and can expose our activities to potential risk of liabilities. We encourage our subsidiaries to follow our internal standards, beyond the strict respect of local environmental constraints. Their application contributes to mitigate our exposure.

We develop a unified and consistent reporting system in each Division, in order to measure and control our performances and compliance to laws and regulations. Each Division has fixed objectives on some indicators, in a continuously improving process. In 2008, in our European operations, we have started the implementation of the REACH (Registration, Evaluation and Authorisation of Chemicals) regulation, with the pre-registration of substances. REACH will be fully implemented at December 1st, 2010.

The resulting recommendations relate to regulations, financing, technology, behavior and building design aspects. The scope includes new and existing residential and commercial buildings in the most relevant regions in the world.

In 2003, the European Union adopted a Directive implementing the Kyoto protocol on climate change. This Directive established a green house gas emissions trading scheme in the European Union. Within the industrial sectors subject to the scheme, each industrial facility is allocated a certain amount of green house gas allowances.

Industrial operators who keep their green house gas emissions below the level of allowances they were granted can sell their excess allowances to operators who have emitted more green house gas than initially allocated to their facilities. Another provision allows European Union companies to use credits arising from investments in emission reduction projects in emerging markets to comply with their obligations in the European Union.

Within the framework of this Directive on the emissions quotas trading, each Member State published in 2007 a National Allocation Plan (NAP), defining the amount of allowances allocated to each industrial facility. These NAPs were then approved by the European Commission.

The emissions trading Directive and its provisions apply to all our cement plants in the European Union and, to a lesser extent, to our gypsum operations. We operate cement plants in 10 of the 27 European Union Member States. Allowances that were allocated to these facilities represent some 28 million tonnes of green house gas per year.

At the end of 2008, Lafarge had an excess (around 12% of the total allocated quotas) that was sold to the green house gas market. In 2009, allowances that we will receive should cover our needs, estimated on a consolidated basis, *i.e.* after exchange between countries in excess and countries in deficit.

Early 2008, the European Union Commission published a proposal amending the Directive with regard to the framework for green house gas allowances for the 2013-2020 period. The text voted in first reading by the European Parliament on December 17, 2008, and currently under arbitration with the European

Commission, refers to a list of criteria to identify activities which could be subject to carbon leakage, and thus, to the impossibility to reflect the carbon cost without losing significant market shares against the non-European actors. This Directive allows allowances to be allocated for free to the activities meeting these criteria under a mechanism to be precised and which includes among others a benchmarking adjustment. The level of allowances as well as the allocation mechanism will be discussed in 2009 between the European Commission and the concerned industrial activities. Lafarge, directly and with Cembureau (The European Cement Association), will actively contribute to these discussions.

In 2008, our capital expenditure and remediation expenses for environmental matters were not significant with regard to our financial condition, results of operations or liquidity. Nevertheless, our expenses for environmental matters have increased over the last years.

In recent years, Lafarge has participated in a number of environmental initiatives. Since 2000, we have been cooperating with the WWF in a voluntary environmental conservation partnership, and we are a founding member of its Conservation Partner program. This partnership was renewed in 2005.

Under this renewed agreement, we pursue our joint work on climate change in the framework of our voluntary 2001 commitment to cut by 20% our global green house gas emissions per tonne of cement produced between 1990 and 2010. As of end 2008 we have reduced our green house gas emissions per tonne of cement by 18%.

CO ₂ EMISSIONS PER TONNE OF CEMENT		in kg	reduction in % (base 1990)
2008		632	-18.0%
2007		648	-16.0%
2006		660	-14.3%
1990		771	

Thanks to its partnership with WWF, Lafarge has completed the progress in its environmental management system. In 2007, we created an international advisory panel on biodiversity. Thanks to this panel, where WWF is represented among others, we prepared the constituents of our biodiversity management system. This tool allows Lafarge to launch a new approach to assess the biodiversity stakes on our quarries and to implement management tools which can even push further than local regulations.

Our teams are also working on biodiversity issues, persistent pollutants and the development of sustainable construction initiatives. The WBCSD (World Business Council for Sustainable Development) initiative called "Energy Efficiency in Buildings", jointly chaired by Lafarge and United Technologies, aims at promoting zero net energy consumption. This four-year international program was launched in 2006.

Because of the complexity of environmental laws, differing environmental requirements throughout the world, and uncertainties surrounding environmental compliance, technology and related matters, we cannot predict whether capital expenditure and remediation expenses for future environmental matters will materially affect our financial position, results of operations or liquidity.

3.6 Employees

The Group had 83,438 employees at December 31, 2008, representing an increase from December 31, 2007 of 5,717 employees or 7.4%. This increase is mainly attributable to the Orascom Cement acquisition (7,173 employees): this concerns the regions Middle East and Africa but also Pakistan and Spain. It is also attributable to the Africa projects development (737 employees), notably in South-Africa, Uganda and Zambia, and to the significant development of the Asia area

(795 employees excluding Orascom Cement acquisition) especially in India and Vietnam.

This increase is compensated in part by the sale of our 50% interest in the Titan joint venture in Egypt (811 employees), the nationalization of our companies in Venezuela (708 employees), the sales of our Cement and Aggregates & Concrete activities in Italy (271 employees) and a decrease in the number of employees in North America

(1,256 employees) and in Western Europe (206 employees).

The following tables set forth our headcount by Division and by region at December 31, 2008, 2007 and 2006.

Both tables account for 100% of the employees of our fully consolidated and proportionately consolidated subsidiaries.

EMPLOYEES BY DIVISION

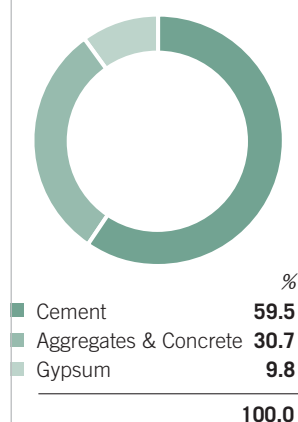
	2008		2008/2007 CHANGE	2007		2007/2006 CHANGE	2006	
	Headcount	%	%	Headcount	%	%	Headcount	%
Cement	49,673	59.5	9.2	45,481	58.5	(1.8)	46,313	58.5
Aggregates & Concrete	25,633	30.7	6.1	24,167	31.1	(3.2)	24,969	31.5
Gypsum	8,132	9.8	0.7	8,073	10.4	1.8	7,933	10
TOTAL ROOFING EXCLUDED	83,438	100.0	7.4	77,721	100.0	(1.9)	79,215	100.0
ROOFING	-	-	-	-	-	-	13,251	100.0

EMPLOYEES BY GEOGRAPHICAL AREA*

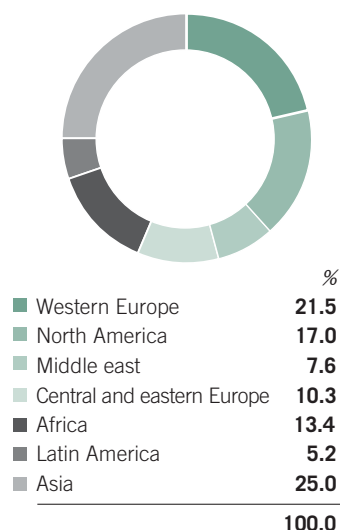
	2008		2008/2007 CHANGE	2007		2007/2006 CHANGE	2006	
	Headcount	%	%	Headcount	%	%	Headcount	%
WESTERN EUROPE								
Roofing excluded	17,918	21.5	(1.1)	18,124	23.3	(0.3)	18,181	23.0
Roofing	-	-	-	-	-	-	6,861	51.8
NORTH AMERICA								
Roofing excluded	14,161	17.0	(8.1)	15,417	19.8	(7.1)	16,600	21.0
Roofing	-	-	-	-	-	-	1,131	8.5
MIDDLE EAST								
Roofing excluded	6,386	7.6	87.8	3,399	4.4	(21.3)	4,319	5.4
Roofing	-	-	-	-	-	-	118	1.0
CENTRAL & EASTERN EUROPE								
Roofing excluded	8,595	10.3	0.3	8,569	11.0	(1.7)	8,717	11.0
Roofing	-	-	-	-	-	-	2,115	15.9
LATIN AMERICA								
Roofing excluded	4,364	5.2	(10.0)	4,847	6.2	3.2	4,696	5.9
Roofing	-	-	-	-	-	-	611	4.6
AFRICA								
Roofing excluded	11,159	13.4	45.2	7,686	9.9	1.5	7,571	9.6
Roofing	-	-	-	-	-	-	392	2.9
ASIA								
Roofing excluded	20,855	25.0	6.0	19,679	25.3	2.9	19,131	24.2
Roofing	-	-	-	-	-	-	2,023	15.3
TOTAL ROOFING EXCLUDED	83,438	100.0	7.4	77,721	100.0	(1.9)	79,215	100.0
ROOFING							13,251	100.0

* Including employees at our head office and in our Research & Development department.

GROUP EMPLOYEES BY DIVISION



GROUP EMPLOYEES BY REGION OF DESTINATION



In 2007, 67% of Group employees were represented by elected representatives or unions. At the end of 2008 the figure stands at 65% (the acquisition of Orascom countries without unions impacting the result at Group level). In general, relationships with unions and works councils are both local (site, plant, country) and global (European works council).

The labor dialogue initiated several years ago with international trade union federations continues, in accordance with the international agreement signed by the Group in September 2005 with the wood and construction federations (FITBB, ICEM and FMCB). Meetings are organized twice a year to monitor implementation of the agreement and see how it may be improved.

3.7 Intellectual Property

Lafarge has a substantial portfolio of Intellectual Property rights including patents, trademarks, domain names and registered designs and models, which are used as a strategic tool in the protection of its business activities. Lafarge aims to enhance the value of this intellectual property by coordinating, centralizing and establishing its titles through patents, trademarks, copyright and other relevant laws and conventions and by using legal and regulatory recourse in the event of infringement of the rights by a third party.

The Group Intellectual Property department is in charge of protecting the Group Trade Name, which is a registered trademark in more than 120 countries, and implementing the necessary legal recourse against third party unauthorized use of the Lafarge name. Action against illegal use of the Lafarge name in China continued in 2008, with success in nine civil litigations against local counterfeiters.

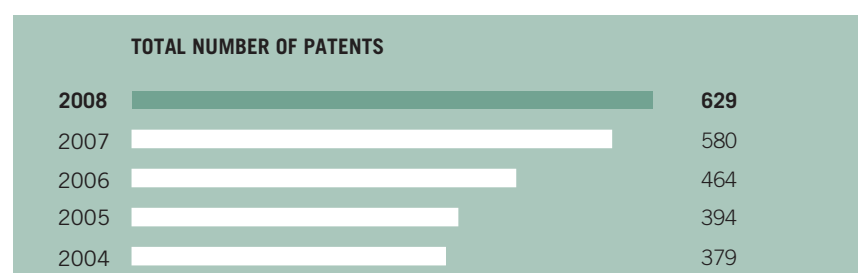
Protection of the company signature "Bringing Materials to Life™" as a trademark continued in 2008, in particular protection was extended to the major Middle Eastern countries including Egypt, Syria, Jordan,

Saudi Arabia and the United Arab Emirates, thereby providing global strong legal protection and recognition for the Lafarge brand identity. Trademark protection was sought and obtained for new product brands, particularly in the gypsum business, in line with product launches, for example, WAB™ and Synia® for plasterboard products.

The use of, and access to, Lafarge's Intellectual Property rights are governed by the terms of industrial franchise agreements. These industrial franchise agreements provide a series of licenses to its subsidiaries, permitting the use of intangible assets developed by the Group (such as know-how, trademark, trade name, patents and best

practices). Agreements continue to be implemented, where appropriate, for existing and new business units and for joint ventures, in particular in some Middle Eastern countries.

The Lafarge patent portfolio continues to grow considerably, with a further increase in the submission of patent applications, over 2008, arising notably from the Lafarge Research Center, thereby reflecting Lafarge's commitment to innovation; in particular, the patent portfolio relating to the cement, aggregates and concrete businesses has grown steadily over the last five years (see the chart below).



3.8 Research and Development (R&D)

The three main objectives of the Group's R&D activities implemented at LCR (Lafarge Centre de Recherche) are: research for new products offering value-added solutions to our customers, development of our product ranges to better incorporate current sustainable construction concerns, and sustained efforts to reduce green house gas emissions in our industrial processes and materials.

In accordance with the Group strategic orientations, resources provided to research were strengthened in 2008. Consequently, over twenty new researchers were recruited to work in the LCR, hence reinforcing the Group expertise in the fields such as building thermics, modelization of long-term material behaviors, formulation of emulsions, road applications, etc.

Lafarge's academic prestige has been reinforced by doubling the number of theses in 2008 and boosting our collaboration within the European Nanocem University network. Moreover, the teaching and research chair set up between Lafarge and France's *École Polytechnique* has taken on an international dimension with the organization of seminars gathering many experts of current scientific subjects and the organization of a second international seminar at Berkeley University.

The share of our research work covering various sustainable development topics regularly increased every year and makes for approximately 50% now. In 2008, our research studies for the Divisions were undertaken as described below:

Cement

Research programs aiming at differentiating our products in target customer segments (notably pre-fabrication) were pursued.

Research on process developments that reduce our green house gas emissions was continued.

Finally, the deployment of our formulation tools has been pursued. These contribute to enrich our fundamental scientific knowledge.

Aggregates and Concrete

The technological building built for LCR in 2007 has been optimally used this year to validate new products at a quasi industrial scale. It is equipped with an experimental and very precise batching plant that equally sustains and accelerates worldwide transfer of our recent concrete innovations (large jointless slabs, Extensia®, rapid concretes, Chronolia®, self-levelling concretes, Agilia®, architectonic concretes, Artevia®, etc).

Beyond this, Research was pursued in view of optimizing mixing methods, acquiring in-depth knowledge of concrete surface appearance and better understanding thermal properties of concrete.

A new structural and insulating concrete which will help reduce thermal losses, is currently being tested in real-life conditions within a partnership with Bouygues Construction.

Studies on aggregates have produced results to better measure their optimum performance levels depending on whether they are used in road or concrete applications.

Gypsum

Research studies were undertaken to develop our fundamental knowledge on the resistance of our gypsum boards to humidity.

New finishing compounds with acoustic properties have been developed as well as jointing compounds with controlled hardening properties.

Research on the production processes of gypsum, which would reduce the environmental impact of the wallboard production line, is being pursued.

See Notes 2.10 and 11 for more information on R&D costs.

FOOTBRIDGE

of the Devil's bridge,
Southern France,
made with fiber
reinforced ultra high
performance concrete
Ductal®, by architect
Rudy Ricciotti and
engineer Romain Ricciotti.

4

Operating and Financial Review and Prospects

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4.1 Overview

Summary of our 2008 results

In 2008 we pursued our efforts to improve workplace safety. The Group fixed as first operating priorities the safety of the women and men who work within the Group day after day, be they on the payroll or subcontractors and whether they work on site or on the road. We consider that safety is an excellent indicator of performance and we believe we still have room for progress.

The Orascom Cement acquisition which took place on January 23, 2008 is the key event of the year due to its magnitude (8.3 billion euros) and its impact on the Group geographical portfolio. It represents a major step in the development of the Group. Benefiting from major positions and projects in progress in North Africa and in the Middle East, we have considerably strengthened our business portfolio and boosted our growth potential.

Another major feature of 2008 is the change in the economic environment with, in 2008, the confirmation of a serious worldwide financial and economic crisis. In 2007, most of our markets were still benefiting from a relatively high level of activity. In 2008, starting from the first semester, mature markets were weak and, in fourth quarter, both mature markets and a number of emerging markets suffered from the economic downturn.

Given the difficult context in 2008, we believe that we have achieved a strong operational performance.

Sales and current operating income were respectively up by 8% and 9%, favorably impacted by a scope effect resulting from the Orascom Cement acquisition, partly offset by the adverse effect of currency fluctuations. At constant scope of consolidation and exchange rates, sales rose by 3% and current operating income was stable year on year.

Group current operating margin grew 20 bp to 18.6%.

Our well balanced portfolio of activities, with emerging markets accounting now for 60% of our operating profit and nearly 46% of our sales, has made our results more resilient to the economic downturn.

In all our Divisions, when necessary, we have adapted our production capacities to weaker markets. We have slowed production, halted certain facilities (Spain, United States and the United Kingdom) and closed a few plants (United Kingdom, Germany).

Our innovation strategy was also beneficial and particularly profitable in the ready-mix concrete activity where volumes of value added products increased despite overall volume declines in mature markets.

Our 2005-2008 cost reduction program, which outperformed our expectations, and the acquisition of Orascom Cement, with low cost operations, also contributed to the improvement in margin.

The Group return on capital employed after tax at 8.8% in 2008, compared to 11.0% in 2007, did not capture the full benefit of the Orascom Cement acquisition, since part of the price paid is attributable to new capacities that were not yet or only partially operating in 2008.

Net cash provided by operating activities grew by 12% to 3.0 billion euros.

Earning Per Share decreased to 8.27 euro compared to 11.05 euro in 2007, mainly as the result of a higher number of shares, reflecting the reserved share issuance to finance the Orascom Cement acquisition, and an exceptional goodwill depreciation of 250 million euros. This goodwill write-off was necessary to adjust the book value of some of our businesses in the UK and the United States to a deteriorated environment.

In 2008, our investment program was re-phased to cope with the new economic environment and the Group financial situation. Our objective of cement new capacities in the emerging markets has been adjusted to 38 million tonnes by year-end 2010 and 48 million tonnes by 2012. In the ready-mix concrete activity, we acquired a major player in India, confirming our strategic objective of a well balanced geographical portfolio.

The Orascom Cement acquisition, which was mostly debt financed, had a major impact on our financial structure. Net gearing reached 115% up from 72% at December 31, 2007 and our ratio cash flow from operations to net debt decreased from 32% in 2007 to 19% in 2008.

In the context of the current global crisis, we decided to launch a series of measures (*see the following section – Recent events*) to strengthen our financial structure during the first half of 2009. This major initiative will enable us to bolster our competitive edge and to pull through the economic downturn.

We have a solid business model. Cement is an essential material that addresses vital needs. Though the sector is in the midst of a cyclical downturn, we consider that this is not a structural crisis. Demographic growth and the need for housing and infrastructure in emerging markets represent a strong medium and long-term growth engine for our business.

In most of our markets, economic stimulation plans have been announced with a significant infrastructure component. They will have an extremely favorable impact on our business. They should have a significant impact in 2010 and a more limited one in 2009.

Also, we believe that we will go through the crisis with the lowest costs in the sector and the best teams, being thus well prepared for the recovery phase that will follow.

Recent events

In today's difficult financial and economic environment, Lafarge initiated a 4.5 billion euros package of assertive measures to strengthen financial structure in 2009. This platform of measures will allow Lafarge to strongly enhance its financial structure during the course of the first half of 2009 and to demonstrate once again its strong commitment to a solid investment grade rating.

LAFARGE FURTHER INCREASES OPERATIONAL EFFORTS UP TO 1.6 BILLION EUROS TO ENHANCE CASH FLOW GENERATION

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

LAFARGE STRENGTHENS ITS BALANCE SHEET: 1.5 BILLION EUROS RIGHTS ISSUE AND A 400 MILLION EUROS REDUCTION IN DIVIDEND

- Lafarge announces its intention to proceed with a fully underwritten 1.5 billion euros rights issue. Groupe Bruxelles Lambert and NNS Holding Sàrl, its two major shareholders, have each committed to subscribe their prorata shares, which would represent 0.5 billion euros. The rights issue is subject to authorization by Lafarge's shareholders, who convene at an Extraordinary General Meeting on March 31.
- Reflecting the current difficult environment, Lafarge proposes a dividend of

2 euros per share for its shareholders, exceptionally reducing it by 0.4 billion euros in total (subject to shareholders' approval).

STRONG LIQUIDITY POSITION: A NEW 1.0 BILLION EUROS BANKING FACILITY TO PROVIDE ADDITIONAL FLEXIBILITY

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

DEBT RESTRUCTURING

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

See Section 4.1 (Overview – Reconciliation of our non-GAAP financial measures) for more information on free cash flow.

The above trends and targets are by nature subject to risks and uncertainties, and shall be considered in view of risk factors described in Chapter 2.

Critical accounting policies

See Note 2 to the consolidated financial statements for more information on the significant accounting policies we apply under IFRS.

Impairment of goodwill

In accordance with IAS 36 – Impairment of assets, the net book value of goodwill is tested for impairment at least annually during the second half of the year, to take into consideration factors that may have affected the value and recoverability of assets.

For testing purposes, the Group's net assets are allocated to Cash Generating Units ("CGUs"). CGUs generally represent one of our three Divisions in a particular country. A CGU is the smallest identifiable group of assets generating cash flow independently and represents the level used by the Group to organize and present its activities and results in its internal reporting.

In our goodwill impairment test, we use a combination of a market approach (fair value less costs to sell) and an income approach (value in use). In the market approach, we compare the carrying amount of our CGUs with multiples of their operating income before capital gains, impairment, restructuring, other and before amortization and depreciation. For CGUs carrying an impairment risk according to the market approach, we then use the value-in-use approach. In the value-in-use approach, we estimate the discounted value of the sum of the expected future cash flows over 10-year periods. If the carrying amount of the CGU exceeds the higher of fair value less costs to sell or the value in use of the related assets and liabilities, we recognize impairment in goodwill (under "other operating expenses").

Evaluations used for impairment testing are significantly affected by estimates of future prices for our products, trends in expenses, economic developments in the local and international construction sector, expectations concerning the long-term development of emerging markets and other factors. The results of these evaluations also depend on the discount rates and perpetual growth rates used. We have defined country specific discount rates for each of our CGUs based on their weighted average cost of capital.

In some cases, we may use a third-party valuation as part of our goodwill impairment testing.

See Note 10 to the consolidated financial statements for more information on goodwill.

Pension plans and other postretirement benefits

Accounting rules for pension plans and other postretirement benefits require us to make certain assumptions that have a significant impact on the expenses and liabilities that we record for pension plans, end of service indemnities, and other post employment benefits.

The main defined benefit pension plans and other postretirement benefits provided to employees by the Group are in the United Kingdom and North America (the United States of America and Canada). The related projected benefit obligations as of December 31, 2008 represent 55% and 32%, respectively, of the Group's total obligations in respect of pension plans, end of service indemnities and other post employment benefits.

See Note 23 to our consolidated financial statements for more information on the primary assumptions made to account for pension plans, end of service indemnities and other post employment benefits.

Our pension and other post-retirement benefit obligations are impacted by the 2008 discount rates, which reflect the rate of long-term high-grade corporate bonds. The impact of decreasing the discount rate assumption by one percentage point at December 31, 2008 for the valuation of the most significant benefit plans located in the United Kingdom and North America would have been to increase the total benefit obligation by approximately 480 million euros.

In 2007, the Group adopted the IAS 19 option which consists in the recognition of actuarial gains and losses through equity (statement of recognized income and expense).

Environmental costs

Costs incurred that result in future economic benefits, such as extending useful lives, increasing capacity or safety, and those costs incurred to mitigate or prevent future environmental contamination are capitalized. When we determine that it is probable that a liability for environmental costs exists and

that its resolution will result in an outflow of resources, an estimate of the future remediation cost is recorded as a provision without contingent insurance recoveries being offset (only virtually certain insurance recoveries are recognized as an asset on the balance sheet). When we do not have a reliable reversal time schedule or when the effect of the passage of time is not significant, the provision is calculated based on undiscounted cash flows.

Environmental costs, which are not included above, are expensed as incurred.

See Note 24 to the consolidated financial statements.

Site restoration

Where we are legally, contractually or implicitly required to restore a quarry site, we accrue the estimated costs of site restoration and amortize them under cost of sales on a unit-of-production basis over the operating life of the quarry. The estimated future costs for known restoration requirements are determined on a site-by-site basis and are calculated based on the present value of estimated future costs.

See Note 24 to the consolidated financial statements.

Income taxes

In accordance with IAS 12 – Income taxes, deferred income taxes are accounted for by applying the liability method to temporary differences between the tax base of assets and liabilities and their carrying amounts on the balance sheet (including tax losses available for carry forward). Deferred taxes are measured by applying currently enacted or substantially enacted tax laws. Deferred tax assets are recognized, and their recoverability is then assessed. If it is unlikely that a deferred tax asset will be recovered in future years, we record a valuation allowance to reduce the deferred tax asset to the amount that is likely to be recovered.

We offset deferred tax assets and liabilities on the balance sheet if the entity has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities

relate to income taxes levied by the same taxing authority.

We calculate our income tax obligations in accordance with the prevailing tax legislation in the countries where the income is earned.

See Note 22 to our consolidated financial statements.

Effects on reported results of changes in the scope of operations and currency fluctuations

Changes in the scope of our operations such as acquisitions and divestitures together with changes in how we account for our business units, such as a change from proportionate to full consolidation, may increase or decrease our consolidated sales and operating income before capital gains impairment, restructuring and other in comparison to a prior year and thus make it difficult to determine trends in the underlying performance of our operations.

Changes in the scope of our operations

In order to provide a meaningful analysis between any two years (referred to below as the “current” year and the “prior” year) sales and operating income before capital gains, impairment, restructuring and other are adjusted to compare the two years at constant scope. With respect to businesses entering the scope of consolidation at any time during the two years under comparison current year sales and operating income before capital gains, impairment, restructuring and other are adjusted to take into account the contribution made by these businesses during the current year only for a period of time identical to the period of their consolidation in the prior year. With respect to businesses leaving the scope of consolidation at any time during the two years under comparison, prior-year sales and operating income before capital gains impairment, restructuring and other are adjusted to take into account the contribution of these businesses during the prior year only for a period of time identical to the period of their consolidation in the current year.

Currency fluctuations

Similarly, as a global business operating in numerous currencies, changes in exchange rates against our reporting currency, the euro, may result in an increase or a decrease in the sales and operating income before capital gains, impairment, restructuring and other reported in euros not linked to trends in underlying performance. Unless stated otherwise, we calculate the impact of currency fluctuations as the difference between the prior year's figures as reported (adjusted if necessary for the effects of businesses leaving the scope of consolidation) and the result of converting the prior year's figures (adjusted if necessary for the effects of businesses leaving the scope of consolidation) using the current year's exchange rates.

Definition

The Group has included the "Operating income before capital gains, impairment, restructuring and other" subtotal (which we commonly refer to as "current operating income" in our other shareholder and investor communications; "current operating income" hereinafter) on the face of consolidated statement of income. This measure excludes aspects of our operating performance that are by nature unpredictable in their amount and/or in their frequency, such as capital gains, asset impairment charges 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 "Operating income before capital gains, impairment, restructuring and other" subtotal is useful to users of the Group's financial statements, as it provides them with a measure of our operating performance that excludes these items, enhancing the predictive power of our financial statements and providing 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, operating income before capital gains, impairment, restructuring and other is a major component of the Group's key profitability measure, return on capital employed. This ratio is calculated by dividing the sum of "Operating income before capital gains, impairment, restructuring and other", after tax and income from associates by the average of 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 resource allocations, and c) assess the performance of management personnel. However, because this measure has the limitations outlined below, the Group restricts the use of this measure to these purposes.

The Group's subtotal shown under operating income may not be comparable to similarly titled measures used by other entities. Furthermore, 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 ultimately affect our operating performance and cash flows. Accordingly, the Group also presents "operating income" on the consolidated statement of income, which encompasses all the amounts affecting the Group's operating performance and cash flows.

Reconciliation of our non-GAAP financial measures

Net debt and cash flow from operations

To assess the Group's financial strength, we use various indicators, in particular the net debt-to-equity ratio and the cash flow from operations to net debt ratio. We believe that these ratios are useful to investors as they provide a view of the Group-wide level of debt in comparison with its total equity and its cash flow from operations.

See Section 4.4 (Liquidity and capital resources – Level of debt and financial ratios at December 31, 2008) for the value of these ratios in 2008, 2007 and 2006.

As shown in the table below, our net debt is defined as the sum of our long-term debt, short-term debt and current portion of long-term debt, derivative instruments liabilities – non-current and derivative instruments liabilities – current less our cash and cash equivalents, derivative instruments assets – non-current and derivative instruments assets-current.

(million euros)	2008	2007	2006
Long-term debt	14,149	8,347	9,421
Short-term debt and current portion of long-term debt	4,472	1,762	1,664
Derivative instruments, liabilities – non-current	52	26	20
Derivative instruments, liabilities – current	147	36	25
Cash and cash equivalents	(1,591)	(1,429)	(1,155)
Derivative instruments, assets – non-current	(122)	(5)	(70)
Derivative instruments, assets – current	(223)	(52)	(60)
NET DEBT	16,884	8,685	9,845

We calculate the **net debt-to-equity ratio** by dividing the amount of our net debt, as computed above, by our total equity as shown on our consolidated balance sheet.

We calculate the **cash flow from operations to net debt ratio** by dividing our cash flow from operations by our net debt as computed above. Cash flow from operations (after interest and income tax paid) is the net cash

provided by operating activities from continuing operations, before changes in operating working capital items, excluding financial expenses and income taxes as follows:

(million euros)	2008	2007	2006
Net operating cash generated by continuing operations	3,001	2,702	2,382
Changes in operating working capital items, excluding financial expenses and income taxes	154	79	257
CASH FLOW FROM CONTINUING OPERATIONS	3,155	2,781	2,639

Free cash flow

Free cash flow is defined as net operating cash generated by continuing operations less sustaining capital expenditures.

Return on capital employed after tax

One of the key profitability measures used by our Group and Division management for each Division is the “return on capital employed after tax”. This non-GAAP measure is calculated by dividing the sum of “current operating income after tax” and

“income from associates” by the average of “capital employed” over the year.

We adjusted the amount of capital employed as at December 31, 2007 by including the capital employed of Orascom Cement to reflect the acquisition completed on January 23, 2008 (see Section 3.2 Investments). The capital employed of Orascom Cement as at January 23, 2008 amounted to 10,968 million euros.

See Note 4 to the consolidated financial statements for more information on current operating income, the share of

“income from associates” and “capital employed by Division”.

In 2008, return on capital employed after tax is determined using an effective consolidated tax rate of 18%. This percentage was calculated based on a result which excludes the 2008 impairment of goodwill which is not tax deductible. The Group effective tax rate before excluding the impairment impact is 19.8%. In 2007 and 2006, return on capital employed after tax was determined using a tax rate of 26.2% and 28.6% respectively.

For 2008, 2007 and 2006, return on capital employed after tax for each Division and the Group was calculated as follows:

2008

	Current operating income	Current operating income after tax	Income from associates	Current operating income after tax with income from associates	Capital employed at December 31, 2008 ⁽¹⁾	Capital employed at December 31, 2007	Average capital employed	Return on capital employed after tax (%)
(million euros)	(A)	(B) = (A)x(1-18%)	(C)	(D) = (B)+(C)	(E)	(F)	(G) = ((E)+(F))/2	(H) = (D)/(G)
Cement	2,964	2,430	15	2,445	25,547	25,551	25,549	9.6
Aggregates & Concrete	623	511	4	515	5,503	5,203	5,353	9.6
Gypsum	36	30	13	43	1,484	1,482	1,483	2.9
Other	(81)	(66)	(35)	(101)	731	812	771	N/A
TOTAL FOR CONTINUING OPERATIONS	3,542	2,904	(3)	2,901	33,265	33,048	33,156	8.8

(1) = Including 10,968 million euros from the acquisition of Orascom Cement.

2007

	Current operating income	Current operating income after tax	Income from associates	Current operating income after tax with income from associates	Capital employed at December 31, 2007	Capital employed at December 31, 2006	Average capital employed	Return on capital employed after tax (%)
(million euros)	(A)	(B) = (A)x(1-26.2%)	(C)	(D) = (B)+(C)	(E)	(F)	(G) = ((E)+(F))/2	(H) = (D)/(G)
Cement	2,481	1,831	13	1,844	15,399	15,209	15,304	12.0
Aggregates & Concrete	721	532	14	546	4,798	4,585	4,692	11.6
Gypsum	116	86	19	105	1,482	1,433	1,457	7.2
Other	(76)	(56)	(46)	(102)	403	163	283	N/A
TOTAL FOR CONTINUING OPERATIONS	3,242	2,393	0	2,393	22,082	21,390	21,736	11.0

2006

	Current operating income	Current operating income after tax	Income from associates	Current operating income after tax with income from associates	Capital employed at December 31, 2006	Capital employed at December 31, 2005	Average capital employed	Return on capital employed after tax (%)
(million euros)	(A)	(B) = (A)x(1-28.6%)	(C)	(D) = (B)+(C)	(E)	(F)	(G) = ((E)+(F))/2	(H) = (D)/(G)
Cement	2,103	1,501	3	1,504	15,209	13,982	14,595	10.3
Aggregates & Concrete	564	403	11	414	4,585	3,932	4,258	9.7
Gypsum	198	141	16	157	1,433	1,267	1,350	11.6
Other	(93)	(66)	-	(66)	163	290	226	N/A
TOTAL FOR CONTINUING OPERATIONS	2,772	1,979	30	2,009	21,390	19,471	20,430	9.8
TOTAL INCLUDING DISCONTINUED OPERATIONS	2,916	2,082	34	2,116	23,638	21,652	22,645	9.3

4.2 Results of operations for the fiscal years ended December 31, 2008 and 2007

All data presented in the discussions below and elsewhere in Chapter 4 regarding sales, current operating income and sales volumes, include the proportional contributions of our proportionately consolidated subsidiaries.

Demand for our cement and aggregates & concrete products is seasonal and tends to be lower in the winter months in temperate countries and in the rainy season in

tropical countries. We usually experience a reduction in sales on a consolidated basis in the first quarter during the winter season in our principal markets in Western Europe and North America, and an increase in sales in the second and third quarters, reflecting the summer construction season.

Consolidated sales and current operating income

Sales

Consolidated sales increased by 8.1% to 19,033 million euros from 17,614 million euros in 2007. At constant scope of consolidation and exchange rates, sales rose by 3.4% for the full year. Organic growth

reflected contrasted trends in the year: sustained market growth in emerging markets in the first nine months of the year and pricing gains throughout the year more than offset the impact of the slowdown in the United States, Spain and the United Kingdom and an overall deceleration in volumes trends in the fourth quarter.

Currency fluctuations had a negative impact of 874 million euros (or -5.1%), mainly reflecting the depreciation of the British pound, the US and Canadian dollars and the South-African rand against the euro. Changes in the scope of consolidation had a net positive impact of 1,724 million euros or 9.8%, resulting mainly from the acquisition of Orascom Cement operations, primarily

in cement, finalized at the end of January 2008. This positive impact was partially offset by the divestment of our interest in the joint venture with Titan in Egypt in April and by the deconsolidation of our Venezuelan operations from October 1 due to the current process of nationalization.

Contribution to our sales by Division (before elimination of inter-Division sales) for the years ended December 31, 2008 and 2007, and the related percentage changes between the two periods were as follows:

SALES

	2008	VARIATION 2008/2007	2007
	(million euros)	(%)	(million euros)
Cement	11,720	14.0	10,280
Aggregates & Concrete	6,580	(0.3)	6,597
Gypsum	1,546	(2.2)	1,581
Other	29	81.3	16
Elimination of inter-Division sales	(842)	2.1	(860)
TOTAL	19,033	8.1	17,614

Contribution to our consolidated sales by Division (after elimination of inter-Division sales) for the years ended December 31, 2008 and 2007, and the related percentage changes between the two periods were as follows:

SALES

	2008		VARIATION 2007/2008	2007	
	(million euros)	(%)	(%)	(million euros)	(%)
Cement	10,911	57.3	15.4	9,456	53.7
Aggregates & Concrete	6,573	34.5	(0.2)	6,586	37.4
Gypsum	1,521	8.0	(2.2)	1,556	8.8
Other	28	0.2	75.0	16	0.1
TOTAL	19,033	100.0	8.1	17,614	100.0

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.2 Results of operations for the fiscal years ended December 31, 2008 and 2007

At constant scope and exchange rates, the changes in sales by Division between the years ended December 31, 2008 and 2007 were as follows:

	2008			2007				% CHANGE		
	Actual	Scope effect of acquisitions	On a comparable basis	Actual	Scope effect of disposals	At constant scope	Currency fluctuations effects	On a comparable basis	% gross change actual	% change at constant scope and exchange rates
(million euros)	(A)	(B)	(C) = (A)-(B)	(D)	(E)	(F) = (D)+(E)	(G)	(H) = (F)+(G)	(I) = (A-D)/(D)	(J) = (C-H)/(H)
Cement	11,720	1,379	10,341	10,280	(84)	10,196	(487)	9,709	14.0	6.5
Aggregates & Concrete	6,580	465	6,115	6,597	(34)	6,563	(348)	6,215	(0.3)	(1.6)
Gypsum	1,546	1	1,545	1,581	-	1,581	(73)	1,508	(2.2)	2.5
Other	29	15	14	16	-	16	(1)	15	81.3	(6.7)
Elimination of inter-Division sales	(842)	(21)	(821)	(860)	3	(857)	35	(822)	2.1	N/A
TOTAL	19,033	1,839	17,194	17,614	(115)	17,499	(874)	16,625	8.1	3.4

Current operating income

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

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

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

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

See Section 4.1 (Overview – Reconciliation of our non-GAAP financial measures) for more information on capital employed after tax.

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

CURRENT OPERATING INCOME

	2008		VARIATION 2008/2007		2007	
	(million euros)	(%)	(%)	(million euros)		
Cement	2,964	83.7	19.5	2,481	76.5	
Aggregates & Concrete	623	17.6	(13.6)	721	22.2	
Gypsum	36	1.0	(69.0)	116	3.6	
Other	(81)	(2.3)	6.6	(76)	(2.3)	
TOTAL	3.542	100.0	9.3	3.242	100.0	

At constant scope and exchange rates, the changes in consolidated current operating income by Division between the years ended December 31, 2008 and 2007 were as follows:

2008				2007					% CHANGE	
	Actual	Scope effect of acquisitions	On a comparable basis	Actual	Scope effect of disposals	At constant scope	Currency fluctuations effects	On a comparable basis	% gross change actual	% change at constant scope and exchange rates
(million euros)	(A)	(B)	(C) = (A)-(B)	(D)	(E)	(F) = (D)+(E)	(G)	(H) = (F)+(G)	(I) = (A-D)/(D)	(J) = (C-H)/(H)
Cement	2,964	454	2,510	2,481	(24)	2,457	(93)	2,364	19.5	6.2
Aggregates & Concrete	623	32	591	721	-	721	(38)	683	(13.6)	(13.5)
Gypsum	36	1	35	116	-	116	(3)	113	(69.0)	(68.7)
Other	(81)	(1)	(80)	(76)	(16)	(92)	(7)	(99)	6.6	(19.2)
TOTAL	3,542	486	3,056	3,242	(40)	3,202	(141)	3,061	9.3	(0.2)

Sales and current operating income by Division

Method of presentation

SALES BEFORE ELIMINATION OF INTER-DIVISION SALES

Figures for individual Divisions are stated below prior to elimination of inter-Division sales. For sales per Division after elimination of inter-Division sales, see the table under "Consolidated Sales and Current Operating Income" above.

GEOGRAPHIC MARKET INFORMATION: BY ORIGIN OF SALE "DOMESTIC" AND BY DESTINATION

Unless stated otherwise, we analyze our sales for each region or country by origin of sale.

"Domestic sales" and "domestic volumes" concern only sales and volumes both originating and completed within the relevant geographic market, and thus exclude export sales and volumes. When not described as "domestic", this information includes domestic sales or volumes plus

exports to other geographic markets. Unless stated otherwise, all "domestic" information is provided at constant scope and exchange rates.

Certain volume information is also presented "by destination market". Such information represents domestic volumes for the relevant market plus imports into this market. Exports to other markets are then excluded.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.2 Results of operations for the fiscal years ended December 31, 2008 and 2007

Cement

SALES AND CURRENT OPERATING INCOME

	2008	2007	VARIATION 2008/2007	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	(million euros)	(%)	(%)
SALES	11,720	10,280	14.0	6.5
CURRENT OPERATING INCOME	2,964	2,481	19.5	6.2

Sales

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

SALES

	2008		VARIATION 2008/2007		2007
	(million euros)	(%)	(%)	(million euros)	(%)
Western Europe	2,794	23.9	(6.5)	2,987	29.1
North America	1,568	13.4	(14.6)	1,835	17.9
Middle East	1,206	10.3	186.5	421	4.1
Central & Eastern Europe	1,374	11.7	20.8	1,137	11.0
Latin America	743	6.3	9.3	680	6.6
Africa	2,402	20.5	35.1	1,778	17.3
Asia	1,633	13.9	13.2	1,442	14.0
SUB-TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	11,720	100.0	14.0	10,280	100.0

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

At constant scope and exchange rates, our sales in 2008 grew by 6.5% (up 8.9% in the first quarter 2008, 10.3% in the second

quarter 2008, 7.7% in the third quarter 2008 and down -0.9% in the fourth quarter 2008). This growth reflected contrasted trends with sustained growth in emerging markets and solid pricing gains largely offsetting softness in some developed markets. In the fourth quarter, following a deceleration in most markets, higher prices mitigated the impact of declining volumes. Volumes sold for the year reached 154.7 million tonnes in 2008 compared to 136.4 million tonnes in 2007, benefiting from the acquisition of Orascom Cement. At

constant scope, volumes were down 2.1%, or down 1.4% when adjusted for the impact of the earthquake in Sichuan, China, that disrupted production at two of our plants during seven months. Growth in emerging markets offset the softness in volumes in mature markets, primarily led by declining markets in the United States, Spain and the United Kingdom.

I Current operating income

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

CURRENT OPERATING INCOME

	2008		VARIATION 2008/2007	2007	
	(million euros)	(%)	(%)	(million euros)	(%)
Western Europe	774	26.1	(1.7)	787	31.7
North America	226	7.6	(41.5)	386	15.6
Middle East	395	13.3	208.6	128	5.1
Central & Eastern Europe	590	19.9	26.1	468	18.9
Latin America	162	5.5	20.0	135	5.4
Africa	539	18.2	41.5	381	15.4
Asia	278	9.4	41.8	196	7.9
TOTAL	2,964	100.0	19.5	2,481	100.0

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

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

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

See Section 4.1 (Overview – Reconciliation of our non-GAAP financial measures) for more information on capital employed after tax.

I Western Europe

SALES

In Western Europe, sales totalled 2,794 million euros in 2008, a decrease of 6.5% compared to 2007.

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

- **In France**, domestic sales were up 1.0%, with improved prices in a context of rising input costs. This more than offset a decline in volumes in the fourth quarter, reflecting the slowdown in the economy that was amplified by difficult weather conditions.
- **In the United Kingdom**, domestic sales declined by 6.4%. Strong pricing gains, in a context of a sharp rise in input costs, partially mitigated the severe decline in sales volumes due to the overall market contraction.
- **In Spain**, domestic sales declined by 20.7%. Pricing remained stable despite very tough market conditions, which saw

a historical sharp correction of the residential market.

- **In Germany**, domestic sales were up 10.7% as a result of steady recovery in prices combined with improved volumes.
- **In Greece**, where the economy was affected by sharp inflation and then by the financial crisis, the domestic market retreated from last year's levels. Domestic sales were down 1.2%, as solid pricing gains in a context of a sharp rise in input costs, notably in energy, mostly offset the impact of declining volumes.

CURRENT OPERATING INCOME

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

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

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

North America

SALES

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

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

CURRENT OPERATING INCOME

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

Emerging markets

SALES

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

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

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

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

- **In Egypt**, Orascom Cement operations have been integrated since the end of January whereas our previous joint venture with Titan was divested, effective May 1. Solid market trends prevailed throughout the year. Prices increased to reflect the steady rise in costs, notably in natural gas prices.

- **In Iraq**, in which we now operate two plants, following the acquisition of Orascom Cement, the market experienced strong growth. The development of the distribution network nevertheless limited the benefit of the new plant production in the first half of the year.

- **In Jordan**, sales grew from price increases in the first nine months of the year in the context of an energy price surge, domestic volumes being down 4.4% on 2007 levels.

Our sales in **Central and Eastern Europe** rose by 20.8% in 2008 to 1,374 million euros.

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

- **In Poland**, the market was stable compared to 2007 levels. The postponement of certain infrastructure projects due to administrative delays were offset by higher demand in the housing sector. Some deceleration in volumes was experienced in the last quarter reflecting slowing economic conditions and harsher weather. Prices increased in a context of rising costs.

- **In Romania**, sales benefited from pricing gains and a very dynamic market, with some deceleration in the second half of the year, notably in the last quarter.

- **In Russia**, sales increased, driven by strong market trends and high price increases in the first half, mitigated by a reduction in prices since then due to fierce competition and contraction in volumes in the last quarter, with the market being impacted by the financial crisis.

- **In Serbia**, solid domestic volumes and price growth resulted in strong domestic sales improvement.

In Latin America, our sales were up by 9.3% to 743 million euros, impacted by the change of consolidation method of our Venezuelan operations from October 1, 2008.

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

- **In Brazil**, domestic sales rose by 37.2%, benefiting from sustained domestic demand that drove some recovery in prices, although still below historical levels.

- **In Venezuela**, market growth and pricing gains in a context of rising costs, notably in energy, drove sales improvement over the first nine months. Due to the ongoing nationalization of the cement industry, our operations were deconsolidated and accounted for under the equity method since October 1.

- **In Chile**, domestic sales volumes increased by 10.0%, reflecting market growth combined with improved operating performance compared to last year.

- **Honduras, Ecuador and Mexico** recorded strong increases in sales.

In the Africa region, our sales grew by 35.1% to 2,402 million euros in 2008.

At constant scope and exchange rates, domestic sales increased by 13.2%. Volumes sold by destination in the Africa region grew by 36.6%, at 22.4 million tonnes, reflecting the impact of the acquisition of Orascom Cement in Algeria notably. Domestic volumes at constant scope increased by 2.0%.

- **In Morocco**, a strong domestic market, despite some deceleration in the fourth quarter, combined with price improvement to lead to a domestic sales increase of 13.4%.

- **In Algeria**, price increased in a domestic market experiencing solid growth throughout the year.

- **In Nigeria**, some improvement in the performance of our plants allowed for growth in volumes although at a lower pace than market growth, still penalized by energy cuts. Solid pricing gains also contributed to domestic sales improving by 17.2% compared to 2007.

- **In South Africa**, solid pricing drove domestic sales up 8.8%. Our volumes increased by 2.0%, benefiting from an improved industrial performance compared to last year, despite some softness in the market throughout the year.

- **In Kenya**, solid market growth, favored by active residential and non residential sectors, combined with pricing gains to drive improvement in domestic sales (increasing by 19.9%).

- **In Cameroon**, domestic sales were almost stable (up 1.7%), reflecting softness in volumes.

- **In South East Africa**, which covers Zambia, Malawi and Tanzania, domestic sales grew solidly, driven by strong pricing conditions overall.

In Asia, our operations recorded a sales growth of 13.2% to 1,633 million euros in 2008.

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

- **In Malaysia**, domestic sales increased by 19.0%, driven by a bullish market in the first nine months of the year and pricing gains subsequent to the lifting of price controls by the government early June, in a context of a sharp rise in costs. In the last quarter, the market witnessed some deceleration.

- **In the Philippines**, in a lagging market domestic sales were up 5.4%, reflecting higher prices.

- **In India**, improved pricing and solid market growth throughout the year contributed to domestic sales growth of 22.3%.

- **In China**, domestic sales grew by 5.5% with solid pricing improvement offsetting lower volumes. Volumes declined mainly due to earthquake damage to two of our plants in Sichuan in the second quarter and difficult weather conditions in the first quarter. In Sichuan, both damaged plants resumed production during the second half of the year.

- **In South Korea**, domestic sales increased by 1.8%, with some pricing improvement offsetting a still difficult market situation worsening in the last quarter as a consequence of the economic slowdown.

- **In Indonesia**, our volumes were up 11.0% in an active market. Both higher volumes and improved pricing led to a domestic sales increase of 39.0%.

CURRENT OPERATING INCOME

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

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

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

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

- **In Egypt**, solid market trends and price improvement allowed us to deliver solid results despite a reduction in exports following an export ban from April to early October and a strong rise in costs, notably in natural gas prices.

- **In Jordan**, higher average prices for the year mostly offset the increased cost for energy in 2008, leading to a slightly decreasing current operating income.

In Central and Eastern Europe, current operating income increased by 26.1% to 590 million euros compared to 468 million euros in 2007.

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

- **In Romania**, current operating income increased significantly as a result of favorable market conditions, despite some deceleration in the last quarter.

- **In Poland**, tight cost control, solid industrial performance and pricing gains led the increase in current operating income.

- **In Russia**, we experienced a strong first half of the year, driven by solid market trends and significant pricing gains, while the second half was less favorable with some softness in the market and fierce competition to reduce prices. Current operating income nevertheless improved throughout the year.

- **In Serbia**, increased sales and strict cost control delivered better current operating income.

In Latin America, current operating income was up 20.0% to 162 million euros from 135 million euros in 2007.

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

- **In Brazil**, a dynamic market driven by the housing sector allowed for further recovery in prices. Improved sales combined with strict cost control led to a solid improvement of current operating income.

- **In Venezuela**, improved sales could not fully offset a rise in costs, notably in energy costs in the first nine months of the year. Due to the ongoing nationalization of the cement industry, our operations are accounted for under the equity method since October 1.

- **In Chile**, volumes increased, following a growing market, with some softness in the last quarter. Nevertheless, stability in prices combined with a strong rise in costs, notably power costs, had some adverse impact on current operating income.

- **In Ecuador, Honduras and Mexico**, current operating income was almost stable compared to 2007, with growing volumes being mitigated by rising costs.

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

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

- **In Algeria**, robust market trends and strict cost control allowed us to deliver solid results despite some start up issues, resolved in the first half, that initially limited the benefit of the new plant.

- **In Morocco**, pricing gains in a context of rising costs, strong cost reduction actions and solid domestic demand, despite some deceleration in the fourth quarter, mostly

drove improvement in the current operating income.

- **In Nigeria**, solid market trends helped to mitigate rising costs although, despite improvement in our plant performance, we were not fully able to keep pace with market growth, still affected by energy cuts.

- **In South Africa**, a strong rise in input costs was not offset by pricing gains and slightly higher volumes compared to last year. Current operating income decreased year on year.

- **In Kenya**, strong market trends more than offset rising costs, notably energy prices, leading to improvement in current operating income.

- **In Cameroon**, price increases could not offset higher costs, driving results lower.

- **In South East Africa**, current operating income increased, reflecting pricing gains.

In Asia, current operating income increased by 41.8% to 278 million euros in 2008.

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

- **In Malaysia**, increasing prices offset the strong rise in costs, notably energy costs, and volume growth, generated in a buoyant market during the first nine months of the year, led to improved current operating income.

- **In the Philippines**, despite a lagging market, pricing gains and strict cost control drove improvement in current operating income.

- **In India**, current operating income recorded a significant increase thanks to improved sales combined with tight cost control.

- **In China**, despite rising energy costs, positive pricing trends and closure of wet

process lines contributed to an increase in earnings. Insurance indemnity claims have been recognized to compensate for operating losses at damaged plants in Sichuan, which both resumed production during the second half of the year.

■ **In South Korea**, improvement in prices could not offset a sharp increase in costs, notably energy, which resulted in a current operating loss.

■ **In Indonesia**, a dynamic market helped improve prices in a context of higher

import costs. The current operating income for the year improved slightly.

Aggregates & Concrete

SALES AND CURRENT OPERATING INCOME

	2008	2007	VARIATION 2008/2007	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	(million euros)	(%)	(%)
SALES	6,580	6,597	(0.3)	(1.6)
CURRENT OPERATING INCOME	623	721	(13.6)	(13.5)

Sales

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

SALES

	2008		VARIATION 2008/2007	2007	
	(million euros)	(%)	(%)	(million euros)	(%)
AGGREGATES & RELATED PRODUCTS	3,281			3,431	
Of which pure aggregates:					
Western Europe	1,014	42.1	(7.2)	1,093	43.2
North America	1,015	42.2	(9.8)	1,125	44.5
Emerging markets	378	15.7	21.9	310	12.3
TOTAL PURE AGGREGATES	2,407	100.0	(4.8)	2,528	100.0
READY-MIX CONCRETE & CONCRETE PRODUCTS	3,740			3,646	
Of which ready-mix:					
Western Europe	1,586	44.8	(3.8)	1,648	47.7
North America	964	27.3	(10.6)	1,078	31.2
Emerging markets	988	27.9	35.9	727	21.1
TOTAL READY-MIX CONCRETE	3,538	100.0	2.5	3,453	100.0
Eliminations of intra-Aggregates & Concrete sales	(441)			(480)	
TOTAL AGGREGATES & CONCRETE BEFORE ELIMINATION OF INTER-DIVISION SALES	6,580		(0.3)	6,597	

Sales of the Aggregates & Concrete Division were almost stable at 6,580 million euros in 2008 compared to 6,597 million euros in 2007. Currency fluctuations had a strong negative impact of 348 million euros (-5.3%), mainly reflecting the depreciation against the euro of the US and Canadian dollars and of the British pound.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.2 Results of operations for the fiscal years ended December 31, 2008 and 2007

For the full year, scope changes had a positive impact on sales of 431 million euros (or 6.6%), notably due to the acquisition at the end of January 2008 of aggregates and concrete operations of Orascom Cement, mainly located in the Middle East, the proportional consolidation of our Middle East joint ventures from January 1 and the acquisition of the ready-mix operations of Larsen & Toubro in India, effective at the beginning of November. At constant scope and exchange rates, sales declined by 1.6% year-on-year (-0.6% in the first quarter 2008, +1.1% in the second quarter 2008, -0.8% in the third quarter 2008 and -5.7% in the fourth quarter 2008). Solid pricing gains

across the product lines could not offset severe volume declines in the United States, Spain and the United Kingdom throughout the year and overall softening conditions in the last quarter.

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

scope, sales volumes decreased by 10.2%.

Sales of **ready-mix concrete** increased by 2.5% to 3,538 million euros in 2008. Currency fluctuations had a negative impact of 4.7% while change in scope of consolidation had a positive impact of 9.4%. At constant scope and exchange rates, sales declined by 2.2%. Sales volumes of ready-mix concrete increased by 3.6% to 43.7 million m³. At constant scope, sales volumes decreased by 10.0%.

I Current operating income

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

CURRENT OPERATING INCOME

	2008		VARIATION 2008/2007	2007	
	(million euros)	(%)	(%)	(million euros)	(%)
Aggregates & related products	367	58.9	(17.5)	445	61.7
Ready-mix concrete & concrete products	256	41.1	(7.2)	276	38.3
TOTAL BY ACTIVITY	623	100.0	(13.6)	721	100.0
Western Europe	212	34.0	(22.6)	274	38.0
North America	267	42.9	(15.0)	314	43.6
Emerging markets	144	23.1	8.3	133	18.4
TOTAL BY REGION	623	100.0	(13.6)	721	100.0

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

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

9.5% in 2008, compared to 10.9% in 2007.

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

partially compensated for the shortfall in volumes.

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

See Section 4.1 (Overview - Reconciliation of our non-GAAP financial measures) for more information on capital employed after tax.

I Western Europe

SALES

Pure aggregates sales in Western Europe decreased by 7.2% to 1,014 million euros in 2008, resulting mainly from market

softness in the United Kingdom throughout the year and a general slowdown in the last quarter, despite solid pricing gains overall. Currency fluctuations also had a negative impact on sales, reflecting mainly the depreciation of the British pound against the euro. At constant scope and exchange rates, sales declined by 4.1%, reflecting market softness in Spain and the United Kingdom.

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

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

CURRENT OPERATING INCOME

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

At constant scope and exchange rates, current operating income was affected by the market softness in Spain and the United

Kingdom throughout the year and a general slowdown in the last quarter. Solid pricing gains and improved share of our innovative products in total sales only partially mitigated the impact of the shortfall in volumes and the rise in operating costs.

I North America

SALES

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

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

Ready-mix concrete sales decreased by 10.6% to 964 million euros in 2008, also strongly affected by the continued softness throughout the year of the residential market, partly mitigated by improved prices. Currency fluctuations negatively impacted

sales. At constant scope and exchange rates, sales were down 5.5% over last year.

CURRENT OPERATING INCOME

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

I Emerging markets

SALES

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

CURRENT OPERATING INCOME

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

Gypsum

SALES AND CURRENT OPERATING INCOME

	2008	2007	VARIATION 2008/2007	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	(million euros)	(%)	(%)
SALES	1,546	1,581	(2.2)	2.5
CURRENT OPERATING INCOME	36	116	(69.0)	(68.7)

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.2 Results of operations for the fiscal years ended December 31, 2008 and 2007

Sales

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

SALES

	2008		VARIATION 2008/2007	2007	
	(million euros)	(%)	(%)	(million euros)	(%)
Western Europe	892	57.7	(1.3)	904	57.2
North America	197	12.7	(20.2)	247	15.6
Emerging markets	457	29.6	6.3	430	27.2
TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	1,546	100.0	(2.2)	1,581	100.0

At constant scope and exchange rates, sales increased slightly, by 2.5%, with the impact of the slowdown of the residential market in the United States and Western Europe being offset by improved sales in the other regions.

On a quarterly basis, sales increased by 0.4% in the first quarter 2008 compared to the first quarter 2007, by 3.8% in the second quarter, by 4.6% in the third quarter and by 1.4% in the fourth quarter. Sales in North

America increased in the fourth quarter as prices began to recover.

Sales volumes of wallboard grew by 4.2% in 2008 to 745 million m².

Current operating income

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

CURRENT OPERATING INCOME

	2008		VARIATION 2008/2007	2007	
	(million euros)	(%)	(%)	(million euros)	(%)
Western Europe	57	158.3	(41.2)	97	83.6
North America	(59)	(163.9)	(210.5)	(19)	(16.4)
Emerging markets	38	105.6	0.0	38	32.8
TOTAL	36	100.0	(69.0)	116	100.0

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

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

sales, current operating income decreased to 2.3% in 2008, from 7.3% in 2007.

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

See Section 4.1 (Overview – Reconciliation of our non-GAAP financial measures) for more information on capital employed after tax.

Western Europe

SALES

In Western Europe, sales were almost stable (declining by 1.3%) at 892 million euros, from 904 million euros in 2007, with price

increases overall offsetting the impact of lower volumes, notably in the United Kingdom.

CURRENT OPERATING INCOME

In Western Europe, current operating income declined by 41.2% to 57 million euros in 2008 from 97 million euros in 2007, as pricing gains overall could not offset the effect of rising costs.

North America

SALES

In North America, sales in 2008 decreased by 20.2% to 197 million euros from 247 million euros in 2007 due to the

continued weakening in the residential sector which led to lower prices.

CURRENT OPERATING INCOME

In North America, current operating income decreased to a loss of 59 million euros in 2008. The impact of lower prices was only partly offset by strict cost management.

Emerging markets

SALES

In other regions, our sales rose overall by 6.3% to 457 million euros in 2008 from 430 million euros in 2007. Solid price

increases in Asia to offset higher input costs and the benefit of our new plants in Ukraine and Romania mainly drove this improvement. In the fourth quarter, we began to experience a weakening of Asian markets.

CURRENT OPERATING INCOME

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

Other (including holdings)

Sales

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

Current operating income (loss)

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

Operating income and net income

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

	2008	VARIATION 2008/2007	2007
	(million euros)	(%)	(million euros)
CURRENT OPERATING INCOME	3,542	9.3	3,242
Gains on disposals, net	229	16.8	196
Other operating income (expenses)	(409)	(174.5)	(149)
OPERATING INCOME	3,362	2.2	3,289
Finance (costs) income	(941)	(78.9)	(526)
Of which:			
Finance costs	(1,157)	(77.5)	(652)
Finance income	216	71.4	126
Income from associates	(3)	-	-
INCOME BEFORE INCOME TAX	2,418	(12.5)	2,763
Income tax	(479)	33.9	(725)
Net income of continuing operations	1,939	(4.9)	2,038
Net income of discontinued operations	-	-	118
NET INCOME	1,939	(10.1)	2,156
Of which:			
Group share	1,598	(16.3)	1,909
Minority interests	341	38.1	247

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

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

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

Finance costs, comprised of financial expenses on net debt and other financial income and expenses, increased by 78.9% to 941 million euros from 526 million euros in 2007. Financial expenses on net debt increased by 68.4% to 847 million euros from 503 million euros in 2007. This increase is mainly due to the acquisition of Orascom Cement on January 23, 2008. The debt part for this acquisition was financed through a 7.2 billion euros credit facility underwritten by three banks prior to the acquisition. The syndication of this credit facility was completed in February 2008. The average interest rate on our gross debt was 5.5% in 2008, compared to 5.8% in 2007. Other financial income and expenses amounted to a net expense in 2008 of 94 million euros compared to 23 million

euros in 2007. This increase notably relates to the financing of the Orascom Cement acquisition and to a provision for interest on the 2002 gypsum case mentioned above. We recorded exchange losses for 10 million euros in the year.

The contribution from our associates remained almost stable, representing in 2008 a net loss of 3 million euros. This net loss reflects the negative contribution of the new Roofing entity, partially offset by the contribution of our associates in Cement, Aggregates & Concrete and Gypsum. Our 35% stake in the new Roofing affiliate negatively contributed 35 million euros, bringing the book value of our investment to zero. The contribution of the roofing entity was affected by soft markets in the United Kingdom and Germany and by high financing costs.

Income tax decreased to 479 million euros in 2008 from 725 million euros in 2007. The effective tax rate for 2008 reduced significantly to 19.8% compared to 26.2% in 2007, despite the negative effect of the non-deductible impairment loss (+2% on effective tax rate). Our effective tax rate was favorably impacted in 2008 by the acquisition of Orascom Cement operations, which benefit from tax exemptions in several countries (-3% impact on the Group's effective tax rate) and by one-off impact of changes in tax rates in some countries (-2% impact on the Group's effective tax rate). The low taxation of the gain on the sale of our participation in the joint venture we previously managed with Titan in Egypt (3 million euros) and continuous tight monitoring of our tax positions also contributed positively.

No income from discontinued operations was recognized in 2008 as no asset was classified as discontinued operations. In 2007, in compliance with IFRS guidance, the Roofing division, following its divestment on February 28, 2007, was presented in the

2007 Group's profit and loss statement until this date as discontinued operations. The gain on the disposal, net of tax, realized in 2007 was also included in this line.

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

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

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

Adjusted for the one-off items described above, **basic earnings per share** decreased by 7.8% for 2008 at 8.87 euros, compared to 9.62 euros in 2007, reflecting a higher average number of shares and an almost stable net income. The basic average number of outstanding shares during the year, excluding treasury shares, was 193.2 million compared to 172.7 million in 2007. This increase reflects the impact from January 23, 2008 of the reserved capital increase as part of the acquisition of Orascom Cement operations.

4.3 Results of operations for the fiscal years ended December 31, 2007 and 2006

All data presented in the discussions below and elsewhere in Chapter 4 regarding sales, current operating income and sales volumes, include the proportional contributions of our proportionately consolidated subsidiaries.

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

Consolidated sales and current operating income

I Sales

Consolidated sales increased by 4.2% to 17,614 million euros from 16,909 million euros in 2006. Sustained organic growth benefited from favourable balance between offer and demand in our main activities and from the Group's presence in emerging markets. At constant scope of consolidation and exchange rates, sales rose by 7.3% for the full year.

Currency fluctuations had a negative impact of 550 million euros (or -3.5%), mainly reflecting the depreciation against the euro

of the US and Canadian dollars and the South-African rand. Changes in the scope of consolidation had a net positive impact of 67 million euros or 0.4%, resulting from the positive contribution from the Yunnan and Shuangma Cement operations in China and Aggregates businesses in the United States and in Poland, partially offset by the impact of the disposal of our Turkish joint-venture in Central Anatolia (which operated in cement, aggregates & concrete).

Contribution to our sales by Division (before elimination of inter-Division sales) for the years ended December 31, 2007 and 2006 and the related percentage changes between the two periods were as follows:

SALES

	2007	VARIATION 2007/2006	2006
	(million euros)	(%)	(million euros)
Cement	10,280	6.6	9,641
Aggregates & Concrete	6,597	2.3	6,449
Gypsum	1,581	(3.1)	1,632
Other	16	14.3	14
Elimination of inter-Division sales	(860)	4.0	(827)
TOTAL	17,614	4.2	16,909

Contribution to our consolidated sales by Division (after elimination of inter-Division sales) for the years ended December 31, 2007 and 2006, and the related percentage changes between the two periods were as follows:

SALES

	2007		VARIATION 2007/2006	2006	
	(million euros)	(%)	(%)	(million euros)	(%)
Cement	9,456	53.7	6.9	8,847	52.3
Aggregates & Concrete	6,586	37.4	2.3	6,439	38.1
Gypsum	1,556	8.8	(3.4)	1,610	9.5
Other	16	0.1	-	13	0.1
TOTAL	17,614	100.0	4.2	16,909	100.0

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.3 Results of operations for the fiscal years ended December 31, 2007 and 2006

At constant scope and exchange rates, the changes in sales by Division between the years ended December 31, 2007 and 2006 were as follows:

	2007			2006			VARIATION 2007/2006			
	Actual	Scope effect of acquisitions	On a comparable basis	Actual	Scope effect of disposals	At constant scope	Currency fluctuation effects	On a comparable basis	% gross change actual	% change at constant scope and exchange rates
(million euros)	(A)	(B)	(C) = (A)-(B)	(D)	(E)	(F) = (D)+(E)	(G)	(H) = (F)+(G)	(I) = (A-D)/(D)	(J) = (C-H)/(H)
Cement	10,280	123	10,157	9,641	(74)	9,567	(321)	9,246	6.6	9.9
Aggregates & Concrete	6,597	72	6,525	6,449	(48)	6,401	(209)	6,192	2.3	5.4
Gypsum	1,581	-	1,581	1,632	-	1,632	(41)	1,591	(3.1)	(0.7)
Other	16	-	16	14	-	14	-	14	14.3	31.1
Elimination of inter-Division sales	(860)	(12)	(848)	(827)	6	(821)	21	(800)	4.0	N/A
TOTAL	17,614	183	17,431	16,909	(116)	16,793	(550)	16,243	4.2	7.3

Current operating income

Current Operating Income grew, by 17.0%, to 3,242 million euros from 2,772 million euros in 2006. While currency fluctuations had a negative effect (88 million euros) reflecting mainly the depreciation of the U.S. and Canadian dollars and the South-African rand, changes in the scope of consolidation had a minimal impact. At constant scope and exchange rates, current operating income increased by 21.3%. Cement and Aggregates & Concrete showed strong growth in results, reflecting sustained market conditions notably in emerging markets, a favorable worldwide balance between offer

and demand for our products and increasingly visible cost cutting. Our Gypsum Division suffered from the severe slowdown in the U.S. housing market which more than offset strong improvement in results of other countries.

As a percentage of sales, current operating income represented 18.4% in 2007, compared to 16.4% in 2006, a substantial improvement of 200 basis points.

Group return on capital employed after tax (using the effective tax rate in 2007) increased to 11.0% in 2007 from 9.4% in 2006 (as published), exceeding in 2007 the target set by Group for 2008. It benefited

from the solid performance of our operations and was achieved despite the increase in average capital employed resulting from the full year impact of the acquisition of Lafarge North America Inc. minority interests in May 2006.

See Section 4.1 (Overview – Reconciliation of our non-GAAP financial measures) for more information on capital employed after tax.

Contribution to our current operating income by Division for the years ended December 31, 2007 and 2006, and the related percentage changes between the periods were as follows:

CURRENT OPERATING INCOME

	2007	VARIATION 2007/2006		2006	
	(million euros)	(%)	(%)	(million euros)	(%)
Cement	2,481	76.5	18.0	2,103	75.9
Aggregates & Concrete	721	22.2	27.8	564	20.3
Gypsum	116	3.6	(41.4)	198	7.1
Other	(76)	(2.3)	-	(93)	(3.3)
TOTAL	3,242	100.0	17.0	2,772	100.0

At constant scope and exchange rates, the changes in consolidated current operating income by Division between the years ended December 31, 2007 and 2006 were as follows:

	2007			2006			VARIATION 2007/2006			
	Actual	Scope effect of acquisitions	On a comparable basis (C) = (A)-(B)	Actual	Scope effect of disposals	At constant scope (F) = (D)+(E)	Currency fluctuation effects	On a comparable basis (H) = (F)+(G)	% gross change actual (I) = (A-D)/(D)	% change at constant scope and exchange rates (J) = (C-H)/(H)
(million euros)	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
Cement	2,481	-	2,481	2,103	(16)	2,087	(58)	2,029	18.0	22.3
Aggregates & Concrete	721	11	710	564	(4)	560	(22)	538	27.8	31.9
Gypsum	116	-	116	198	-	198	(9)	189	(41.4)	(38.7)
Other	(76)	-	(76)	(93)	-	(93)	1	(92)	18.3	17.4
TOTAL	3,242	11	3,231	2,772	(20)	2,752	(88)	2,664	17.0	21.3

Sales and current operating income by Division

Method of presentation

SALES BEFORE ELIMINATION OF INTER-DIVISION SALES

Figures for individual Divisions are stated below prior to elimination of inter-Division sales. For sales per Division after elimination of inter-Division sales, see the table under "Consolidated Sales and Current Operating Income" above.

GEOGRAPHIC MARKET INFORMATION: BY ORIGIN OF SALE "DOMESTIC" AND BY DESTINATION

Unless stated otherwise, we analyze our sales for each region or country by origin of sale.

"Domestic sales" and "domestic volumes" concern only sales and volumes both originating and completed within the relevant geographic market, and thus exclude export sales and volumes. When not described as "domestic", this information includes domestic sales or volumes plus

exports to other geographic markets. Unless stated otherwise, all "domestic" information is provided at constant scope and exchange rates.

Certain volume information is also presented "by destination market". Such information represents domestic volumes for the relevant market plus imports into this market.

Cement

SALES AND CURRENT OPERATING INCOME

	2007	2006	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES	
	(million euros)	(million euros)	(%)	(%)
SALES	10,280	9,641	6.6	9.9
CURRENT OPERATING INCOME	2,481	2,103	18.0	22.3

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.3 Results of operations for the fiscal years ended December 31, 2007 and 2006

Sales

Contribution to our sales by geographic origin of sale for the years ended December 31, 2007 and 2006, and the related percentage change between the two periods were as follows:

SALES

	2007		VARIATION 2007/2006		2006	
	(million euros)	(%)		(%)	(million euros)	(%)
Western Europe	2,987	29.1		5.8	2,823	29.3
North America	1,835	17.9		(7.2)	1,977	20.5
Middle East	421	4.1		(12.7)	482	5.0
Central & Eastern Europe	1,137	11.0		46.1	778	8.0
Latin America	680	6.6		10.4	616	6.4
Africa	1,778	17.3		6.4	1,671	17.3
Asia	1,442	14.0		11.4	1,294	13.5
SUB-TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	10,280	100.0		6.6	9,641	100.0

Sales of the Cement Division increased by 6.6% to 10,280 million euros, from 9,641 million euros in 2006. Currency fluctuations had a negative impact of 321 million euros (or -3.7%) on sales. Changes in the scope of consolidation had a net positive impact of 49 million euros, or 0.4%, resulting primarily from the acquisition in China of operations in Yunnan in August 2006 and in Sichuan (Shuangma) in July 2007 partly offset by the impact of

the sale of our operations in Central Anatolia (Turkey).

At constant scope and exchange rates, our sales grew by 9.9% (14.3% in the first quarter 2007, 8.5% in the second quarter 2007, 8.0% in the third quarter 2007 and 9.5% in the fourth quarter 2007).

This strong sales growth was driven by sustained growth in emerging markets combined with solid pricing gains overall.

Volumes sold reached 136.4 million tonnes compared to 131.8 million tonnes in 2006.

Current operating income

Contribution to our current operating income by region for the years ended December 31, 2007 and 2006, and the related percentage change between the periods were as follows:

CURRENT OPERATING INCOME

	2007		VARIATION 2007/2006		2006	
	(million euros)	(%)		(%)	(million euros)	(%)
Western Europe	787	31.7		12.6	699	33.2
North America	386	15.6		5.5	366	17.4
Middle East	128	5.1		(17.4)	155	7.4
Central & Eastern Europe	468	18.9		82.8	256	12.2
Latin America	135	5.4		4.7	129	6.1
Africa	381	15.4		4.1	366	17.4
Asia	196	7.9		48.5	132	6.3
TOTAL	2,481	100.0		18.0	2,103	100.0

Current operating income grew by 18.0% to 2,481 million euros in 2007, compared to 2,103 million euros in 2006. Currency fluctuations had a negative impact of 3.4% or 58 million euros. Net changes in the scope of consolidation had a net negative impact of 16 million euros, mainly reflecting the impact of the disposal of our operations in Central Anatolia (Turkey).

At constant scope and exchange rates, current operating income rose strongly, by 22.3%. As a percentage of the Division's sales, current operating income represented 24.1% in 2007, strongly improving from 21.8% in 2006. Strong volumes growth in emerging markets and pricing gains overall more than offsetting rising costs and the results from the implementation of our cost cutting action plans drove this strong improvement in current operating income.

Return on capital employed after tax was strongly up in 2007 at 12.1% compared to 10.3% in 2006.

See Section 4.1 (Overview – Reconciliation of our non-GAAP financial measures) for more information on capital employed after tax.

I Western Europe

SALES

In Western Europe, sales totaled 2,987 million euros, an increase of 5.8% compared to 2006.

Domestic sales, at constant scope and exchange rates, increased by 5.9%. Volumes sold in Western Europe by destination, at 34.3 million tonnes, were up 1.5% compared with 2006. Domestic volumes, at constant scope, were almost stable compared to 2006.

- **In France**, domestic sales were up by 6.2% in a high level market with improved prices in a context of rising costs.
- **In the United Kingdom**, domestic sales grew by 12.8%, benefiting from good

growth in construction, primarily driven by public buildings, combined with price improvement in a high energy costs environment.

- **In Spain**, despite the market slowdown (from last years' record levels), domestic sales increased 1.5% compared to 2006 with pricing improvement being achieved.
- **In Germany**, domestic sales were up 6.5% as a result of steady recovery in prices which more than offset softness in volumes.
- **In Greece**, after record activity in 2006 boosted by an increased taxation on housing effective on January 1, 2007, the market progressively came back to previous levels, showing a 5.5% decrease in volumes. Domestic sales growth of 1.3% was driven by solid pricing gains.

CURRENT OPERATING INCOME

Current operating income in Western Europe increased by 12.6% to 787 million euros compared to 699 million euros in 2006. Foreign exchange fluctuations and consolidation scope variation had a limited impact.

At constant scope and exchange rates, 2007 current operating income increased by 12.6%.

- **In France**, the strong construction market led to robust growth in current operating income despite our need to purchase cement to meet demand in a sold out market and higher energy expenses.
- **In Spain**, current operating income improved as increased prices combined with reduction in imports of clinker more than offset adverse volumes impact.
- **In the United Kingdom**, additional purchase of clinker to compensate production shortfalls and strong rise in energy costs offset solid gains in volumes and prices.
- **In Germany**, steady improvement in prices and tight cost control allowed for a

strong improvement in current operating income compared to 2006.

- **In Greece**, cost containment combined with solid pricing trends compensated for the shortfall in volumes when compared to record 2006 levels.

I North America

SALES

Sales decreased by 7.2% to 1,835 million euros compared to 1,977 million euros in 2006, mostly due to the impact of the depreciation of the U.S. and Canadian dollars against the euro.

Domestic sales, at constant scope and exchange rates, were almost stable decreasing by only 0.2%. Volumes sold by our operations in North America, at 19.3 million tonnes, decreased by 5.3%. With respect to geographic mix, decline in volumes across the U.S. (declining by 8.2%) was mitigated by growth in volumes in Canada (up 4.4%), with strength in both East and West Canada. Pricing remained firm, improving over last year levels, benefiting from price increases during the first quarter in almost all markets.

CURRENT OPERATING INCOME

Current operating income in North America grew by 5.5% to 386 million euros compared to 366 million euros in 2006, despite negative impact of currency fluctuations of 22 million euros (or -6.7%).

At constant exchange rates, current operating income for the year grew by 12.2% reflecting favorable pricing trends, drastic reduction in imports and tight cost management.

I Emerging markets

SALES

In emerging markets, our sales increased by 12.7% to 5,458 million euros, compared to 4,841 million euros in 2006. Emerging markets accounted for 53.1% of the Division's sales in 2007, compared to 50.2%

In 2006. Overall, emerging market sales increased by 16.3% at constant scope and exchange rates. Volumes sold in emerging markets by destination, at 82.8 million tonnes for 2007, grew by 7.1%.

At constant scope, yearly domestic volumes in emerging markets increased by 6.3%.

In the Middle East, our sales decreased in 2007 by 12.7% to 421 million euros, reflecting the impact of the disposal of our operations in Central Anatolia (Turkey).

At constant scope and exchange rates, domestic sales increased by 7.3%. Volumes sold in the Middle East by destination at 7.6 million tonnes, decreased by 20.0%. Domestic volumes, at constant scope, grew by 0.8%.

■ **In Egypt**, pricing gains in a context of constant increase in gas and other energy costs mainly drove the 10.3% growth in domestic sales. In a booming market, our operations were hampered in the first half-year by capacity limitations and a long shutdown to upgrade the kiln one at our Beni Suef plant. After a successful start up of this kiln, we were able to capture market growth in the second half of the year and particularly in the fourth quarter where our volumes increased by 23.0%.

■ **In Jordan and Turkey**, sales grew from price increases in the context of energy price surge, volumes being stable over 2006 levels.

Our sales **in Central and Eastern Europe** rose by an impressive 46.1% in 2007 to 1,137 million euros.

At constant scope and exchange rates, domestic sales increased by 44.6%. Volumes

sold in Central and Eastern Europe by destination grew by 16.5%, at 15.5 million tonnes. Domestic volumes, at constant scope, grew by 18.0%, benefiting from highly dynamic markets combined with favorable weather conditions in the first quarter.

■ **In Romania and Poland**, strong domestic sales were driven by volumes in booming residential and infrastructure sectors.

■ **In Russia**, strong domestic sales growth was fueled by a positive price trend, combined with strong demand, notably in the last quarter where our volumes increased by 33.3%.

■ **In Serbia**, solid domestic volumes and price growth resulted in strong domestic sales improvement.

In Latin America, our sales were up in 2007 by 10.4% to 680 million euros.

At constant scope and exchange rates, full year domestic sales increased by 14.5%. Volumes sold in Latin America by destination grew by 11.8%, at 8.5 million tonnes. Domestic volumes, at constant scope, increased by 7.4%.

■ **In Brazil**, domestic sales rose 24.7%, benefiting from sustained domestic demand that drove some pricing gains in the second half-year, from the very low 2006 levels. Our operations also benefited from a favorable product mix.

■ In a buoyant **Venezuelan domestic market**, our volumes growth was however limited by production issues, especially in the fourth quarter. Thanks to an active management of product mix, domestic sales grew by 17.0%.

■ **In Chile**, domestic sales increased by 6.3%, reflecting strong market growth.

■ **Honduras, Ecuador and Mexico** recorded strong increase in sales.

In the Africa region, our sales grew by 6.4% to 1,778 million euros in 2007.

At constant scope and exchange rates, domestic sales increased by 12.1%. Volumes sold by destination in the Africa region grew by 3.8%, at 16.4 million tonnes. Domestic volumes, at constant scope, grew by 2.7%.

■ **In Morocco**, strong domestic market and full contribution of our new line at our Bouskoura plant drove robust volumes growth, which, combined with price improvement, led to domestic sales increase of 18.6%.

■ **In Nigeria**, pricing gains did not offset a shortfall in volumes due to energy disruption at our plants and floods in the second half-year. Domestic sales contracted by 2.2% compared to 2006.

■ **In South Africa**, solid pricing drove domestic sales up 14.5%. Our volumes were limited by a sold-out situation combined with various plant incidents throughout the year. Domestic volumes were down 3.0% despite strong market growth.

■ **In Kenya**, with strong market conditions favored by active residential and non-residential sectors, domestic sales increased by 39.5%.

■ **In Cameroon**, domestic sales were up 8.0% in a strong growing market environment.

■ **In South East Africa, which covers Zambia, Malawi and Tanzania**, domestic sales grew solidly, driven by strong pricing conditions overall.

In Asia, our operations recorded a sales growth of 11.4% to 1,442 million euros in

2007. The net positive scope effect, mainly resulting from the acquisition by our Chinese joint venture of additional operations in Yunnan and Sichuan, amounted to 51 million euros.

At constant scope and exchange rates, domestic sales were up 10.3% compared with 2006. Volumes sold in Asia by destination grew by 11.9%, at 34.8 million tonnes. Domestic volumes, at constant scope, grew by 5.4%.

- **In Malaysia**, domestic sales increased by 9.9%, mainly driven by the impact of price increase following the upward adjustment of ceiling prices by the government late 2006.
- **In the Philippines**, domestic sales were up 11.9% as a result of solid market growth, despite an unusually wet month in December.
- **In South Korea**, domestic sales declined by 4.6%, impacted by a still difficult market situation and the impact of a typhoon in the third quarter.
- **In India**, in well oriented markets but where we faced capacity limits, improved pricing mostly drove the domestic sales growth of 15.9%.
- **In Indonesia**, our volumes were up 9.9% in an active market, although limited by decreasing volumes in the fourth quarter as the product availability from Malaysia was hampered by higher domestic demand in the second half of the year. Both higher volumes and improved pricing led to domestic sales increase of 17.8%.
- **In China**, domestic sales grew by 17.4%, benefiting from strong market demand and from overall price improvement despite contrasted trends between provinces.

CURRENT OPERATING INCOME

Current operating income in emerging markets rose by 26.0% in 2007 to 1,308 million euros compared to 1,038 million euros in 2006, representing 52.7% of the Cement Division's current

operating income, compared to 49.4% in 2006. Currency fluctuations had a negative impact of 36 million euros on current operating income. Changes in the scope of consolidation had a negative impact of 16 million euros, mainly reflecting the impact of the disposal of our operations in Central Anatolia (Turkey), as new operations in China showed modest profitability, being in their first year of integration.

Current operating income at constant scope and exchange rates grew by 32.7%.

In the Middle East, current operating income in 2007 decreased by 17.4% to 128 million euros compared to 155 million euros in 2006, reflecting the impact of the disposal of our operations in Central Anatolia, Turkey.

At constant scope and exchange rates, current operating income decreased by 0.2% compared to 2006.

- **In Egypt**, price improvement offset the sharp rise in energy costs, notably in gas prices. Current operating income was almost stable over last year, but showing strong growth in the last quarter after the successful start up of the upgraded kiln.
- **In Jordan and Turkey**, price increases hardly offset surge in energy costs, eroding our margins in these countries. Current operating income was almost stable in Turkey and slightly down in Jordan.

In Central and Eastern Europe, current operating income increased by an excellent 82.8% to 468 million euros compared to 256 million euros in 2006.

Current operating income at constant scope and exchange rates improved by 78.0% with all countries in the region contributing. Strong dynamism of markets across the region, amplified in the first quarter by mild weather conditions, combined with excellent performance of highly utilized capacities to lead this growth.

- **In Romania**, current operating income increased significantly as a result of favorable market conditions.

■ **In Poland**, strong market conditions and successful implementation of a branding strategy combined with strict cost management which led to the sharp increase in current operating income.

■ **In Russia**, price improvements and high market demand, particularly in the last quarter, translated into a strong increase in current operating income.

■ **In Serbia**, increased sales and strict cost control delivered better current operating income.

In Latin America, current operating income was up 4.7% to 135 million euros from 129 million euros in 2006, exchange rate variations significantly affecting 2007 compared to 2006.

At constant scope and exchange rates, current operating income increased by 13.9%.

■ **In Brazil**, the increased demand allowed the beginning of a price recovery during the second half of the year. Combined with volume gains and strict cost control this led to our current operating income for the year improving, being at a breakeven point for the year as compared to a loss in 2006. Current operating income was slightly positive in the fourth quarter.

■ **In Venezuela**, despite strong domestic demand, production issues limited volume growth and triggered cost overruns. Our current operating income was down year over year.

■ **In Chile**, while volumes followed a rather strong market, stability in prices combined with strong rise in costs, notably power costs, resulted in reduced current operating income and operating margins.

■ **Ecuador, Honduras and Mexico**, enjoying good market conditions, improved their current operating income compared to 2006.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.3 Results of operations for the fiscal years ended December 31, 2007 and 2006

In Africa, current operating income increased by 4.1% to 381 million euros in 2007. Currency variations affected current operating income by 22 million euros.

At constant scope and exchange rates, current operating income grew by 10.4% with the majority of this growth coming from Kenya and South Africa.

■ **In Morocco**, sustained domestic demand in all market segments and full year contribution of our new production line in Bouskoura started in May 2006, mostly drove the strong appreciation in current operating income.

■ **In Nigeria**, despite solid market growth, our results were hampered by energy disruptions at our plants that triggered import costs to compensate shortfall in production, floods in Ewekoro plant in the third quarter, and strong rise in energy costs.

■ **In South Africa**, despite limited volumes due to capacity constraints, pricing gains and insurance proceeds in relation to last year kiln fire more than offset additional clinker purchases in the first six months

of the year. Current operating income grew appreciably year on year.

■ **In Kenya**, despite a kiln fire in the fourth quarter, volume and price increase led to strong growth in current operating income.

■ **In Cameroon**, strong volume growth was only partly fueled by increased production thanks to optimized cement to clinker ratio. Increased import costs and late price increase led to decreasing current operating income.

■ **In South East Africa**, current operating income increased, reflecting pricing gains.

In Asia, current operating income increased strongly by 48.5% to 196 million euros in 2007.

At constant scope and exchange rates, current operating income increased by 49.1%.

■ **In Malaysia**, the impact of the upward adjustment of ceiling prices by the government led to improved current operating income, despite an almost stable market.

■ **In the Philippines**, strong market conditions combined with strict cost control drove the improvement in current operating income.

■ **In India**, current operating income recorded a significant increase thanks to price improvement and tight cost control.

■ **In China**, the current operating income of our joint venture was favorably impacted by strong market and higher prices despite contrasted trends across the regions.

■ **Market conditions in South Korea** remained difficult, and despite strong cost control, current operating income decreased reflecting lower prices and the impact of a one-off site restoration provision in order to comply with environmental requirements.

■ **In Indonesia**, increase in prices in a high demand environment mainly contributed to a modestly increasing current operating income.

Aggregates & Concrete

SALES AND CURRENT OPERATING INCOME

	2007	2006	VARIATION 2007/2006	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	(million euros)	(%)	(%)
SALES	6,597	6,449	2.3	5.4
CURRENT OPERATING INCOME	721	564	27.8	31.9

Sales

Contribution to our sales by activity and geographic origin for the years ended December 31, 2007 and 2006, and the related percentage change between the two periods were as follows:

SALES

	2007		VARIATION 2007/2006		2006	
	(million euros)	(%)	(%)	(million euros)	(%)	
AGGREGATES & RELATED PRODUCTS	3,431		2.6	3,344		
Of which pure aggregates:						
Western Europe	1,093	43.2	3.3	1,058	43.3	
North America	1,125	44.5	(0.8)	1,134	46.4	
Emerging markets	310	12.3	23.0	252	10.3	
TOTAL PURE AGGREGATES	2,528	100.0	3.4	2,444	100.0	
READY-MIX CONCRETE & CONCRETE PRODUCTS	3,646		2.6	3,555		
Of which ready-mix:						
Western Europe	1,648	47.7	6.9	1,542	45.7	
North America	1,078	31.2	(5.9)	1,145	33.9	
Emerging markets	727	21.1	6.0	686	20.4	
TOTAL READY-MIX CONCRETE	3,453	100.0	2.4	3,373	100.0	
Eliminations of intra-Aggregates & Concrete sales	(480)			(450)		
TOTAL AGGREGATES & CONCRETE BEFORE ELIMINATION OF INTER-DIVISION SALES	6,597		2.3	6,449		

Sales of the Aggregates & Concrete Division increased by 2.3% to 6,597 million euros in 2007 from 6,449 million euros in 2006. Currency fluctuations had a negative impact of 209 million euros (-3.5%).

For the full year, scope changes had a positive impact on sales of 24 million euros (or 0.4%), reflecting the acquisition of aggregates operations in the United States and in Poland, partially offset by the impact of the disposal of our Turkish joint venture. At constant scope and exchange rates, sales grew by 5.4% year on year (7.8% in the first

quarter 2007, 3.2% in the second quarter 2007, 8.1% in the third quarter 2007 and 2.5% in the fourth quarter 2007). Growth was principally driven by strong pricing gains in all product lines and in all regions.

Sales of **pure aggregates** increased by 3.4% to 2,528 million euros in 2007. Currency fluctuations had a negative impact on sales of 76 million euros (-3.3%), while scope changes had a net positive impact of 54 million euros (2.2%). At constant scope and exchange rates, sales grew by 4.5%. Aggregates sales volumes in 2007 decreased

by 1.0% to 259.2 million tonnes. At constant scope, sales volumes decreased by 3.9%.

Sales of **ready-mix concrete** increased by 2.4% to 3,453 million euros in 2007. Currency fluctuations and scope changes had a net negative impact of 3.3% and 0.8% respectively. At constant scope and exchange rates, sales grew by 6.5%. Sales volumes of ready-mix concrete decreased by 2.8% to 42.2 million m³. At constant scope, sales volumes decreased by 1.1%.

Current operating income

Contribution to our current operating income by activity and by region for the years ended December 31, 2007 and 2006, and the related percentage change between the periods were as follows:

CURRENT OPERATING INCOME

	2007		VARIATION 2007/2006	2006	
	(million euros)	(%)	(%)	(million euros)	(%)
Aggregates & related products	445	61.7	24.3	358	63.5
Ready-mix concrete & concrete products	276	38.3	34.0	206	36.5
TOTAL BY ACTIVITY	721	100.0	27.8	564	100.0
Western Europe	274	38.0	20.7	227	40.2
North America	314	43.6	28.2	245	43.5
Other regions	133	18.4	44.6	92	16.3
TOTAL BY REGION	721	100.0	27.8	564	100.0

Current operating income of the Aggregates & Concrete Division increased by 27.8% to 721 million euros in 2007 from 564 million euros in 2006. Changes in scope had a net positive impact of 7 million euros (1.2%), arising mainly from aggregates acquisitions in Central Europe and North America partly offset by the impact of the disposal of our assets in Central Anatolia (Turkey). Currency fluctuations had a 21 million euros negative impact (-5.1%), mainly reflecting the depreciation of the U.S. and Canadian dollars against the euro.

At constant scope and exchange rates, current operating income grew by a strong 31.9%. As a percentage of the Division's sales, current operating income improved to 10.9% in 2007, compared to 8.7% in 2006.

Current operating income for aggregates & related products grew 24.3% to 445 million euros in 2007 from 358 million euros in 2006. This improvement was driven primarily by strong price increases combined with good cost control. Current operating income for ready-mix concrete and concrete products grew 34.0% to 276 million euros in 2007, from 206 million euros in 2006. The ready-mix & concrete business bene-

fited from pricing gains in most markets and strict cost management. Continued growth of our value added products also contributed positively.

Return on capital employed after tax rose strongly to 11.7% from 9.7% in 2006.

See Section 4.1 (Overview - Reconciliation of our non-GAAP financial measures) for more information on capital employed after tax.

I Western Europe

SALES

Pure aggregates sales in Western Europe grew 3.3% to 1,093 million euros in 2007, resulting from solid pricing in a context of slightly decreasing volumes. At constant scope and exchange rates, sales grew 3.9%.

Asphalt and paving sales volumes declined in line with general market conditions in the United Kingdom. In the asphalt business, strong pricing gains in a context of high raw materials and energy costs, led to improved sales.

Ready-mix concrete sales grew by 6.9% to 1,648 million euros in 2007, reflecting improved pricing in all main markets coupled with favorable product mix and increasing

volumes overall. At constant scope and exchange rates, sales grew by 7.6%.

CURRENT OPERATING INCOME

Current operating income in Western Europe grew by 20.7% to 274 million euros in 2007.

At constant scope and exchange rates, the improvement in current operating income was driven by sustained activity in France combined with good pricing and strong cost control throughout all of Western Europe. In addition, the ready-mix concrete activity benefited from sales of innovative and value added products. Asphalt activity showed some improvement, driven by improved pricing and strict cost containment while the paving activity was stable over 2006.

I North America

SALES

In North America, pure aggregates sales decreased by 0.8% to 1,125 million euros in 2007, negatively impacted by the depreciation of the U.S. and Canadian dollars against the euro. At constant scope and exchange rates, pure aggregates sales grew by 1.5%, driven by successful price increases across all markets that more than offset the impact of global volume slowdown.

Volumes in 2007 decreased by 7.2% at constant scope, due to poor weather at the very beginning and end of the year, and a weakening residential market in the US, partly offset by dynamic markets in West Canada.

Asphalt and paving sales delivered solid growth with very strong price increases and growth in volumes in West Canada offsetting volume softness in other regions.

Ready-mix concrete sales decreased by 5.9% to 1,078 million euros in 2007, also strongly affected by negative exchange rates variation. At constant scope and exchange rates, sales were stable over last year, reflecting strong pricing that offset declining volumes. Volumes were down 10.8%, due primarily to declining demand from the

residential sector, amplified by less favorable weather compared to 2006.

CURRENT OPERATING INCOME

In North America, current operating income grew by 28.2% to 314 million euros in 2007. Currency variation had a negative impact of 16 million euros and scope had a net positive impact of 8 million euros. At constant scope and exchange rates, current operating income growth was driven by strong pricing overall, good market conditions in West Canada and good cost control across all regions and product lines.

Emerging markets

SALES

In emerging markets, pure aggregates and ready-mix concrete sales increased by 23.0% and 6.0% respectively. We recorded strong growth in pure aggregates sales in Poland, Ukraine and South Africa. We also benefited from excellent ready-mix concrete activity levels in most emerging markets notably in Romania, South Africa and Chile.

CURRENT OPERATING INCOME

Current operating income strongly improved 44.6%, reaching 133 million euros in 2007 compared to 92 million euros in 2006. South Africa and Poland were primary contributors with volume growth, strong pricing and significant productivity improvements.

Gypsum

SALES AND CURRENT OPERATING INCOME

	2007	2006	VARIATION 2007/2006	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	(million euros)	(%)	(%)
SALES	1,581	1,632	(3.1)	(0.7)
CURRENT OPERATING INCOME	116	198	(41.4)	(38.7)

Sales

Contribution to our sales by origin for the years ended December 31, 2007 and 2006 and the related percentage change between the two periods were as follows:

SALES

	2007	VARIATION 2007/2006	2006
	(million euros)	(%)	(million euros) (%)
Western Europe	904	57.2	859 52.6
North America	247	15.6	400 24.5
Other regions	430	27.2	373 22.9
TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	1,581	100.0	1,632 100.0

At constant scope and exchange rates, sales were almost stable (decreasing by 0.7%), the impact of the slowdown of the residential market in the United States offsetting improved sales in the other regions. On a

quarterly basis, they increased by 4.6% in the first quarter 2007 compared to the first quarter 2006, and then decreased by 0.3% in the second quarter, by 2.9% in the third quarter and by 4.5% in the fourth quarter.

Sales volumes of wallboard grew by 1.4% in 2007 to 715 million m² (1.5% at constant scope).

I Current operating income

Contribution to our current operating income by region, for the years ended December 31, 2007 and 2006, and the related percentage change between the periods were as follows:

CURRENT OPERATING INCOME

	2007	VARIATION 2007/2006		2006	
	(million euros)	(%)	(%)	(million euros)	(%)
Western Europe	97	83.6	19.8	81	40.9
North America	(19)	(16.4)	-	88	44.4
Other regions	38	32.8	31.0	29	14.7
TOTAL	116	100.0	(41.4)	198	100.0

Current operating income decreased by 41.4% to 116 million in 2007 from 198 million in 2006. Currency fluctuations negatively affected the current operating income by 8 million euros.

At constant scope and exchange rates, current operating income decreased by 38.7%. This decrease reflects the decline in volumes and prices resulting from the slowdown in the residential market in the United States. Contribution from other regions improved strongly. As a percentage of the Division's sales, current operating income decreased to 7.3% in 2007, from 12.1% in 2006.

Return on capital employed after tax decreased to 7.1% from 11.7%.

See Section 4.1 (Overview - Reconciliation of our non-GAAP financial measures) for more information on capital employed after tax.

I Western Europe

SALES

In Western Europe, sales grew by 5.2% to 904 million euros in 2007 up from 859 million euros in 2006, driven by increased volumes in most countries.

CURRENT OPERATING INCOME

In Western Europe, current operating income improved by 19.8% to 97 million euros from 81 million euros in 2006 thanks to higher volumes and prices in buoyant markets.

I North America

SALES

In North America, sales in 2007 decreased by 38.3% from 400 million euros in 2006 to 247 million euros due to the slowdown in the residential sector which led to declining volumes and prices.

CURRENT OPERATING INCOME

In North America, current operating income decreased by 107 million euros, switching from a profit of 88 million euros in 2006 to a loss of 19 million euros in 2007. The impact of lower volumes and prices was partly offset by strict cost management, including the closure of the Cornerbrook plant in Canada. The current operating income includes, as in the past and for all countries, Lafarge corporate cost allocation.

I Other regions

SALES

In other regions, our sales rose overall by 15.3% to 430 million euros in 2007 from 373 million euros in 2006. Strong markets in Poland, Turkey and Asia fueled this improvement.

CURRENT OPERATING INCOME

In other regions, current operating income improved strongly at 38 million euros in 2007, from 29 million euros in 2006, mainly driven by strong earnings in Poland, Turkey and Asia.

Other (including holdings)

I Sales

Sales of our other operations increased to 16 million euros in 2007 compared to 13 million euros in 2006.

I Current operating income (loss)

Current operating loss of our other operations, which includes central unallocated costs, reached 76 million euros in 2007 compared to a loss of 93 million euros in 2006, mostly resulting from lower pension provision.

Operating income and net income

The table below shows our operating income and net income for the years ended December 31, 2007 and 2006:

	2007	VARIATION 2007/2006	2006
	(million euros)	(%)	(million euros)
CURRENT OPERATING INCOME	3,242	17.0	2,772
Gains on disposals, net	196	-	28
Other operating income (expenses)	(149)	(22.1)	(122)
OPERATING INCOME	3,289	22.8	2,678
Finance (costs) income	(526)	(8.5)	(485)
<i>Of which:</i>			
<i>Finance costs</i>	(652)	(12.0)	(582)
<i>Finance income</i>	126	29.9	97
Income from associates	-	-	30
INCOME BEFORE INCOME TAX	2,763	24.3	2,223
Income tax	(725)	(15.1)	(630)
Net income of continuing operations	2,038	27.9	1,593
Net income of discontinued operations	118	-	(4)
NET INCOME	2,156	35.7	1,589
<i>Of which:</i>			
Group share	1,909	39.1	1,372
Minority interests	247	13.8	217

Gains on disposals, net, represented a net gain of 196 million euros in 2007, compared to 28 million euros in 2006. In 2007, the net gain mainly resulted from the sale of our activities in Central Anatolia (Turkey).

Other operating expenses amounted to 149 million euros in 2007, compared to 122 million euros in 2006. In 2007, other expenses included a 27 million euros loss in our insurance captives related to an unusually high loss rate in our operations in the year and 81 million euros of restructuring costs mainly incurred when implementing the Excellence 2008 cost reduction action plan. It also included a receivable of 45 million euros insurance reimbursement related to the 2004 tsunami in Indonesia and various provisions for litigations.

Operating income increased by 22.8% to 3,289 million euros, from 2,678 million euros in 2006.

Finance costs, comprised of financial expenses on net debt and other financial income and expenses, increased by 8.5% to 526 million euros from 485 million euros in 2006. Financial expenses on net debt decreased by 3.6% to 503 million euros from 522 million euros in 2006. Additional interest expense, related to the Lafarge North America Inc. minority interests buy out in May 2006 and the share buy back program were more than offset especially by the positive impact of the disposal of our Roofing Division. The average interest rate on our debt was 5.8% in 2007, as compared to 5.5% in 2006. Other financial income and expenses amounted to a net expense in 2007 of 23 million euros compared to a net gain of 37 million euros in 2006. This change is mainly explained by the 44 million euros capital gain on the sale of our residual interest in Materis recorded in 2006.

Income from associates decreased by 30 million euros between 2007 and 2006. This reduction reflects a negative contribution of the new Roofing entity, generated in the fourth quarter, driven by one-off expenses totaling 28 million euros. It was partially offset by improved results in 2007 in our associates in Cement, Aggregates & Concrete and Gypsum.

Income tax increased to 725 million euros in 2007 from 630 million euros in 2006. However, the effective tax rate for 2007 decreased significantly to 26.2% compared to 28.3% in 2006, reflecting the impact of the specific taxation of the gain on the sale of our Turkish assets, which was limited to 9 million euros, and the positive effect of tax optimizations.

Net income of discontinued operations resulted in a gain of 118 million euros compared to a loss of 4 million euros in

2006. In compliance with IFRS guidance, the Roofing Division, following its divestment on February 28, 2007, is presented in the Group's profit and loss statement until this date as discontinued operations. Our Roofing operations posted a net profit of 9 million euros from January 1 to February 28, 2007. The disposal of our Roofing operations generated a net adjusted gain of 109 million euros.

Net income Group share increased by 39.1% to 1,909 million euros in 2007 from 1,372 million euros in 2006, reflecting improved operational performance, significant gains on disposals and tax optimization.

Excluding net capital gains on the sale of our Roofing Division and our operations in Central Anatolia, Net income Group share increased strongly, by 21%, reflecting mostly the strong appreciation of our operating profits.

Minority interests increased by 13.8% to 247 million euros, from 217 million euros in 2006. This change is explained by the acquisition of the minority interests of Lafarge North America Inc. in May 2006, the purchase of minority stakes in our Greek operations in 2007 and improved results mainly in Romania, Malaysia, Russia, Serbia and Greece.

Basic earnings per share increased by 40.6% for 2007 to 11.05 euros, compared to 7.86 euros in 2006. The basic average number of outstanding shares, excluding treasury shares, during the year was 172.7 million (171.9 million shares at December 31, 2007), compared to 174.5 million in 2006 (175.3 million at December 31, 2006). Between December 31, 2006 and December 31, 2007 the decrease in number of shares mainly resulted from our share buy back program, which was completed on September 14, 2007. From March to mid-September, 4.4 million shares have been purchased for a total consideration of 500 million euros.

4.4 Liquidity and Capital Resources

In the following Section 4.4 (Liquidity and capital resources) and in the Section 4.5 (Market risks), debt figures are presented excluding put options on shares of subsidiaries.

During the three-year period ended December 31, 2008, our main sources of liquidity were:

- cash provided by operating activities;
- cash provided by the divestment of non-strategic assets;

- cash provided by the issuance of debt, of our share capital, and set up of short and medium term credit lines.

These funds were mainly used to finance a significant investment program (capital expenditures and acquisitions).

COMPONENTS OF CASH FLOW

(million euros)	2008	2007	2006
CASH FLOW FROM CONTINUING OPERATIONS	3,155	2,781	2,639
Changes in operating working capital items excluding financial expenses and income taxes	(154)	(79)	(257)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS	3,001	2,702	2,382
Net operating cash generated/(used) by discontinued operations	-	(26)	184
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,001	2,676	2,566
Net cash provided by/(used in) investing activities from continuing operations	(8,771)	(688)	(4,649)
Net cash provided by/(used in) investing activities from discontinued operations	-	(15)	(198)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(8,771)	(703)	(4,847)
Net cash provided by/(used in) financing activities from continuing operations	6,030	(1,705)	1,881
Net cash provided by/(used in) financing activities from discontinued operations	-	41	15
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	6,030	(1,664)	1,896
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	260	309	(385)

Based on our current financial outlook, we believe that we have sufficient resources for our ongoing operations in both the short term and the long term.

Net cash provided by operating activities

Net cash provided by operating activities increased by 325 million euros to 3,001 million euros from 2,676 million euros in 2007.

Cash flow from operations grew by 374 million euros to 3,155 million euros. The growth reflected improved operating results, notably benefiting from the acquisition of Orascom Cement, partially offset by the additional interest expenses incurred on the financing for this acquisition.

See Section 4.1 (Overview – Reconciliation of our non-GAAP financial measures) for more information on cash flow from operations.

Net cash used in investing activities

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

Acquisitions reflect mainly the acquisition of Orascom Cement on January 23. The total acquisition price of 8.3 billion euros was financed through the issuance of 22.5 million shares for 2.5 billion euros and of a syndicated credit facility. In line with IFRS requirements, the share issuance is considered as a non-cash transaction and therefore not reflected in the consolidated statement of cash flows. It also reflects the acquisition of aggregates and concrete Indian operations of Larsen & Toubro (235 million euros) and the buy-back of minorities interests in our Romanian and Russian subsidiaries (215 and 105 million euros respectively).

Sustaining capital expenditures totaled 887 million euros in 2008, decreasing when compared to 976 million euros in 2007,

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

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

Net cash provided (used in) financing activities

In general, we meet our long-term financing needs through bond issues and the use of long-term instruments, such as our Euro Medium-Term Notes program and bank loans. We currently have a Euro Medium-Term Notes (EMTN) program, with a

maximum available amount of 9,000 million euros and approximately 5,123 million euros used at December 31, 2008.

We issued the following long and medium-term debt securities in 2008, 2007 and 2006:

I Under the EMTN Program

- on December 23, 2008, a \$200 million private placement bearing a floating interest rate of Libor 3 months +3,700% with a 5-years maturity. On February 13 2009, a new \$100 million of the same nature with the same maturity, bearing a floating interest rate of Libor 3 months +7.890%;
- on May 28, 2008, 1,500 million euros bonds split into 2 tranches of 750 millions each bearing a fixed interest rate of respectively 5,750% and 6,125% and maturing respectively in 3 and 7 years;
- on July 6, 2007, 500 million euros in private placements bearing a floating interest rate (Euribor 3 months +0.120%) with a 3-year maturity;
- on June 26, 2007, 500 million euros in bonds bearing a fixed interest rate of 5.375% with a maturity of 10 years;
- on December 7 and 15, 2006, respectively 150 million euros and 140 million euros in private placements bearing a floating interest rate (Euribor 3 months +0.175%) with a 3-year maturity.

I Outside the EMTN Program

- on October 15, 2008, we contracted 177 million euros middle/long-term bank loans bearing a global fixed rate of 6.74% with Bayerische Landesbank, HSBC Trinkaus & Burkhardt and Landesbank Hessen-Thüringen split into tranches of 4, 5 and 6-year maturities for respectively 71 million euros, 64 million euros and 42 million euros;

■ on December 9, 2007, the Group entered into a 7,200 million euros acquisition credit facility with Calyon, BNP Paribas and Morgan Stanley, for the financing of the cash portion of the acquisition of Orascom Cement, and the refinancing of part of its existing indebtedness. This credit facility, which was syndicated in February 2008 with 30 banks participating in the syndicate, consists of several tranches: A1 maturing in one year for 1,800 million euros (reduced to 300 millions euros), A2 maturing two years for 2,300 million euros and B, C1, C2 maturing 5 years for 3,100 million euros. Following the purchase of Orascom Cement shares in January 2008 and the May 2008 partial refinancing, the amount drawn under the acquisition credit facility stood at 5,668 million euros as at December 31, 2008;

■ to finance our cash tender offer for the remaining minority stake in Lafarge North America Inc., we arranged a \$2,800 million acquisition credit facility with BNP Paribas and JP Morgan on February 5, 2006. This credit facility was later syndicated with 17 banks. Drawdowns on this facility, starting on May 15, 2006, were used to finance this acquisition. On July 18, 2006, we refinanced \$2,000 million in drawdowns outstanding on the US bond market by issuing three tranches: a 5-year tranche for \$600 million, a 10-year \$800 million tranche and a 30-year tranche that raised \$600 million. The net proceeds of this bond issue were used on July 24, 2006 to reduce the commitments under this credit facility from \$2,800 million to \$819 million. This facility, which was repaid in full during January 2007, expired on February 5, 2007.

The principal debt repayments in 2008 were as follows:

■ on November 6, 2008, a bond issue totaling 440 million euros was redeemed at maturity;

■ on May 28, 2008, an amount of 1,500 million euros on tranche A1 (one-year maturity) of the acquisition credit facility was refinanced by a bond issue split into 2 tranches of 750 million euros each, the first one maturing in May 2011 and the second one maturing in May 2015. The net proceeds of this bond issue were applied to reduce the bank commitments on tranche A1 of the acquisition credit facility from 1,800 million euros down to 300 million euros;

■ on March 29, 2008, a bond issue totaling 30 million euros was redeemed at maturity;

■ on February 3, 2008, a bond issue totaling 89 million euros was redeemed at maturity;

■ on January 4, 2008, a bond issue totaling 40 million euros was redeemed at maturity.

Short-term needs are met mainly through the issuance of domestic commercial paper, as well as the use of credit lines.

We currently have a euro-denominated commercial paper program, with a maximum available amount of 3,000 million euros. At December 31, 2008, 1,024 million euros in commercial paper were outstanding under this program.

We also maintain committed credit lines with various banks (mainly at parent company level) to ensure the availability of funding on an as-needed basis. At December 31, 2008, these committed credit lines amounted to 3,060 million euros (compared with approximately 3,074 million euros at December 31, 2007 and 3,718 million euros at December 31, 2006). Of this amount, 2,055 million euros were available at December 31, 2008 (compared with approximately 3,069 million euros at December 31, 2007 and 3,547 million euros at December 31, 2006). The average maturity of these credit facilities was approximately 3.2 years at the end of 2008 (excluding the credit facility set up for the acquisition of Orascom Cement) *versus* 3.5 years at the end of 2007 and 3.8 years at the end of

2006 (excluding the credit facility set up for the acquisition of the minority stake in Lafarge North America Inc).

Net equity (common stock and additional paid-in capital) also increased by 2,628 million euros over the last three years through the issuance of 24,280,636 shares as a result of:

- the reserved increase in capital for the major shareholders of OCI as part of the consideration of the acquisition of Orascom Cement. This operation has no cash effect and therefore is not reflected in the statement of cash flows;
- the exercise of options granted to employees.

Because we use external sources to finance a significant portion of our capital requirements, our access to global sources of financing is important. The cost and availability of unsecured financing are generally dependent on our short-term and long-term credit ratings. Factors that are significant in the determination of our credit ratings or that otherwise could affect our ability to raise short-term and long-term financing include: our level and volatility of earnings, our relative positions in the markets in which we operate, our global and product diversification, our risk management policies and our financial ratios, such as net debt to total equity and cash flow from operations to net debt. We expect credit rating agencies to focus, in particular, on our ability to generate sufficient operating cash flows to cover the repayment of our debt. Deterioration in any of the previously stated factors or a combination of these factors may lead rating agencies to downgrade our credit ratings, thereby increasing our cost of obtaining unsecured financing. Conversely, an improvement in these factors may prompt rating agencies to upgrade our credit ratings.

At the filing date of this Report, the credit ratings for our short and long-term debt were as follows:

	Short-term	Long-term
Standard & Poor's	A 3	BBB- (stable outlook)
Moody's	N/A	Baa3 (negative outlook)

Level of debt and financial ratios at December 31, 2008

See Note 25 to our consolidated financial statements for more information on debt.

Group funding policies

Our Executive Committee establishes our overall funding policies. The aim of these policies is to safeguard our ability to meet our obligations by maintaining a strong balance sheet structure. This policy takes into consideration our expectations concerning the required level of leverage, coverage ratios, the average maturity of debt, interest rate exposure and the level of credit facilities. These targets are monitored on a regular basis. As a result of this policy, a significant portion of our debt has long-term maturity. We constantly maintain unused medium and long-term committed credit lines.

We are subject to foreign exchange risks as a result of our subsidiaries' transactions in currencies other than their operating currencies. Our general policy is for subsidiaries to borrow and invest excess cash in the same currency as their functional currency. However, we encourage the investment of excess cash balances in US dollars or euros in emerging markets. Typically, a portion of our subsidiaries' debt funding is borrowed at the parent company level in foreign currencies or in euros and then converted into foreign currencies through currency swaps.

Total debt

At December 31, 2008, our total debt amounted to 18,281 million euros (compared with 9,639 million euros in 2007 and 10,768 million euros in 2006) excluding put options on shares of subsidiaries and impact of derivative instruments. At the end of 2008, we reclassified 1,024 million euros of

short-term debt (1,193 million euros at the end of 2007 and 2,354 million euros at the end of 2006) as long-term debt on the basis of our ability to refinance this obligation using the available funding provided by medium and long-term committed credit lines. Furthermore, the 1,000 million euros drawdown on the 1,825 million euros syndicated credit line maturing in July 2012 is also classified as a long-term debt.

Long-term debt totaled 14,003 million euros compared with 8,025 million euros at year-end 2007 and 9,215 million euros at year-end 2006. Approximately 33% of the 2008 long-term debt is due to mature after 2013. Long-term debt mainly comprises floating-rate debt (after taking into account interest rate swaps). Most of this debt is denominated in euros, US dollars and British pounds.

At December 31, 2008, our short-term debt (including the current portion of long-term debt) amounted to 4,278 million euros of which 2,300 million euros will mature on December 9, 2009. This maturity can be extended to the next year (December 9, 2010) at the group option.

Moreover, we are exposed to the risk of fluctuations in our short-term debt owing to a slowdown in building activity during the winter season in our principal markets in Western Europe and North America, with working capital requirements increasing during the first half of the year.

At December 31, 2008, the average spot interest rate on our total debt after swaps was 5.7%, compared to 5.8% at December 31, 2007 and 5.8% at December 31, 2006. The average annual interest rate on debt after swaps was 5.5% in 2008 (compared with 5.8% in 2007 and 5.5% in 2006).

Our cash and cash equivalents amounted to 1,591 million euros at year-end 2008,

with close to half this amount denominated in euros and US dollars and the remainder in a large number of other currencies.

See Section 4.5 (Market risks) and Notes 25 and 26 to the consolidated financial statements for more information on our debt and financial instruments.

Net debt and net debt ratios

Our net debt, which includes put options on shares of subsidiaries and derivative instruments, totaled 16,884 million euros at December 31, 2008 (compared with 8,685 million euros at December 31, 2007 and 9,845 million euros at December 31, 2006).

Our net-debt-to-equity ratio stood at 115% at December 31, 2008 (compared with 72% at December 31, 2007 and 84% at December 31, 2006).

Our cash flow from operations to net debt ratio stood at 19% at December 31, 2008 (compared with 32% at December 31, 2007 and 27% at December 31, 2006).

See Section 4.1 (Overview - Reconciliation of our non-GAAP financial measures) for more information on these ratios.

Loan agreements

Some of our loan agreements contain restrictions on the ability of subsidiaries to transfer funds to the parent company in certain specific situations. The nature of these restrictions can be either regulatory when the transfers of funds are subject to approval by local authorities, or contractual when the loan agreements include restrictive provisions, such as negative covenants on the payment of dividends. However, we do not believe that any of these covenants or restrictions, which relate to just a few loans

will have any material impact on our ability to meet our obligations.

See Section 2.1.2 (Financial risks and Market risks).

The Orascom Cement acquisition credit facility of 7.2 billion euros, put in place on December 9, 2007, includes a financial covenant imposing to meet a financial ratio computed as the level of net debt to operating income before capital gains, impairment, restructuring and other after adding back the charge for depreciation and amortization of assets. This ratio must be lower than 4 as at December 31, 2008 and June 30, 2009, and lower than 3.75 from December 31, 2009 onwards. At December 31, this financial ratio amounts to 3.6, below the limit set for this period. This covenant ceases to apply as soon as either both A1 and A2 tranches are fully repaid or when the financial ratio is equal or below 2.5 for two consecutive test dates.

Pursuant to "cross acceleration" and "cross default" provisions set out in the main financing contracts of the Group, including the terms and conditions of Lafarge S.A.'s EMTN program ("Euro Medium Term Note Program"), the breach of this covenant could lead to the acceleration of the repayment of a substantial part of the debt of the Group and the cancellation of some unused credit lines.

Additionally, loan contracts requiring compliance with certain financial covenants are located in subsidiaries in the following countries: Algeria, Bangladesh, Chile, Ecuador, Egypt, India, Indonesia, Pakistan, Philippines, Spain, South Africa, United Arab Emirates, United Kingdom and Vietnam. Debt with such financial covenants represents approximately 6% of the total Group debt excluding put options on shares of subsidiaries at December 31, 2008.

For most of them, these financial covenants have a low probability of being triggered. Given the split of these contracts on various subsidiaries and the quality of the Group liquidity protection through its access to committed credit lines, the existence of such clauses cannot materially affect the Group's financial situation.

See Notes 25 (e) and 34 to our consolidated financial statements.

Cash surpluses

In order to ensure that cash surpluses are used efficiently, we have adopted cash pooling structures on a country-by-country basis in a number of cases. With the introduction of the euro, we have established a centralized cash management process for most of the euro-zone countries, and we also have extended the centralization of cash management to significant European non-euro countries (such as Poland, Romania, Switzerland and the United Kingdom). Local cash pools have also been set up in other parts of the Group.

Owing to legal or regulatory constraints or national regulations, we do not operate a fully global centralized cash management program. However, the policies set by our senior management tend to maximize cash recycling within the Group. Where cash cannot be recycled internally, cash surpluses are invested in liquid, short-term instruments, with at least half of any cash surplus invested in instruments with a maturity of less than three months.

Effect of currency fluctuations on our results and balance sheet

The assets, liabilities, income and expenses of our operating entities are denominated in various currencies. Our consolidated financial statements are prepared in euros. Consequently, assets, liabilities, income and

expenses denominated in currencies other than the euro need to be translated into euros at the applicable exchange rate for inclusion in our consolidated financial statements.

If the euro increases in value against a currency, the value in euros of assets, liabilities, income and expenses originally recorded in the other currency will decrease. Conversely, if the euro decreases in value against a currency, the value in euros of assets, liabilities, income and expenses originally recorded in that other currency will increase. Consequently, increases and decreases in the value of the euro may affect the value in euros of our non-euro assets, liabilities, income and expenses, even though the value of these items has not changed in their original currency.

In 2008, we generated approximately 74% of our sales in currencies other than the euro, with approximately 25% denominated in US or Canadian dollars.

Approximately 3% (19% in 2007) of our net income Group share was contributed by subsidiaries preparing their financial statements in US or Canadian dollars. As a result, a 10% change in the US dollar/euro exchange rate and in the Canadian dollar/euro exchange rate would have an impact on our net income Group share of approximately 4 million euros, all other factors being equal.

In addition, a +/-5% fluctuation in currency rate of US dollar/euro and British pound/euro would have an estimated maximum impact of +/-280 million euros on our debt exposed to these two foreign currencies as of December 31, 2008.

At year-end 2008, approximately 82% of our capital employed was located outside euro zone countries, with approximately 20% denominated in US or Canadian dollars.

4.5 Market risks

We are exposed to foreign currency risk and interest-rate risk. We are also exposed to other market risk factors, such as our equity investments, commodity price fluctuations, affecting energy commodities in particular and counterparty and liquidity risks.

We have defined strict policies and procedures to measure, manage and monitor our market risks exposures. Our policies do not allow for any speculative positions on the market. We have instituted management rules based on the segregation of duties, financial and administrative control and risk measurement. We have also introduced an integrated system for all operations managed at corporate level that permits real-time monitoring of hedging strategies.

Our policy is to use derivative instruments to hedge our exposure to exchange rate and interest rate risks. We also use derivative instruments from time to time to manage our exposure to commodity risks.

We use financial instruments only to hedge existing or anticipated financial and commercial exposures. We undertake this hedging in the over-the-counter market with a limited number of highly rated counterparties. Our positions in derivative financial instruments are monitored using various techniques, including the fair value approach.

To reduce our exposure to currency risks and interest rate fluctuations, we manage our exposure both on a central basis through our Treasury department and in conjunction with some of our subsidiaries. We use various standard derivative financial instruments, such as forward exchange contracts, interest rate and currency swaps and forward rate agreements, to hedge currency and interest rate fluctuations on assets, liabilities and future commitments, in accordance with guidelines established by our senior management.

We are subject to commodity risk with respect to price changes principally in the energy and sea freight markets. From time to time, we use derivative financial instruments to manage our exposure to these commodity risks.

A follow-up of risks related to financial instruments is regularly carried out based upon indicators provided to the management team through internal reporting.

Foreign currency risk

Translation risk

See Section 4.4 (Liquidity and Capital Resources - Effect of currency fluctuations on our results and balance sheet).

Transaction risk

We are subject to foreign exchange risk as a result of our subsidiaries' purchase and sale transactions in currencies other than their operating currencies.

With regard to transaction-based foreign currency exposures, our policy is to hedge all material foreign currency exposures through derivative instruments no later than when a firm commitment is entered into or becomes known to us. These derivative instruments are generally limited to forward contracts and standard foreign currency options, with terms of generally less than one year. From time to time, we also hedge future cash flows in foreign currencies when such flows become highly probable. We do not enter into foreign currency exchange contracts other than for hedging purposes.

Each subsidiary is responsible for managing the foreign exchange positions arising as a result of commercial and financial transactions performed in currencies other than its domestic currency. Exposures are centralized and hedged with the corporate Treasury

department using foreign currency derivative instruments when local regulations allow it. Otherwise, our exposures are hedged with banks. The corporate Treasury department covers its position in the market, and attempts to reduce our overall exposure by netting purchases and sales in each currency on a global basis, where feasible.

As far as financing is concerned, our general policy is for subsidiaries to borrow and invest excess cash in the same currency as their functional currency, except for subsidiaries operating in emerging markets, where cash surpluses are invested, wherever possible in US dollars or in euros. A major portion of our financing is in US dollars and British pounds, reflecting the fact that a significant part of our operations is located in these countries. Part of this debt was initially raised in euros at parent company level then converted into foreign currencies through currency swaps. At December 31, 2008, before these currency swaps, 13% of our total debt was denominated in US dollars and 5% in British pounds. After taking into account the swaps, our US dollar denominated debt amounted to 26% of our total debt, while our debt denominated in British pounds represented 7% of the total.

See Notes 25 and 26 to the consolidated financial statements for more information on debt and financial instruments.

Interest rate risk

We are exposed to interest-rate risk through our debt and cash. Our interest rate exposure can be sub-divided among the following risks:

- price risk for fixed-rate financial assets and liabilities.

By contracting a fixed-rate liability, for example, we are exposed to an opportunity cost in the event of a fall in interest rates. Changes in interest rates impact the

market value of fixed-rate assets and liabilities, leaving the associated financial income or expense unchanged;

- cash flow risk for floating-rate assets and liabilities.

Changes in interest rates have little impact on the market value of floating-rate assets and liabilities, but directly influence the future income or expense flows of the Company.

In accordance with the general policy established by our senior management we seek to manage these two types of risks, including the use of interest-rate swaps and forward rate agreements. Our corporate Treasury department manages our financing and interest rate risk exposure in accordance with rules defined by our senior management in order to keep a balance between fixed rate and floating rate exposure.

Before taking into account interest rate swaps, at December 31, 2008, 40% of our total debt carried a fixed rate. After taking into account these swaps, the portion of fixed-rate debt amounted to 37%.

See Notes 25 and 26 to the consolidated financial statements for more information on our debt and financial instruments.

Commodity risk

We are subject to commodity risk with respect to price fluctuations mainly in the electricity, natural gas, petcoke, coal, fuel, diesel and sea freight markets. We attempt to limit our exposure to fluctuations in commodity prices by entering into long-term contracts and increasing our use of alternative fuels.

From time to time, and if a market exists, we hedge our commodity exposures through derivative instruments at the latest when a firm commitment is entered into or known or where future cash flows are highly probable. These derivative instruments are generally limited to swaps and options, with maturities and terms adapted on a case by case basis.

We do not enter into commodities contracts other than for hedging purposes.

See Note 26 (e) to the consolidated financial statements for more information on financial instruments.

Interest rate sensitivity

The table below provides information about our interest-rate derivative instruments and debt obligations that are sensitive to changes in interest rates.

For debt obligations, the table shows the principal cash flows by expected maturity dates and related weighted average interest rates before swaps.

For interest-rate derivative instruments, the table shows notional amounts by contractual maturity dates and related weighted average interest rates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average floating rates are based on effective rates at year-end.

MATURITIES OF NOTIONAL CONTRACT VALUES AT DECEMBER 31, 2008

(million euros)	Average rate (%)	2009 H1	2009 H2	2010	2011	2012	2013	> 5 years	Total	Fair value
DEBT										
Long-term debt *	5.7	101	3,356	1,092	1,405	5,554	1,380	4,571	17,460	14,658
Fixed-rate portion	5.9	41	45	302	1,240	440	876	4,287	7,232	5,654
Floating-rate portion	5.6	60	3,311	790	165	5,114	504	284	10,228	9,004
Short-term bank borrowings	6.8	706	115	-	-	-	-	-	821	821
INTEREST-RATE DERIVATIVES										
Pay Fixed										
Euro	4.5	-	-	-	-	70	58	42	170	(8)
Other currencies	6.9	8	-	6	32	27	50	113	236	23
Pay Floating										
Euro	5.1	-	-	-	-	-	-	600	600	30
Other currencies	3.8	-	-	210	-	-	144	-	354	14
Other interest-rate derivatives										
Euro	6.4	13	-	6	-	-	-	-	19	-
Other currencies	3.1	17	-	181	177	19	178	-	572	42

* Including the current portion of long-term debt.

Based on outstanding hedging instruments at December 31, 2008, a +/-100 basis point shift in yield curves would have an estimated maximum impact of respectively +/-10 million euros on equity in respect of interest-rate derivatives designated as hedging instruments in a cash flow hedging relationship. The income statement impact related to interest-rate derivative instruments designated as hedging instruments in a fair value hedging relationship is netted off by the revaluation of the underlying debt. Besides, the income statement impact of the same yield curve fluctuations on interest-rate

derivative instruments, not designated as hedges for accounting purposes, is not material. Fair values are calculated with internal models that rely on market observable data (currency rate curves, "zero coupon" curves, etc.).

A 1% change in short-term interest rates calculated on the net floating rate debt, taking into account derivative instruments would have a maximum impact on pre-tax consolidated income of +/-100 million euros.

Exchange rate sensitivity

The table below provides information about our debt and foreign exchange derivative financial instruments that are sensitive to exchange rates. For debt obligations, the table shows the principal cash flows in foreign currencies by expected maturity dates. For foreign exchange forward agreements, the table shows the notional amounts by contractual maturity dates. These notional amounts are generally used to calculate the contractual payments to be exchanged under the contract.

MATURITIES OF NOTIONAL CONTRACT VALUES AT DECEMBER 31, 2008

(million euros)	2009	2010	2011	2012	2013	>5 years	Total	Fair value
DEBT IN FOREIGN CURRENCIES								
US dollar	215	58	473	34	335	1,189	2,303	1,701
British pound	7	216	6	374	161	210	974	837
Other currencies	737	133	153	113	146	238	1,521	1,355
TOTAL	959	407	632	521	642	1,637	4,798	3,893
FOREIGN EXCHANGE DERIVATIVES								
FORWARD CONTRACT PURCHASES AND CURRENCY SWAPS								
US dollar	341	-	-	-	-	-	341	5
British pound	336	-	-	-	-	-	336	(22)
Other currencies	272	1	-	-	-	-	273	16
TOTAL	949	1	-	-	-	-	950	(1)
FORWARD CONTRACT SALES AND CURRENCY SWAPS								
US dollar	2,749	-	-	-	-	-	2,749	10
British pound	676	2	-	-	-	-	678	83
Other currencies	401	-	-	-	-	-	401	10
TOTAL	3,826	2	-	-	-	-	3,828	103

Based on outstanding hedging instruments at December 31, 2008, a +/-5% shift in exchange rates would have an estimated maximum impact of respectively +/-2 million euros on equity in respect of foreign currency derivatives designated as hedging instruments in a cash flow hedge relationship. The net income statement impact of the same exchange rate fluctuations on the Group's foreign exchange derivative instruments is not material. Fair values are calculated with internal models that rely on market obser-

vable data (currency spot rate, forward rate, currency rate curves, etc.).

Assumptions related to the sensitivity tables above

DEBT

The fair value of long-term debt was determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate that takes into account the Group's

incremental borrowing rate at year-end for similar types of debt arrangements. Market price is used to determine the fair value of publicly traded instruments.

FINANCIAL INSTRUMENTS

The fair value of foreign currency and interest rate derivative instruments has been calculated using market prices that the Group would pay or receive to settle the related agreements.

Commodity price sensitivity

Based on outstanding hedging instruments at December 31, 2008, a +/-20% change in the commodity indexes against which Lafarge is hedged, *i.e.* mainly natural gas (NYMEX), heating oil (NYMEX) and gas oil (IPE), would have an estimated maximum impact of respectively +/-24 million euros on equity in respect of commodity derivative instruments designated as hedging instruments in a cash flow hedging relationship. The net income statement impact of the same commodity index fluctuations on the Group's commodity derivative instruments is not material. Fair values are calculated with internal models that rely on market observable data (raw materials spot and forward rates...).

Counterparty risk for financial operations

We are exposed to credit risk in the event of default by a counterparty. We attempt to limit our exposure to counterparty risk by rigorously selecting the counterparties with which we trade, by regularly monitoring the ratings assigned by credit rating agencies, and by taking into account the nature and maturity of our exposed transactions.

We establish counterparty limits that are regularly reviewed. We believe we have no material concentration of risk with any counterparty. We do not anticipate any third-party default that might have a significant impact on our financial condition and results of operations.

Liquidity risk

The Group implements policies to limit its exposure to liquidity risk. As a result of this policy, a significant portion of our debt has a long-term maturity. The Group also maintains committed credit lines with various banks, which are primarily used as a back-up for the debt maturing within one year as well as for the Group's short-term financing, and which contribute to the Group's liquidity.

See Section 4.4 (Liquidity and Capital Resources) and Note 28 to the consolidated financial statements for more information on liquidity risks.

Equity risk

■ Quoted equity

As of December 31, 2008, the Group holds 17.28% of Cimentos de Portugal (Cimpor)

which shares are traded on the Lisbon stock exchange. In the Group's consolidated financial statements, the value of this investment fluctuates based on Cimpor share price evolution and the variations compared to the acquisition cost (potential cumulative gains or losses) are recognized in Group's equity.

In accordance with applicable IFRS standard (IAS 39), if the decline in the fair value of this investment compared to its cost was considered significant or prolonged, the cumulative losses should then impact the Group's profit and loss.

Note 15 of our consolidated financial statements provides informations on the Cimpor's trading price compared to its cost.

■ Treasury shares

At December 31, 2008 the Group held 436,793 treasury shares. These shares are assigned to cover stock option or performance shares grants. The exposure to our self-owned shares' risk is considered not significant by the Group.

See Note 25 (f) to the consolidated financial statements for more information on our exposure to these options.

4.6 Trend information

The global economic crisis and the high level of uncertainty make forecasting difficult. Government stimulus plans which should help restore confidence and spur growth are very good news and all include large infrastructure projects. They should have a significant impact on most of our markets in 2010 and a more limited one in 2009. For 2009, we currently expect cement volumes

in Lafarge's markets to be down 0 to 3% overall, with significant declines for developed economies and with slower growth in emerging economies. Volume decreases are expected to put pressure on margins but pricing should remain firm overall. Our own actions will contribute to mitigating the impact of lower volumes.

As we previously announced at the time of the publication of our 2008 third quarter results, given the current exceptional uncertainty, we are not in a position to confirm our 2010 targets for earnings per share, return on capital employed after tax and free cash-flow.



JOAO HAVELANGE STADIUM

built for 2007 Pan-Americans games in Rio de Janeiro, Brazil, made with a Lafarge high performance concrete.

5

Directors, Senior Management and Employees

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Declaration in terms of corporate governance – Governance Code of reference

At its meeting on November 6, 2008, the Board of Directors of Lafarge decided that the Code of Corporate Governance to which the Company refers is the “Code of the Corporate Governance of Listed Corporations” published by the Afep (*Association française des entreprises privées*) and the Medef (*Mouvement des entreprises de France*) named the “Afep/Medef Code” and whose December 2008 version integrates the recommendations

(Principles for corporate governance based on consolidation of the October 2003 Afep and Medef’s reports and on their January 2007 and October 2008’s recommendations concerning the compensation of Executive Directors of listed companies).

The Board of Directors of Lafarge considers that these recommendations are in line with

the corporate governance principles of the Company.

According to this Code, the companies which enforce to it must state in their Annual Report how they apply these recommendations and explain, if need be, the reasons why they have not applied some of them. If relevant, these informations will be mentioned in the present Chapter 5.

5.1 Board of Directors

At present, the Board of Directors consists of eighteen members with various complementary profiles and experience. Its composition has been modified during the exercise 2008 following the term of office of Messrs Michael Blakenham, Alain Joly and Jacques Lefèvre, and the appointment of Messrs Paul Desmarais, Gérald Frère, Jérôme Guiraud, Michel Rollier, Thierry de Rudder and Nassef Sawiris.

A number of Board members have held positions within the Group or have had professional dealings with the Group and therefore know our activities well. Others are not as close to our business and bring to the table other experience, a global understanding of business matters and the ability to benchmark its activities against practices and standards in other industries.

In accordance with the Director’s Charter each Board member must carry out his duties with full independence of mind. Proposals for the election of new Director when their nomination is on the agenda, are made by the Corporate Governance and Nominations Committee.

According to the Articles of Association, the Directors are appointed for a term of office of four years.

Mr. Bruno Lafont is the only Board member exercising executive functions within the Group.

The Directors shall not be over 70 years old, and each shall own at least 1,143 shares of the Company.

There is no Director representing either the employee shareholders or the employees.

See Section 8.3 (Articles of Association (statuts)).

5.1.1 Form of organization of the management – Board of Directors and Chief Executive Officer

At its meeting on May 3, 2007, the Lafarge Board of Directors decided to reunite the functions of Chairman of the Board and Chief Executive Officer, following the reflection of the Remunerations Committee in the best interest of the Company. On the same date, it decided to confer these functions to Mr Bruno Lafont.

This type of governance widely shared with other companies, is adapted to the Lafarge organization and practice, and comply with the prerogatives of each governing body, in particular regarding the control of Group activity.

The Board’s internal regulations ensure the respect of best practices of corporate governance in the framework of such management practice. These regulations notably state that a Vice-Chairman of the Board is elected from among Directors

classified as independent for a one-year renewable term of office upon recommendation by the Corporate Governance and Nominations Committee. He is a member of the Corporate Governance and Nominations Committee and of the Remuneration Committee. He chairs meetings of the Board in the absence of the Chairman and Chief Executive Officer and, in particular, chairs the discussions of the Board of Directors organized at least once a year in order to assess the performance and set the remuneration of the Chairman and Chief Executive Officer, such discussions taking place in the absence of the latter. These functions are currently exercised by Mr Oscar Fanjul.

5.1.2 Information on Directors

The biography below together with the summary table on Director information illustrate the respective experience and expertise of the Directors, especially in terms of management.

Presentation of the Directors – Expertise and experience

Bruno Lafont: Chairman of the Board of Directors and Chief Executive Officer, 61 rue des Belles Feuilles, 75116 Paris France.

Bruno Lafont was appointed as Chairman of the Board of Directors in May 2007. He has officiated as Director since May 2005 and Chief Executive Officer since January 1 2006. He acts as Director for EDF

He graduated from the Hautes Études Commerciales business school (HEC 1977, Paris) and the École Nationale d'Administration (ENA 1982, Paris). He began his career at Lafarge in 1983 as internal auditor in the Finance department. In 1984, he joined the Sanitaryware Division (no longer part of the Group) as Chief Financial Officer in Germany. He then led the Division's Finance department (1986-1988) and the International Development department based in Germany (1988-1989). In 1990, he was appointed Vice-President for Lafarge Cement and Aggregates & Concrete operations in Turkey and the Eastern Mediterranean region. In 1995, Mr Lafont was appointed Group Executive Vice-President, Finance, then Executive Vice-President of the Gypsum Division in 1998. Mr Lafont joined the Group's General Management as Chief Operating Officer between May 2003 and December 2005. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2008. Its renewal will be proposed at this time.

Oscar Fanjul: Vice-Chairman of the Board and Director, Paseo de la Castellana, 28-5, ES-28046 Madrid, Spain.

Oscar Fanjul was appointed to Lafarge's Board of Directors in 2005 and has been Vice-Chairman of the Board since August 1, 2007. He began his career in 1972 working for industrial holding I.N.I (Spain), then acted as President and Founder of Repsol YPF (Spain) until 1996. He acts as Vice-Chairman of Omega Capital, SL (Spain). Mr. Fanjul is a Director of Marsh & McLennan Companies (United States), the London Stock Exchange (United Kingdom), Acerinox (Spain) and Areva. He is also an international adviser to Goldman Sachs. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2008. Its renewal will be proposed at this time.

Jean-Pierre Boisivon: Director, 29, rue de Lisbonne, 75008 Paris, France.

Jean-Pierre Boisivon was appointed to Lafarge's Board of Directors in 2005. He held responsibilities both in education and business. He was a university professor from

1980 to 2000 at the University of Paris-II Panthéon-Assas, then headed the Department of evaluation and trends of the French Ministry of Education from 1987 to 1990, as well as the Essec group from 1990 to 1997. He also served as Deputy Chief Operating Officer the Caisse d'Épargne de Paris from 1978 to 1985, as General Secretary of the Union des Banques à Paris from 1985 to 1987 and as Deputy General Manager of the Institut de l'Entreprise from 1997 to 2008. He currently acts as Chairman of CORA (*Conseil d'orientation et de réflexion de l'assurance*), Vice-President of Institut Veolia Environnement, member of CODICE (*Comité pour la diffusion de la culture économique*) and Administrator of IEFP (*Institut pour l'éducation financière du public*). His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2008. Its renewal will be proposed at this time.

Michel Bon: Director, 86 rue Anatole-France, 92300 Levallois-Perret, France.

Michel Bon was appointed to Lafarge's Board of Directors in 1993. He is Chairman of the Supervisory Board of Devoteam and Éditions du Cerf. He is a Director of Sonepar and Editis, censor of Provimi and senior adviser to Roland Berger, Vermeer Capital and Permira. He previously served as Chairman and Chief Executive Officer of France Telecom from 1995 to 2002, and Chief Executive Officer then Chairman of Carrefour from 1985 to 1992. His term of office expires at the General Meeting called to approve the financial statements for fiscal year 2008. Its renewal will be proposed at this General Meeting.

Philippe Charrier: Director, 59, boulevard Exelmans, 75016 Paris, France.

Philippe Charrier was appointed to Lafarge's Board of Directors in 2005. He acts as Vice-President, Chief Executive Officer and Director of Œnobiol, Chairman of the Supervisory Board of Spotless group, Chairman of the Board of Directors of Alphident and Dental Emco S.A. He is a Director of the *Fondation Nestlé pour la nutrition*. He is also Chairman of *Entreprise et Progrès*. He was Chairman and Chief Executive Officer of Procter & Gamble

France from 1999 to 2006. He joined Procter & Gamble in 1978 and held various financial positions before serving as Chief Financial Officer from 1988 to 1994, Marketing Director in France from 1994 to 1996, and Chief Operating Officer of Procter & Gamble Morocco from 1996 to 1998. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2008. Its renewal will be proposed at this time.

Bertrand Collomb: Director and Honorary Chairman, 61, rue des Belles Feuilles, 75116 Paris, France.

Bertrand Collomb was appointed to the Board of Directors in 1987 and served as Chairman and Chief Executive Officer from 1989 to 2003 and Chairman of the Board of Directors from 2003 to 2007. He previously held various executive positions with the Group, namely in North America, from 1975 to 1989 and in the French Ministry of Industry and government cabinets from 1966 to 1975. He is a Director of Total, Atco Ltd (Canada) and DuPont (US). He is also a trustee of the International Accounting Standards Foundation (IASF), Chairman of the French Institute of International Relations and Chairman of the Institut des Hautes Études for Science and Technology. He is a member of the Institut de France (*Académie des sciences morales et politiques*). His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2008. Its renewal will be proposed at this time.

Philippe Dauman: Director, 1515 Broadway, New York, NY 10036, USA.

Philippe Dauman was appointed to Lafarge's Board of Directors in May 2007. He has been Chairman and Chief Executive Officer of Viacom Inc. (US) since September 2006. He was previously Joint Chairman of the Board and Managing Director of DND Capital Partners LLC (US) from May 2000. Before creating DND Partners, Mr Dauman was Vice-Chairman of the Board of Viacom from 1996 to May 2000, Executive Vice-President from 1995 to May 2000 and Chief Counsel and Secretary of the Board from 1993 to 1998. Prior to that, he was a partner in New York law firm Shearman & Sterling.

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.1 Board of Directors

He served as Director of Lafarge North America from 1997 to 2006. He is currently a Director of National Amusements Inc. (US) and a member of the Dean's Council for the University of Columbia Law School. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2010.

Paul Desmarais, Jr.: Director, 751, Square Victoria, Montreal, Quebec H2Y 2J3, Canada.

Paul Desmarais, Jr was appointed to Lafarge's Board of Directors in January 2008. He has been Chairman and Co-Chief Executive Officer of Power Corporation of Canada (PCC) since 1996 and Chairman of the Executive Committee of Power Financial Corporation (PFC). Prior to joining PCC in 1981, he was at SG Warburg & Co in London and Standard Brands Incorporated in New York. He was President and Chief Operating Officer of PFC from 1986 to 1989 and Chairman from 1990 to 2005. He is a Director and member of the Executive Committee of many Power group companies in North America. He is also Executive Director and Vice-Chairman of the Board of Pargesa Holding S.A. (Switzerland), Vice-Chairman of the Board of Imerys and a Director of Groupe Bruxelles Lambert (Belgium), Total S.A. and GDF-Suez (France). Mr Desmarais is Chairman of the Board of Governors of the International Economic Forum of the Americas, Founder and Chairman of the International Advisory Committee of the École des Hautes Études Commerciales (HEC) in Montreal and Founder and member of the International Advisory Board of the McGill University Faculty of Management. He is a member of the International Council and a Director of the INSEAD, member of the North American Competitiveness Council (Canada) and Global Advisor for Merrill Lynch (New York, US). Mr Desmarais is a member of the Economic Consultative Council directed by the minister Flaherty (Canada), member of the Board of the Trudeau Foundation, Vice-Chairman of the Board and member of the Executive Committee of the CCCE (*Conseil Canadien des Chefs d'Entreprise*). He is also member of the Honorary Council of the Peres Center for peace, member of the "National Strategy Council" of the

Mazankowski Alberta Heart Institute, member of the BAC and Co-President of the national campaign for the preservation of nature in Canada. Mr Desmarais studied at McGill University where he obtained a Bachelor's degree in Commerce. He then graduated from the European Institute of Business Administration (INSEAD) in Fontainebleau, France, with an MBA. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2011.

Gérald Frère: Director, 12, rue de la Blanche Borne, 6280 Loverval, Belgique.

Gérald Frère was appointed to Lafarge's Board of Directors in 2008. He has been Managing Director of Groupe Bruxelles Lambert since 1993. He joined the family company, the Frère-Bourgeois group (Belgium), in 1972. He was appointed to the Board of Directors of Groupe Bruxelles Lambert in 1982 and has been Chairman of the Executive Committee ever since. He is also Chairman of the Board of Directors of Compagnie Nationale à Portefeuille SA (CNP) and TVI SA (RTL Belgium). He is Regent of the National Bank of Belgium. He is Vice-Chairman of the Board of Directors of Pargesa Holding SA (Switzerland), Director of Power Financial Corporation (Canada) and Suez-Tractebel SA (Belgium). His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2011.

Gérald Frère and Thierry de Rudder are brothers-in-law.

Juan Gallardo: Director, Monte Cauaso 915 – 4 piso, Col. Lomas de Chapultepec C.P., MX 11000 Mexico.

Juan Gallardo was appointed to Lafarge's Board of Directors in 2003. He has been Chairman of Grupo Embotelladoras Unidas S.A. de CV (Mexico) since 1985. He is a Director of Grupo Azucarero Mexico S.A., Mexicana de Aviacion, IDEA S.A., Grupo Mexico S.A. de CV (Mexico) and Caterpillar Inc. (US). He is a member of the Advisory Council of Textron Inc. and of the Mexican Business Roundtable. He was previously a member of the International Advisory Council of Lafarge, President of the Fondo Mexico and Vice-President of Home

Mart Mexico. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2008. Its renewal will be proposed at this time.

Jérôme Guiraud: Director, 4 Cork street London W1S 3LB, United Kingdom.

Jérôme Guiraud was appointed to the Board of Directors in 2008. He graduated from Hautes Etudes Commerciales (HEC 1984 – Paris). Jérôme Guiraud is the Chief Executive Officer of NNS Capital and a Director of OCI (Orascom Construction Industries). After spending 18 months at the French Embassy in Zagreb (Croatia) as deputy to the Attaché Commercial, he joined the internal audit department of Société Générale, *l'Inspection Générale*, in 1986. From 1993 he held various positions abroad. He was first appointed Deputy Managing Director of the Spanish branch of Société Générale and Managing Director of the group's listed company in Madrid. He then joined SG Securities (London) as Equity Corporate Finance co-manager for the Eastern Europe/Middle East/African region. In 2000 he became Director and CEO of NSGB (National Société Générale Bank), a universal bank listed in Cairo. In 2004 he became Chairman of the Executive Board of the Société Générale Marocaine de Banques in Casablanca, Director of all the Moroccan group subsidiaries and Group representative on the Board of the Moroccan subsidiaries of Sanofi and TUI. He joined Orascom in 2008. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2011.

Bernard Kasriel: Director, 61, rue des Belles Feuilles, 75116 Paris, France.

Bernard Kasriel was appointed to the Board of Directors in 1989. He was Vice-Chairman of the Board from 1995 until 2005 and Chief Executive Officer of Lafarge from 2003 to 2005. He was previously Vice-Chairman and Chief Operating Officer from 1995 to 2003 and Chief Operating Officer between 1989 and 1994. He served as Senior Executive Vice-President from 1982 to 1989, President and Chief Operating Officer of National Gypsum (US) from 1987 to 1989 and has held various executive positions with the Group since he joined Lafarge in 1977. From 1975 to 1977, he served as Senior Executive

Vice-President of the Société Phocéenne de Métallurgie, and from 1972 to 1974 as Chief Executive Officer of Braud. Mr Kasriel began his career in 1970 at the *Institut du Développement Industriel*. Mr Kasriel is a Director of L'Oréal, Arkema S.A. and Nucor (US). He has been a partner and member of the Board of LBO France since September 2006. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2009.

Pierre de Lafarge: Director, 8, rue des Gravières, 92521 Neuilly-sur-Seine Cedex, France.

Pierre de Lafarge was appointed to Lafarge's Board of Directors in 2007. He graduated from the École des Mines de Nancy (France). Pierre de Lafarge has terminated his career as Director of International Development for Kerneos, a subsidiary of the Materis group. He worked in the Group from 1972 to 2001, holding various positions. From 1992 to 1995, he was Vice-Chief Executive Officer for Lafarge Réfractaire then in charge of Development in Eastern Europe for Lafarge Mortier from 1996 to 2000, Director of Strategy and International Development for Lafarge Mortier from 2000 to 2001 and of the mortar activities of Materis from 2001 to 2003. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2011.

Michel Pébereau: Director, 3, rue d'Antin, 75002 Paris, France.

Michel Pébereau was appointed to Lafarge's Board of Directors in 1991. Michel Pébereau is Chairman of BNP Paribas and holds various executive positions in the subsidiaries of the company. He was previously Chairman and Chief Executive Officer of BNP then BNP Paribas from 1993 to 2003, Chief Operating Officer and subsequently Chairman and Chief Executive of Crédit Commercial de France from 1982 to 1993. He is a Director of Total, Saint-Gobain and EADS NV (Netherlands) and of Pargesa Holding S.A. (Switzerland), member of the

Supervisory Board of AXA and of Aspen France, President of the *Institut de l'Entreprise* and non-voting Director of Galeries Lafayette. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2010.

Hélène Ploix: Director, 162, rue du Faubourg-Saint-Honoré, 75008 Paris, France.

Hélène Ploix was appointed to Lafarge's Board of Directors in 1999. Mrs Ploix is Chairman of Pechel Industries SAS and Pechel Industries Partenaires SAS. She was previously Deputy Chief Executive Officer of Caisse des Dépôts et Consignations (France) and Chairman and Chief Executive Officer of CDC Participations from 1989 to 1995, Chairman of the Caisse Autonome de Refinancement and Chairman of the Supervisory Board of CDC Gestion. She previously served as Special Counsel for the single currency at KPMG Peat Marwick from 1995 to 1996 and as Director of Alliance Boots plc (UK) from 2000 to July 2007. She is a member of the Supervisory Board of Publicis Groupe, a non-executive Director of BNP Paribas, Ferring S.A. (Switzerland) and Completel NV (Netherlands). At Pechel Industries Partenaires, she is also a Director of non-listed companies. Her term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2008. Its renewal will be proposed at this time.

Michel Rollier: Director, 23, place des Carmes-Déchaux, 63000 Clermont-Ferrand.

Michel Rollier was appointed to Lafarge's Board of Directors in 2008. He has been Managing Partner of Compagnie Générale des Établissements Michelin since May 2005. Mr. Rollier joined Michelin in September 1996 as Chief Legal Officer and Head of Financial Operations. He was appointed a member of the Michelin Group Executive Council and Chief Financial and Legal Officer in 1999. He previously held several positions with Aussedat-Rey (International Paper Group) starting in 1971,

including Deputy Managing Director from 1994 to 1996, Chief Financial Officer between 1987 and 1994, Unit Operational Manager from 1982 to 1987 and controller from 1973 to 1982. He graduated from the Institut d'Études Politiques (1967) and the Université de Droit de Paris (1968). His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2011.

Thierry de Rudder: Director, avenue Marnix 24, 1000 Bruxelles, Belgique.

Thierry de Rudder was appointed to Lafarge's Board of Directors in January 2008. He is a graduate in Mathematics from the University of Geneva and the Université Libre de Bruxelles and has an MBA from Wharton School in Philadelphia. He acts as Executive Director of Groupe Bruxelles Lambert which he joined in 1986. He previously held various positions in New York and in Europe with Citibank which he joined in 1975. He is currently a Director of Compagnie Nationale à Portefeuille and Suez-Tractebel in Belgium and of Imerys, GDF-Suez and Total in France. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2011.

Gérald Frère and Thierry de Rudder are brothers-in-law.

Nassef Sawiris: Director, Nile City South Tower, 2005 A Corniche El Nil, Cairo 11221, Egypt.

Nassef Sawiris was appointed to Lafarge's Board of Directors in January 2008. He graduated in Economics from the University of Chicago. Since 1998, Nassef Sawiris has been Chief Executive Officer of the OCI Group (Orascom Construction Industries SAE). He is also a Director of the Dubai International Financial Exchange (Nasdaq DIFX), of Besix (Belgium) and of NNS Holding (Luxembourg). His term of office will expire at the General Meeting approving financial statements for fiscal year 2011.

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.1 Board of Directors

SUMMARY TABLE ON THE RELATING TO THE DIRECTORS INFORMATION

Names	Position (Appointment/ renewal/ termination of the position)	Positions and others offices in French or foreign companies over the last five years	Number of Lafarge shares held
Mr Bruno Lafont (born on June 8, 1956)	Appointment as Director of Lafarge in 2005. Termination of the position after the General Meeting called to approve the financial statements for 2008. Its renewal will be proposed at this General Meeting. Chief Executive Officer since January 2006. Chairman and Chief Executive Officer since May 2007.	<i>Current positions:</i> In France: Director of Lafarge Director of EDF Positions in various subsidiaries of the Group ■ Cementia Holding AG ■ Lafarge India Private Limited ■ Lafarge North America Inc ■ Lafarge Shui On Cement Limited <i>Positions over the last five years and no longer exercised in France and abroad:</i> Positions in various subsidiaries of the Group	16,422
Mr Oscar Fanjul (born on May 20, 1949)	Appointment as Director of Lafarge in 2005. Termination of the position after the General Meeting called to approve the financial statements for 2008. Its renewal will be proposed at this General Meeting.	<i>Current positions:</i> In France: Director and Vice-Chairman of the Board of Lafarge Director of Areva Abroad: Vice-Chairman of Omega Capital, SL (Spain) Director of Marsh & McLennan Companies (USA) Director of the London Stock Exchange (United-Kingdom), Director of Acerinox (Spain) Others: International adviser to Goldman Sachs <i>Positions over the last five years and no longer exercised:</i> Abroad: Director of Unilever Director of Colonial	4,237
Mr Jean-Pierre Boisivon (born on June 25, 1940)	Appointment as Director of Lafarge in 2005. Termination of the position after the General Meeting called to approve the financial statements for 2008. Its renewal will be proposed at this General Meeting.	<i>Current positions:</i> In France: Director of Lafarge Director of GSE Director of OPTIMUS Manager of SEFE SARL <i>Positions over the last five years and no longer exercised:</i> In France: Manager of S4E SARL	1,150

Names	Position (Appointment/ renewal/ termination of the position)	Positions and others offices in French or foreign companies over the last five years	Number of Lafarge shares held
Mr Michel Bon (born on July 5, 1943)	Appointment as Director of Lafarge in 1993. Termination of the position after the General Meeting called to approve the financial statements for 2008. Its renewal will be proposed at this General Meeting.	<i>Current positions:</i> In France: Director of Lafarge Director of Sonepar Director of Editis Chairman of the Supervisory Board of Éditions du Cerf Chairman of the Supervisory Board of Devoteam Censor of Provimi Abroad: Director of SONAE (Portugal) Director of Esmertec (Switzerland) Director of Cie Européenne de Téléphonie (Luxemburg) Other: Senior Adviser of Roland Berger Senior Adviser of Vermeer Capital Senior Adviser of Permira <i>Positions over the last five years and no longer exercised:</i> In France: Censor of Asterop until 2008 Director of Banque Transatlantique until 2007 Director of Orsid (SAS) until 2005 Member of the Supervisory Board of Air Liquide until 2004 Member of the Supervisory Board of GrandVision until 2004	3,716
Mr Philippe Charrier (born on August 2, 1954)	Appointment as Director of Lafarge in 2005. Termination of the position after the General Meeting called to approve the financial statements for 2008. Its renewal will be proposed at this General Meeting.	<i>Current positions:</i> In France: Vice-President, Chief Executive Officer and Director of CEnobiol Chairman of the Supervisory Board of Spotless Group Chairman of the Board of Directors of Dental Emco S.A. Chairman of the Board of Directors of Alphident Director of Lafarge <i>Positions over the last five years and no longer exercised:</i> In France: Chairman and Chief Executive Officer of Procter & Gamble in France from 1999 to 2006	2,300
Mr Bertrand Collomb (born on August 14, 1942)	Appointment as Director of Lafarge in 1987. Termination of the position after the General Meeting called to approve the financial statements for 2008. Its renewal will be proposed at this General Meeting. Honorary Chairman of Lafarge.	<i>Current positions:</i> In France: Director of Lafarge Director of Total Abroad: Director of Atco Ltd (Canada) Director of DuPont (USA) <i>Positions over the last five years and no longer exercised in France and abroad:</i> Positions in various subsidiaries of the Group Director of Vivendi Universal until 2005 (France) Director of Unilever until 2006 (Netherlands)	84,060

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.1 Board of Directors

Names	Position (Appointment/ renewal/ termination of the position)	Positions and others offices in French or foreign companies over the last five years	Number of Lafarge shares held
Mr Philippe Dauman (born on March 1, 1954)	Appointment as Director of Lafarge in 2007. Termination of the position after the General Meeting called to approve the financial statements for 2010.	<i>Current positions:</i> In France: Director of Lafarge Abroad: Chief Executive Officer of Viacom Inc. (USA) Director of National Amusements Inc. (USA) <i>Positions over the last five years and no longer exercised:</i> Abroad: Co-Chairman of the Board of Directors and Managing Director of DND Capital Partners LLC (USA) Director of Lafarge North America from 1997 to 2006 (USA)	1,143
Mr Paul Desmarais Jr (born on July 3, 1954)	Appointment as Director of Lafarge in 2008. Termination of the position after the General Meeting called to approve the financial statements for 2011.	<i>Current positions:</i> In France: Director of Total S.A. Director of GDF-SUEZ Director of Lafarge Abroad: Chairman of the Board and Co-Chief Executive Officer of Power Corporation of Canada Chairman of the Executive Committee and Director of Power Financial Corporation (Canada) Vice-Chairman of the Board of Directors and Deputy Managing Director of Pargesa Holding (Switzerland) Director and member of the Executive Committee of Great-West, Compagnie d'assurance-vie (Canada) Director and member of the Executive Committee of Great-West Life & Annuity Insurance Company (USA) Director and member of the Executive Committee of Great-West Lifeco Inc (Canada) Director and member of the Executive Committee of Groupe Bruxelles Lambert S.A. (Belgium) Director and member of the Executive Committee of Groupe Investors Inc (Canada) Director and member of the Executive Committee of London Insurance Group Inc Director and member of the Executive Committee of London Life Compagnie d'assurance-vie (Canada) Director and member of the Executive Committee of Mackenzie Inc Director and member of the Executive Committee of Canada Life Assurance Company (Canada) Director and member of the Executive Committee of Canada Life Financial Corporation (Canada) Director and member of the Executive Committee of Canada Life Capital Corporation (Canada) Director and member of the Executive Committee of Power Corporation International Director of Gesca Ltée Director of Les Journaux Trans-Canada Director of La Presse Ltée Director of Power Communications Inc Member of the Board of Directors of Putnam Investments LLC Director of Power Financial B.V. President of the Advisory Board of Sagard Private Equity Partners <i>Positions over the last five years and no longer exercised:</i> Abroad: Director of GWL Properties until 2007 Chairman of Power Financial Corporation (Canada)	4,500

Names	Position (Appointment/ renewal/ termination of the position)	Positions and others offices in French or foreign companies over the last five years	Number of Lafarge shares held
Mr Gérald Frère (born on May 17, 1951)	Appointment as Director of Lafarge in 2008. Termination of the position after the General Meeting called to approve the financial statements for 2011.	<p><i>Current positions:</i></p> <p>In France:</p> <ul style="list-style-type: none"> Director of Lafarge Member of the Corporate Governance and nominations Committee of Lafarge <p>Abroad:</p> <ul style="list-style-type: none"> Chairman of the Board of Directors of Compagnie Nationale à Portefeuille S.A. (CNP) (Belgium) Chairman of the Board of Directors of Filux S.A. (Luxembourg) Chairman of the Board of Directors of Gesecalux S.A. (Luxembourg) Chairman of the Board of Directors of Stichting Administratie Kantoor Bierlaire (Netherlands) Chairman of the Board of Directors of TVI S.A. (RTL Belgium) Vice-Chairman of the Board of Directors of Pargesa Holding S.A. (Switzerland) Chairman of the Board of Directors and Deputy Managing Director of the Haras de la Bierlaire S.A. (Belgium) Chairman of the Executive Committee and Deputy Managing Director of Groupe Bruxelles Lambert S.A. (Belgium) Chairman of the Compensation and Appointment Committee of Compagnie Nationale à Portefeuille S.A. (CNP) (Belgium) Chairman of the Compensation Committee of the Banque Nationale de Belgique (Belgium) Deputy Managing Director of Financière de la Sambre S.A. (Belgium) Deputy Managing Director of Frère-Bourgeois S.A. (Belgium) Director of Power Financial Corporation (Canada) Director of Erbe S.A. (Belgium) Director of Fingen S.A. (Belgium) Director of the Fonds Charles-Albert Frère (Belgium) Director of GBL Finance S.A. (Luxembourg) Director of Stichting Administratie Kantoor Frère-Bourgeois (Netherlands) Director of Suez-Tractebel S.A. (Belgium) "Commissaris" of Agesca Nederland NV (Netherlands) "Commissaris" of Frère-Bourgeois Holding NV (Netherlands) "Commissaris" of Parjointco NV (Netherlands) "Régent" of the Banque Nationale de Belgique (Belgium) Member of the Budget Committee of the Banque Nationale de Belgique Member of the Compensation Committee of the Power Financial Corporation (Canada) Member of the Related Parties and Conduct Review Committee of Power Financial Corporation (Canada) Member of the Supervisory Board of the Financial Services Authority (Belgium) Member of the Board of trustees de Guberna (formerly Belgian Governance Institute) (Belgium) Honorary consul of France (Belgium) Manager Agriger Sprl (Belgium) Manager Gbl Energy SARL (Luxembourg) 	1,143

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.1 Board of Directors

Names	Position (Appointment/ renewal/ termination of the position)	Positions and others offices in French or foreign companies over the last five years	Number of Lafarge shares held
Mr Juan Gallardo (born on July 28, 1947)	Appointment as Director of Lafarge in 2003. Termination of the position after the General Meeting called to approve the financial statements for 2008. His renewal will be proposed at this General Meeting.	<i>Current positions:</i> In France: Director of Lafarge Abroad: Chairman of the Board of Directors of Grupo Embotelladoras Unidas, S.A. de C.V. (Mexico) Director of Grupo Azucarero Mexico S.A. (Mexico) Director of Mexicana de Aviacion (Mexico) Director of IDEA S.A. (Mexico) Director of Grupo Mexico S.A. de CV (Mexico) Director of Caterpillar Inc (USA) <i>Positions over the last five years and no longer exercised:</i> In France: Member of the International Advisory Board of Lafarge Abroad: President of Fondo Mexico from February 1989 to March 2005 Vice-President of Home Mart Mexico from December 1992 to May 2004	1,500
Mr Jérôme Guiraud (born on January 7, 1961)	Appointment as Director of Lafarge in 2008. Termination of the position after the General Meeting called to approve the financial statements for 2011.	<i>Current positions:</i> In France: Director of Lafarge Abroad: Chief Executive Officer of NNS Capital (United Kingdom) Director of Orascom Construction Industries (Egypt) <i>Positions over the last five years and no longer exercised:</i> Abroad: Chairman of the Executive Board of Société Générale Marocaine de Banque (Morocco) and Director of Morocco subsidiaries of the Groupe Société Générale from 2004 to 2008 (Morocco) Director of Maphars (Morocco subsidiaries of Sanofi-Aventis) from 2006 to 2008 Director of JET4YOU (Morocco subsidiaries of TUI) from 2006 to 2008	2,643
Mr Bernard Kasriel (born on May 7, 1946)	Appointment as Director of Lafarge in 1989. Termination of the position after the General Meeting called to approve the financial statements for 2009.	<i>Current positions:</i> In France: Director of Lafarge Director of L'Oreal Director of Arkema Partner and member of the Executive Board of LBO France Abroad: Director of Nucor (USA) <i>Positions over the last five years and no longer exercised in France and abroad:</i> Positions in various subsidiaries of the Group Director of Sonoco Products Company (USA) until 2007	33,674
Mr Pierre de Lafarge (born on September 26, 1946)	Appointment as Director of Lafarge in 2007. Termination of the position after the General Meeting called to approve the financial statements for 2010.	<i>Current positions:</i> In France: Director of Lafarge <i>Positions over the last five years and no longer exercised:</i> In France: Director of international development for Kerneos, retired since January 7, 2008	20,754

Names	Position (Appointment/ renewal/ termination of the position)	Positions and others offices in French or foreign companies over the last five years	Number of Lafarge shares held
Mr Michel Pébureau (born on January 23, 1942)	Appointment as Director of Lafarge in 1991. Termination of the position after the General Meeting called to approve the financial statements for 2010.	<i>Current positions:</i> In France: Chairman of the Board of Director of BNP Paribas and various executive positions in the Group's subsidiaries Director of Lafarge, Director of Compagnie de Saint-Gobain Director of Total Member of AXA Supervisory Board Censor of the Société Anonyme des Galeries Lafayette Abroad: Director of EADS NV (Netherlands) Director of Pargesa Holding S.A. (Switzerland) Member of the Supervisory Board of the Banque Marocaine pour le Commerce et l'Industrie (Morocco) Director of BNP Paribas S.A. (Switzerland) <i>Positions over the last five years and no longer exercised:</i> Abroad: Director of BNP Paribas UK Holdings Ltd until 2005 (United Kingdom)	2,108
Mrs Hélène Ploix (born on September 25, 1944)	Appointment as Director of Lafarge in 1999. Termination of the position after the General Meeting called to approve the financial statements for 2008. Its renewal will be proposed at this General Meeting.	<i>Current positions:</i> In France: Director of Lafarge Director of BNP Paribas Member of the Supervisory Board of Publicis Groupe Chairman of Pechel Industries SAS Chairman of Pechel Industries Partenaires SAS Chairman of Pechel Services SAS Director of Ypso Holding S.A. (as legal representative of Pechel Industrie Partenaires) Manager of Hélène Ploix SARL, Manager of HMJ (Hélène Marie Joseph) SARL Manager of Sorepe Société Civile Abroad: Director of Ferring S.A. (Switzerland) Director of Completel NV (Netherlands) <i>Positions over the last five years and no longer exercised:</i> In France: Various positions as Director in relation with her position in Pechel Industries Partenaires (Xiring, Aquarelle, Quinette Gallay, CVGB-Dourthe Kressman S.A. CAE, HFR6 S.A., SVP Management et Participations S.A., IDM) Abroad: Director of Alliance Boots plc. (United Kingdom) from 2000 to 2007	1,971
Mr Michel Rollier (born on September 19, 1944)	Appointment as Director of Lafarge in 2008. Termination of the position after the General Meeting called to approve the financial statements for 2011.	<i>Current positions:</i> In France: Director of Lafarge Director of Moria Managing General Partner of Michelin Abroad: Managing Partner of la Compagnie Financière Michelin (Switzerland)	1,200

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.1 Board of Directors

Names	Position (Appointment/ renewal/ termination of the position)	Positions and others offices in French or foreign companies over the last five years	Number of Lafarge shares held
Mr Thierry de Rudder (born on September 3, 1949)	Appointment as Director of Lafarge in 2008. Termination of the position after the General Meeting called to approve the financial statements for 2011.	<i>Current positions:</i> In France: Director of Lafarge Director of GDF-Suez Director of Imerys Director of Total S.A. Abroad: Deputy Managing Director of Groupe Bruxelles Lambert (Belgium) Director of the Compagnie Nationale à Portefeuille S.A. (Belgium) Director of Suez-Tractebel S.A. (Belgium) <i>Positions over the last five years and no longer exercised:</i> In France: Director of SI Finance until 2005	4,000
Mr Nassef Sawiris (born on January 19, 1961)	Appointment as Director of Lafarge in 2008. Termination of the position after the General Meeting called to approve the financial statements for 2011.	<i>Current positions:</i> In France: Director of Lafarge Abroad: Chief Executive Officer, and Director of Orascom Construction Industries SAE (OCI) (Egypt) Director of Besix (Belgium) Director of NNS Holding (Luxembourg) Director of Nasdaq DIFX (Dubai International Stock Exchange) (United Arab Emirates) Director and General Manager of several subsidiaries of OCI Group (Egypt) Chairman of ECC (Egyptian Cement Company) and positions in various subsidiaries of the Group <i>Positions over the last five years and no longer exercised:</i> Abroad: Director of OBMH (Orascom Building Material Holding)	1,143 (this figure does not take into account the shares owned by NNS Holding Sàrl) (see section 6 – Major Shareholders)

Sanctions applicable to the Directors

To our knowledge, no Director was, over the previous five years, convicted of fraud, involved in a bankruptcy, receivership or liquidation, subject to official public incrimination and/or sanctions, or disqualified by a court from acting as Director or in management or conduct the affairs of any issuer.

See Section 5.5 (Stock options and performance share plans) for more information on options granted to our Directors.

5.1.3 Independent Directors

In accordance with the recommendations of the Afep-Medef Code and the Board internal regulations, the Board regularly reviews the

situation of the Directors in light of the independence criteria.

The Board of Directors, after an individual assessment of each Director in light of the independence criteria applicable to the Company, considers that it comprises ten independent Directors, namely Mrs Hélène Ploix and Messrs Michel Rollier, Jean-Pierre Boisivon, Michel Bon, Philippe Charrier, Philippe Dauman, Oscar Fanjul, Juan Gallardo, Pierre de Lafarge and Michel Pébureau.

The Board of Directors has followed the recommendations of the Afep-Medef Code in its assessment of independent Directors, which are the following:

- “Not to be an employee or Corporate Officer of the corporation, or an employee or Director of its parent or a company that it consolidates and not having been in such a position over the previous five years.

- Not to be a Corporate Officer of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or a Corporate Officer of the corporation (currently in office or having held such office going back five years) is a Director.

- Not to be a customer, supplier, investment banker or commercial banker:

- that is material for the corporation or its group,
- or for a significant part whose business the corporation or its group accounts.

- Not to be related by close family ties to a Corporate Officer.

- Not to have been an auditor of the corporation over the previous five years.

- Not to have been a Director of the corporation for more than twelve years.”

The Board of Directors did not apply the recommended 12-year limitation on length of service as Director. The Board considers that in a long-term business such as ours, where management is stable, serving as Director for a long period of time can bring more experience and authority, increasing the Directors' independence. Messrs Michel Bon and Michel Pébereau have served as Directors of Lafarge for over 12 years.

Furthermore, the Board reviewed the relationship between Lafarge and BNP Paribas, one of the Group's corporate and investment banks, of which Michel Pébereau is Chairman. The fact that Lafarge can rely on a pool of banks competing with one other prevents the possibility of a relationship of dependency on BNP Paribas. Likewise, the fees that BNP Paribas receives from the Group account for an infinitesimal percentage of the bank's revenues and do not create a relationship of dependency on Lafarge. In the light of these factors, and given the independent thinking that Michel Pébereau has shown in his capacity as Director, the Board has decided to consider him for a position as independent Director.

In accordance with the recommendations of the Afep-Medef Code, the Board's internal regulations provide that a majority of the members of the Board, the Corporate Governance and Nominations Committee and the Remuneration Committee must qualify as "independent" and that at least two-thirds of the members of the Audit Committee must qualify as "independent".

The Board of Directors considers that the composition of the Board and its Committees is compliant with its internal regulations.

The formal non-qualification as "independent Director" in no way challenges the professionalism or freedom of judgment that characterize all Directors.

To the best of Lafarge's knowledge, there are no conflicts between the duties of the Group Board members and their private interests and other duties. Lafarge has not entered into service contracts providing for the granting of future benefits.

See Section 5.3.2 (Board and Committees' Rules and Practices) for the list of Committee members.

5.1.4 Director's charter

The full text of the Lafarge Director's Charter is set out below:

I Preamble

In accordance with the principles of corporate governance, a Director carries out his duties in good faith, in such a manner as, in his opinion, best advances the interests of the Company, applying the care and attention expected of a normally careful person in the exercise of such office.

I 1. Competence

Before accepting office, a Director must ascertain that he is acquainted with the general and specific obligations assigned to him. He must, in particular, acquaint himself with legal and statutory requirements, the Company by-laws (*statuts*), current internal rules and any supplementary information that may be provided to him by the Board.

I 2. Defending corporate interest

A Director must be an individual shareholder and hold the number of Company shares required by the articles of association (*statuts*), i.e., a number representing in total a nominal value of at least 4,572 euros which amounts to 1,143 shares, recorded in the share register in nominal form; where he does not hold any shares at the time of taking office, he must take steps to acquire them within three months.

Every Director represents the body of shareholders and must in all circumstances act in their interest and in that of the Company.

I 3. Conflicts of interest

A Director is required to inform the Board of any situation involving a conflict of interests, even one of a potential nature, and must refrain from taking part in any vote on any resolution of the Board where he finds himself in any such situation.

I 4. Diligence

A Director must dedicate the necessary time and attention to his office, while respecting the legal requirements governing the accu-

mulation of several appointments. He must be diligent and take part, unless impeded from doing so for any serious reason, in all meetings of the Board and, where necessary, in any Committee to which he may belong.

I 5. Information – Confidentiality

A Director is bound by obligation to keep himself informed to be able to contribute in a useful manner on the issues under discussion on the Board agenda.

With regard to information outside of the public domain and which he has acquired while in office, a Director must consider himself bound by a duty of confidentiality, which goes beyond the simple obligation to maintain discretion as provided for by law.

I 6. Training

Every Director may, in particular at the time of his election to the Board and where he deems it necessary, take advantage of training on specific aspects of the Company and the Group, its business activities, field of activity, organization and particular financial circumstances.

I 7. Loyalty

A Director is bound by an obligation of loyalty. He must not, under any circumstances, do anything liable to damage the interests of the Company or those of any of the other companies in the Group. He may not personally take on any responsibilities, within any undertakings or businesses having any activity competing with those of Lafarge without first notifying the Board of Directors thereof.

I 8. Privileged information – Trading in shares

A Director must not carry out any transactions involving Company shares except within the framework of the rules determined by the Company. He must make a statement to Lafarge concerning any transactions involving Lafarge shares carried out by him within five days of any such transaction.

19. Independence

A Director undertakes, in all circumstances, to maintain his independence of thought, judgment, decision and action and will resist all pressure, whatever the nature or origin.

A Director undertakes to refrain from seeking or accepting from the Company, or any other company linked to it, either directly or indirectly, any personal benefits likely to be deemed to be of such a nature as might compromise his freedom of judgment.

10. Agreements in which Directors have an interest

The Directors are required to inform the Chairman promptly of any relations that may exist between the companies in which they have a direct interest and the Company. The Directors must also, in particular, notify the Chairman of any agreement covered by article L. 225-38 *et seq.* of the French Commercial Code that either they themselves, or any company of which they are Directors or in which they either directly or

indirectly hold a significant number of shares, have entered into with the Company or any of its subsidiaries. These provisions do not apply to agreements made in the ordinary course of business.

11. Information of Directors

The Chairman ensures that the Directors receive in a timely manner, the information and documents needed to perform the full extent of their duties. Similarly, the Chairman of each of the said Committees ensures that every member of his Committee has the information needed to perform his duties.

Prior to every meeting of the Board (or of every Committee), the Directors must thus receive in a timely manner file setting out all the items on the agenda. Any Director who was unable to vote because he was not fully apprised of the issue has to inform the Board and insist on receiving the critical information. Generally, every Director receives all the information necessary to perform his duties and may arrange to have all the relevant documents delivered to him by the

Chairman. Similarly, the Committee Chairmen must supply the members of the Board, in a timely manner, with the reports they have prepared within the scope of their duties.

The Chairman ensures that members of the Board are apprised of all the principal relevant items of information, including any criticism concerning the Company, in particular, any articles of press or financial research reports.

Meetings, during which any Director may make presentations and discuss with the Directors his field of activity, are held on a regular basis by the Chairman during or outside Board meetings.

Every Director is entitled to request from the Chairman the possibility of special meetings with Group management in the fields of interest to them, without his presence.

5.2 Executive Officers

The Executive Officers include Bruno Lafont, our Chairman and Chief Executive Officer, and the members of the Executive Committee.

Since January 1, 2009, the Executive Committee includes the following members:

Jean-Carlos Angulo: Executive Vice-President Cement, 61, rue des Belles Feuilles, 75116 Paris, France.

Jean-Carlos Angulo (born in 1949) is a graduate from the École des Mines de Nancy (France) and from the European Business Institute, and has been with the Group since 1975. From 1971 to 1974, he was a project engineer in the aeronautics industry with the Société Européenne de Propulsion in Bordeaux. He joined Lafarge in 1975 as Project Manager then as Project Director of the Group's subsidiaries specialized in engineering and later as Director of Lafarge Consultoria e Estudos in Brazil. In 1984, he joined Lafarge Aluminates as Head of

Development. From 1990 to 1996, he served as Chief Executive Officer of Lafarge in Brazil and as President for South and Latin America. In 1996, he was appointed as Chief Executive Officer of Lafarge Ciments France. From 2000 to 2007, he was President of Cement Division operations in Western Europe and Morocco. He has been Executive Vice-President Cement and a member of the Executive Committee since September 1, 2007. He is a Director of Cimentos de Portugal SGPS, S.A. (Cimpor).

Isidoro Miranda: Executive Vice-President Cement, 61, rue des Belles Feuilles, 75116 Paris, France.

With a doctorate (PhD) in engineering from Navarre University (Spain), Senior Visiting Scholar at Stanford (US) and an MBA from INSEAD, Isidoro Miranda (born in 1959) began his career with a strategic consulting firm in London and Paris. He joined the Group in 1995 as the Director of Group

Strategic Studies, before being appointed Chief Executive Officer of Lafarge Asland, our Cement subsidiary in Spain. In 2001, he was appointed Executive Vice-President of the Cement Division and a member of the Executive Committee. From May 2003 to August 2007, he acted as Executive Vice-President Gypsum. He has been Executive Vice-President Cement since September 1, 2007.

Guillaume Roux: Executive Vice-President Cement, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate of the Institut d'Études Politiques in Paris, Guillaume Roux (born in 1959) joined the Group in 1980 as an internal auditor with Lafarge Ciments, France. He was Chief Financial Officer of the Biochemicals Unit in the United States from 1989 to 1992, before returning to Lafarge headquarters as project manager for the Finance department. In 1996, he returned to the United States as Vice-President of

Marketing for Lafarge North America Inc. In 1999, he was appointed Chief Executive Officer of Lafarge's operations in Turkey and then in 2001, Executive Vice-President of the Cement Division's operations in Southeast Asia. Guillaume Roux has been Executive Vice-President Cement and a member of the Executive Committee since January 1, 2006.

Thomas Farrell: Executive Vice-President Aggregates & Concrete, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate from Brown University with a PhD from Georgetown University, Thomas Farrell (born in 1956) began his career as a lawyer with Shearman & Sterling. He joined Lafarge in 1990 as Director of Strategic Studies for the Group. From 1992 to 1994, he managed an operating unit of Lafarge Aggregates & Concrete in France. In 1996, he became Chief Executive Officer of Aggregates, Concrete & Asphalt Division's operations in South Alberta (Canada). In 1998, he was appointed Chief Executive Officer of Lafarge in India. From 2002 to 2006, he was Executive Vice-President of Lafarge North America Inc. and President of the Aggregates, Concrete & Asphalt Division's operations in the Northwestern American region. From 2006 to August 2007, he was President of the Aggregates, Concrete & Asphalt Division in North America. Thomas Farrell was appointed Executive Vice-President Aggregates & Concrete and became a member of the Executive Committee on September 1, 2007. He is a Director of National Stone Sand and Gravel Association and of the American Road and Transportation Builders Association, both US industry associations.

Gérard Kuperfarb: Executive Vice-President Aggregates & Concrete, 61 rue des Belles Feuilles, 75116 Paris, France.

Gérard Kuperfarb (born in 1961) graduated from the École des Mines de Nancy (France). He also holds a Master's degree in Materials Science from the École des Mines de Paris and an MBA from the École des Hautes Études Commerciales (HEC). He has been with the Group since 1992. He began his career in 1983 as an engineer at the *Centre de mise en forme des matériaux* of the École des Mines de Paris, before joining the Composite materials Division at Ciba group in 1986, where he held sales and

marketing functions. In 1989, he joined a strategy consulting firm in Brussels and Paris. He joined Lafarge in 1992 as Marketing Director for the Refractories business then became Vice-President for strategy at Lafarge Specialty Materials. In 1996, he became Vice-President Ready-mix Concrete strategy in Paris. In 1998, he was appointed Vice-President/General Manager for the Aggregates & Concrete Business in Southwest Ontario (Canada) before heading the Performance group at Lafarge Construction Materials in North America in 2001. He joined the Aggregates & Concrete Division in Paris as Senior Vice-President Performance in 2002. In 2005, he was appointed President of the Aggregates & Concrete Business for Eastern Canada. Gérard Kuperfarb was appointed Executive Vice-President Aggregates & Concrete and became a member of the Executive Committee on September 1, 2007.

Christian Herrault: Executive Vice-President Gypsum, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate of the École Polytechnique (1972) and the École Nationale Supérieure des Mines de Paris, Christian Herrault (born in 1951) joined the Group in 1985, taking over responsibility for strategy and development at the Bioactivities Unit. Between 1987 and 1992, he acted as Chief Operating Officer for the Seeds Unit, initially in the United States, then in France, and managed the Glutamates business from 1992 to 1994. In 1995, he was appointed Chief Executive Officer of the Aluminates & Admixtures Unit (no longer part of the Group). In 1998, he was appointed Executive Vice-President Organization and Human Resources and joined the Executive Committee. He has been Executive Vice-President Gypsum since September 1, 2007, and is still a member of the Executive Committee. He is the Chairman of the Board of Directors of the École des Mines de Nantes.

Jean-Jacques Gauthier: Chief Financial Officer, 61, rue des Belles Feuilles, 75116 Paris, France.

Jean-Jacques Gauthier (born in 1959) joined the Group in February 2001. After graduating in law and economics, he began his career with Arthur Young. Between 1986 and 2001, he held several positions at the Matra group in France and the United

States. In 1996, he was appointed Chief Financial Officer of the Franco-British venture Matra Marconi Space and between 2000 and 2001 he served as CFO for Astrium. After joining Lafarge in 2001, Jean-Jacques Gauthier became Chief Financial Officer and a member of the Executive Committee.

Eric Olsen: Executive Vice-President Organization and Human Resources, 61, rue des Belles Feuilles, 75116 Paris, France.

Eric Olsen (born in 1964) is a graduate in finance and accounting from Colorado University and holds a Master's degree awarded by the École des Hautes Études Commerciales (HEC). He has been with the Group since 1999. He began his career as a senior auditor with Deloitte & Touche in New York. From 1992 to 1993, he worked as senior associate at Paribas bank in Paris and partner at the consulting firm Trinity Associates in Greenwich, Connecticut, from 1993 to 1999. He joined Lafarge North America Inc. in 1999 as Senior Vice-President Strategy and Development. In 2001, he was appointed President of the Cement Division for Northeast America and Senior Vice-President Purchasing for Lafarge North America Inc. He was appointed Chief Finance Officer of Lafarge North America Inc. in 2004. He was appointed Executive Vice-President for Organization and Human Resources and became a member of the Executive Committee on September 1, 2007.

Jean Desazars de Montgailhard: Executive Vice-President for Strategy, Development & Public Affairs, 61, rue des Belles Feuilles, 75116 Paris, France.

Jean Desazars de Montgailhard (born in 1952) graduated from the Institut d'Études Politiques de Paris and the École Nationale d'Administration (ENA) with a Master's degree in economics. He joined the Group in 1989. He began his career at the French Ministry of Foreign Affairs in Madrid, Stockholm, Washington DC and Paris, before joining Lafarge Cements as Strategy Director in Paris and then Lafarge Asland in Spain. From 1996 to 1999, he acted as Regional President for Asia in Singapore, then in Paris until 2006. He was appointed as Executive Vice-President, Strategy and Development for the Group in 2006. He has been Executive Vice-President Strategy, Development & Public

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.3 Board and Committee rules and practices

Affairs and a member of the Executive Committee since January 1, 2008. He is a Director of CEO Rexcode (France).

Sara Ravella: Director of Communications, 61, rue des Belles Feuilles, 75116 Paris, France.

Sara Ravella (born in 1970) is a graduate of Bocconi University in Milan (Italy) and holds a PhD from the London School of Economics (U.K.). She joined the Group in 2003. She started her career at the United Nations in Geneva. She then occupied international posts in strategy, change management,

development of human resources and organizations with several companies, including STMicroelectronics and Rhodia. She joined Lafarge as Senior Vice-President Organization, Development and Training, within the Human Resources department. In this role, she built the Lafarge University and supported the Group in its organizational and cultural change. She has been Director of Communications and a member of the Executive Committee since June 4, 2008.

There are no conflicts of interest affecting members of the Executive Committee

between any duties owed to us and their private interests.

To our knowledge, during the previous five years, no member of the Executive Committee has been convicted of fraudulent offences, involved in a bankruptcy, receivership or liquidation, subject to official public incrimination and/or sanctions or disqualified by a court from acting as a Director or from acting in the management or conduct of the affairs of any issuer.

5.3 Board and Committee rules and practices

5.3.1 Board of Directors

I Duties and responsibilities

In accordance with the law and Lafarge's Articles of Association, the Board of Directors determines the strategic direction of the Company's business activities and ensures its implementation. Subject to the powers expressly granted by law to shareholder meetings and within the scope of the Company's corporate purpose, the Board shall be vested with the power to consider any question concerning the proper operation of the Company and shall determine by its decisions the business of the Company. The Board may conduct such audits and investigations as it deems appropriate.

It also has specific powers under law, and particularly to call shareholder meetings, to approve corporate and consolidated financial statements and the management report, to authorize "regulated agreements", to appoint replacement Board Directors, to appoint the Chairman and Chief Executive Officer and establish his compensation, and to determine Directors' compensation.

It is a collegial body representing all the shareholders collectively, and which is required to act at all times in the interests of the Company.

I The Board's internal regulations

The Board's internal regulations define the respective roles and duties of the Chairman

and Chief Executive Officer and of the Vice-Chairman of the Board of Directors, the restrictions to the powers of the Chairman and Chief Executive Officer, the composition of the Board of Directors and its Committees, and the evaluation of the Chairman and Chief Executive Officer, the Board and the Board Committees, as well as the responsibilities of the various Board Committees. It is amended on a regular basis. In particular in February 2009, it was amended to include the obligation for the Chairman and Chief Executive officer to obtain the approval of the Corporate Governance and Nominations Committee before accepting any term of office in a listed company.

As regards the information presented to the Board, the Board's internal regulations state that "at each meeting of the Board, the Chairman and Chief Executive Officer will give a summary of the Company's business during the previous period and of its financial situation, cash flow position and commitments. In addition, the Chairman and Chief Executive Officer will make a presentation of the main development projects in progress, and, depending on their state of advancement, of the principal industrial and financial data relating to such projects." In addition, the Director's Charter presented in Section 5.1.4 describes in its article 11 the terms for the information of Directors. In particular, it provides that Directors are apprised of the financial research reports.

See Section 5.1 (Board of Directors).

The cases of prior approval by the Board of significant investment and divestment transactions and of financial transactions are described in the Board's internal regulations. They are presented in Section 5.3.5 relating to the limitations of the Chairman and Chief Executive Officer's powers.

See Section 5.3.5 (Powers of the Chairman and Chief Executive Officer)

I Main activities

During fiscal year 2008, the Board of Directors held eight meetings. The average attendance rate of its members was 94% (these figures take into consideration changes in the composition of the Board throughout the year).

Approximately one week prior to every Board meeting, every Director receive a file containing the agenda for the meeting, the minutes of the previous meeting and documentation relating to each topic on the agenda.

In accordance with the Board's internal regulations, certain issues are previously discussed within the relevant Committees depending on their nature, before being submitted to the Board for approval. These issues notably concern the review of financial statements, internal control procedures, auditor assignments and financial transactions as regards the Audit Committee, the election of new Directors, appointment of senior managers and composition of the Committees as regards the Corporate

Governance and Nominations Committee, the compensation of Directors and senior managers as regards the Remuneration Committee and general strategic priorities of the Company and the Group as regards the Strategy and Investment Committee. The Committees carry out their assignments under the supervision of the Board of Directors.

In 2008, in addition to the approval of the quarterly, interim and annual financial statements, the preparation of the General Meeting, determination of the compensation of senior managers and other decisions in the ordinary course of business, the Board notably worked on: the follow-up of the Orascom Cement acquisition process and the capital increase of 22.5 million shares reserved to NNS Holding Sàrl (the Sawiris family holding), the sale of the Company's 50% stake in Lafarge Titan in Egypt, the authorization of bond issues, and the divestment of the Cement and Aggregate & Concrete Division in Italy.

In addition, the Board discussed its practices, and initiated the formal assessment described in detail under "Evaluation of the Board and its Committees" below.

5.3.2 The Committees

The Board of Directors has defined, in its internal regulations, the duties and responsibilities of its various Standing Committees, which are:

- the Audit Committee;
- the Corporate Governance and Nominations Committee;
- the Remuneration Committee;
- the Strategy and Investment Committee.

The committees are composed of a minimum of three members and a maximum of ten members nominated by the Board of Directors among its members. The term of office of the Committee members is aligned with their Director office. These positions can be renewed simultaneously.

The Committees are convened by their Chairmen or at the request of the Chairman and Chief Executive Officer by any means possible, including orally. The Committees may meet anywhere and using whatever means, including videoconference or

teleconference. A quorum consists of at least one-half of members present. At least two meetings are held per year.

The agenda for Committee meetings is drawn up by its Chairman. Minutes of the Committee meetings are drafted after each meeting.

For the purpose of their work, the Committees may interview members of Group management or any other Group management member. The Committees may also engage any expert and interview him about his report.

The Committees report on their work to the next meeting of the Board, by way of verbal statement, opinion, proposals, recommendations or written reports.

The Committees may not handle on their own initiative any issue outside of their terms of reference, as defined below. They have no decision-making powers, merely the power to make recommendations to the Board of Directors.

1a) The Audit Committee

COMPOSITION

The members of the Audit Committee are as follows:

- Hélène Ploix, President (independent Director)
- Jean-Pierre Boisivon (independent Director)
- Michel Bon (independent Director)
- Jérôme Guiraud
- Juan Gallardo (independent Director)
- Michel Rollier (independent Director)
- Thierry de Rudder

DUTIES AND RESPONSIBILITIES

The Audit Committee has the following duties:

Financial statements

- to ensure that the statutory auditors assess the relevance and consistency of accounting methods adopted for the preparation of the consolidated or statutory financial statements, as well as appropriate treatment of the major transactions at Group level;

- when the financial statements are prepared, to carry out a preliminary review and give an opinion on the draft statutory and consolidated financial statements, including quarterly, semi-annual and annual statements prepared by management, prior to their presentation to the Board; for those purposes, the draft financial statements and all other useful documents and information must be provided to the Audit Committee at least three days before the review of the financial statements by the Board. In addition, the review of the financial statements by the Audit Committee must be accompanied by (i) a memorandum from the statutory auditors highlighting the key points of the results and the accounting options adopted; and (ii) a memorandum from the Finance Director describing the Company's exposure to risk and the major off-balance sheet commitments. The Audit Committee interviews the statutory auditors, the Chairman and Chief Executive Officer and financial management, in particular concerning depreciation, reserves, the treatment of goodwill and consolidation principles;

- to review the draft interim financial statements, the draft half-year report and the draft report on results of operations prior to publication, together with all the accounts prepared for specific transactions (asset purchases, mergers, market operations, prepayments of dividends, etc.);
- to review, where necessary, the reasons given by the Chairman and Chief Executive Officer for not consolidating certain companies;
- to review the risks and the major off-balance sheet commitments.

Internal control and internal audit

- to be informed by the Chairman and Chief Executive Officer of the definition of internal procedures for the gathering and monitoring of financial information, ensuring the reliability of such information;
- to be informed of procedures and action plans in place in terms of internal control over financial reporting, to interview the persons in charge of internal control every half-year and at the end of each financial

year and to examine the terms of engagement of the statutory auditors;

- to examine the Group's internal audit plan and interview the persons in charge of internal audit for the purposes of taking note of their programs of work and to receive the internal audit reports of the Company and Group or an outline of those reports, and provided the Chairman and Chief Executive Officer has been informed in advance, these hearings may take place, if necessary, without the Chairman and Chief Executive Officer being in attendance.

Statutory auditors

- to listen regularly to the statutory auditors' reports on the methods used to carry out their work;
- to propose to the Board, where necessary, a decision on the points of disagreement between the statutory auditors and the Chairman and Chief Executive Officer, likely to arise when the work in question is performed, or because of its contents;
- to assist the Board in ensuring that the rules, principles and recommendations safeguarding the independence of the statutory auditors are applied and, for such purposes, the members of the Committee have, by way of delegation by the Board of Directors, the following duties:
 - supervising the selection or renewal procedure (by invitation to tender) of statutory auditors, while taking care to select the "best bidder" as opposed to the "lowest bidder", formulating an opinion on the amount of the fees sought for carrying out the statutory audit assignments, formulating an opinion stating the reasons for the selection of statutory auditors and notifying the Board of its recommendation in this respect,
 - supervising the questions concerning the independence of the statutory auditors in line with the methods and in conformity with the procedures described in Section 10.2 (Auditors' fees and services).

Financial policy

- to be informed by the Chairman and Chief Executive Officer of the financial standing

of the Group, the methods and techniques used to lay down financial policy, and to be regularly informed of the Group's financial strategy guidelines in particular with regard to debt and the hedging of currency risks;

- to be informed of the contents of official financial statements prior to their release;
- to be informed in advance of the conditions of the financial transactions performed by the Group; if a meeting of the Committee cannot be held owing to an emergency, the Audit Committee is informed of such reasons;
- to review any financial or accounting issue submitted to it by the Chairman, the Board, the Chairman and Chief Executive Officer or the statutory auditors;
- to be informed by the Chairman and Chief Executive Officer of all third party complaints and of any internal information criticizing accounting documents or the Company's internal control procedures, as well as of procedures put in place for this purpose, and of the remedies for such complaints and criticism.

Fraud

- to ensure that procedures are put in place for the receipt, retention and treatment of accounting and financial related complaints received by the Company;
- to be informed of possible cases of fraud involving management or employees who have a significant role in internal controls concerning financial reporting.

To enable the Audit Committee to carry out the full extent of its duties, the Board's internal rules state that all pertinent documents and information must be provided to it by the Chairman and Chief Executive Officer on a timely basis.

MAIN ACTIVITIES

During fiscal year 2008, the Audit Committee held four meetings. The average attendance rate of its members was 88% (these figures take into consideration changes in the composition of the Committee throughout the year).

In 2008, the Audit Committee conducted a preliminary review of the statutory and consolidated 2007 annual financial state-

ments, our statutory interim financial statements and quarterly financial consolidated statements for the first three quarters as well as the internal control procedures and our policy on fraud in financial reporting and internal control. The Audit Committee also submitted to the Board the terms of engagement of auditors and their budget for 2008, analyzed the refinancing strategy of the Company following the Orascom acquisition, and the outlook of rating agencies. In addition, it approved the formal self-assessment as further described in "Evaluation of the Board and its Committees" below.

As part of its preliminary review of the statutory and consolidated 2008 financial statements in February 2009, the Audit Committee reviewed the principal items, with a special focus on other operating income and expense, finance costs, tax and goodwill impairment tests. It also reviewed management's assessment of internal controls over financial reporting for 2007, as more described in detailed in Management's Report on internal control over financial reporting (see Chapter 9 Controls and procedures), as well as auditors' assessment of the fairness of our financial statements and on our internal control over financial reporting. Finally, the Audit Committee reviewed the draft dividend payout plan for 2008 and issued recommendations to the Board.

See Chapter 9 (Control and Procedures).

b) Corporate Governance and Nominations Committee

COMPOSITION

The members of the Corporate Governance and nominations Committee are as follows

- Oscar Fanjul, President (Vice-President – independent Director)
- Philippe Dauman (independent Director)
- Gérald Frère
- Juan Gallardo (independent Director)
- Michel Pébereau (independent Director)
- Michel Rollier (independent Director)

DUTIES AND RESPONSIBILITIES

The Corporate Governance and Nominations Committee is responsible, in cooperation with the Chairman and Chief Executive Officer, for ensuring compliance with the Company's corporate governance rules. In particular, it is responsible for:

- monitoring governance practices in the market, submitting to the Board the corporate governance rules applicable by the Company and ensuring that the Company's governance rules remain among the best in the market;
- reviewing proposals to amend the internal regulations or the Directors' Charter to be submitted to the Board;
- submitting to the Board the criteria to be applied to assess the independence of its Directors;
- submitting to the Board, every year before publication of the Annual Report, a list of Directors qualifying as independent;
- preparing assessment of the work of the Board provided for by the Board's Internal Regulations;
- preparing changes in the composition of the Company's management bodies.
- giving its prior approval before the Corporate Executive Officer accepts a Corporate office of a listed company that does not belong to the Group.

The Committee has special responsibility for examining the succession plans for senior management members and the selection of new Directors. It also makes recommendations to the Board for the appointment of the Vice-Chairman and the Chairmen of other Standing Committees.

The choices made by the Corporate Governance and Nominations Committee on the appointments of the candidates to the office of Director are guided by the interests of the Company and all its shareholders. They take into account the balance of the Board's composition, in accordance with the relevant rules laid down in its internal regulations. They ensure that each Director possesses the necessary qualities and availability, and that the Directors represent a range of experience and competence, thereby enabling the Board to perform its duties effectively, while maintaining the requisite objectivity and independence with regard to senior management and any shareholder or any particular group of shareholders.

MAIN ACTIVITIES

During fiscal year 2008, the Corporate Governance and nominations Committee held five meetings. The average attendance rate of its members was 96% (these figures take into consideration changes in the composition of the Committee throughout the year).

In 2008, the Corporate Governance and nominations Committee made recommendations on the appointment of three Directors at the General Meeting held on May 7, 2008 (Messrs Gérald Frère, Jérôme Guiraud and Michel Rollier), on the composition of the different Committees, and on the amendment of the rules applicable to dealings in Lafarge shares. In addition, it initiated the Board's self-assessment described in the "Board and Committee self-assessment" section below.

At its meeting on November 6, 2008, the Corporate Governance and Nominations Committee recommended to the Board the renewal of Directors, which, upon submission by the Board, are to be submitted at the next shareholders' meeting.

Ic) The Remunerations Committee

COMPOSITION

The members of the Remunerations Committee are as follows:

- Oscar Fanjul, President (Vice-President – independent Director)
- Philippe Charrier (independent Director)
- Juan Gallardo (independent Director)
- Michel Pébereau (independent Director)
- Thierry de Rudder
- Nassef Sawiris

DUTIES AND RESPONSIBILITIES

Remunerations Committee is responsible for examining the compensation and benefits paid to Directors and members of senior management, and providing the Board with comparisons and benchmarking with market practices, in particular:

- to review and make proposals in relation to the remuneration of senior management members, both with regard to the fixed portion and the variable portion of said remuneration, and all benefits in kind, stock subscription and purchase options

granted by any Group company, provisions relating to their retirements, and all other benefits of any kind;

- to define and implement the rules for the determination of the variable portion of their remuneration, while taking care to ensure these rules are compatible with the annual evaluation of the Company Officers' performances and with the medium-term strategy of the Company and Group;
- to deliver the Board with an opinion on the general allocation policy for stock subscription and/or purchase options and on the stock option plans set up by the Chairman and Chief Executive Officer, and submit the allocation of stock subscription or purchase options to the Board;
- to be informed of the remuneration policy concerning the principal management personnel (aside from senior management) of the Company and other Group companies, and to examine the consistency of this policy;
- to suggest to the Board the total amount of Directors' fees for proposal at the Company's shareholders' meeting;
- to suggest to the Board on the allocation rules for Directors' fees and the individual payments to be made to the Directors, taking into account the attendance rate of the Directors at Board and Committee meetings;
- to examine every matter submitted to it by the Chairman and Chief Executive Officer, relating to the questions above, as well as plans for increases in the number of shares outstanding owing to the implementation of employee stock ownership;
- to approve the information disclosed to the shareholders in the Annual Report on the remuneration of senior management members and the principles and methods determining the compensation of said persons, as well as on the allocation and exercise of stock subscription or purchase options by senior management.

MAIN ACTIVITIES

During fiscal year 2008, the Remunerations Committee held four meetings. The average attendance rate of its members was 96% (these figures take into consideration changes in the composition of the Committee throughout the year).

During the course of 2008, the Remunerations Committee made suggestions to the Board of Directors concerning senior management's remuneration, the performance criteria applicable to the severance arrangements of our Chairman and Chief Executive and the allotment of Directors' fees among Directors for 2008. In addition, it led the discussions on the consequences of the recommendations by the Afep-Medef concerning the compensation of executive Directors.

See Section 5.4 (Compensation).

d) The Strategy and Investment Committee

COMPOSITION

The members of the Strategy and Investment Committee are as follows:

- Michel Pébereau, President
(Independent Director)
- Michel Bon
(Independent Director)
- Philippe Charrier
(Independent Director)
- Philippe Dauman
(Independent Director)
- Paul Desmarais, Jr
- Pierre de Lafarge
(Independent Director)
- Nassef Sawiris

DUTIES AND RESPONSIBILITIES

The Strategy and Investment Committee is responsible for advising the Board on the main strategic priorities of the Company and Group and on the investment policy and important strategic issues put before the Board.

It also is in charge of reviewing in detail and giving the Board its opinion on the issues submitted to it relating to major investments, the creation and upgrading of equipment, external growth, or divestments and asset or share sales.

MAIN ACTIVITIES

During fiscal year 2008, the Strategy and Investment Committee held two meetings. The average attendance rate of its members was 94% (these figures take into consideration changes in the composition of the Board and of the Committees throughout the year).

Since 2004, the Strategy and Investment Committee has been open to all Directors wishing to attend its meetings. In 2008, the Strategy and Investment Committee discussed the Group's medium-term strategic vision and related objectives, as well as certain specific issues concerning the Group's development by activity and region. In particular, the Committee discussed the implementation of cement strategy in China, the positioning of the Group compared to its main competitors, the development plan of the ex-Orascom activities, and the strategy to put in place in the context of uncertainty.

5.3.3 Self-assessment by the Board, Committees, Chairman and Chief Executive Officer

The Board's internal regulations provide that the Board is to hold a discussion at least once a year about its practices with a view to assessing and improving their efficiency and to proceed with the evaluation of the Chairman and Chief Executive Officer. A formal assessment of its operations, the verification that important issues are properly prepared and debated on within the Board, and the effective participation and involvement in the deliberation of each Director, is to take place every two years using a questionnaire approved by the Board.

At the end of 2008 and early 2009, the Board initiated a formal assessment of its organization and practices in accordance with its internal regulations.

The Audit Committee also conducted a self-assessment in the same period.

The outcome of the comments and discussions resulting from this assessment was that Directors consider that the organization and practices of the Board and its Committees are globally very satisfactory. The principal findings and recommendations for potential optimization are as follows:

- regarding the composition of the Board, Directors noted the sufficient diversity of background of its various members and how the necessary balance between Directors qualifying as independent and shareholder representatives had been successfully achieved. A reduction in the

number of Directors was identified as a potential improvement for the future;

- concerning of organization of the Board and its Committees, the breadth of topics covered during meetings was considered satisfactory. The involvement of the Board in the definition of the Group's strategy and the level of information received on the financial condition of the Company were perceived as very positive. The Committees' composition and frequency of their meetings were considered as satisfactory;
- members of the Board noted their appreciation of how discussions of the Board were chaired by the Chairman and Chief Executive Officer regarding direction of debates, strategy and information on the financial situation of the Company or its position regarding competitors. The role of the Vice-Chairman was considered as positive and useful;
- rules relating to the information and role of the Board and its Committees were considered adequate. Improvements and progress made in terms of relevance, quantity and availability of information since the last assessment were noted. In future, written information of the Board in between meetings when justified by a certain topic could be considered.

5.3.4 Summary table on the attendance at Board and Committee meetings

The following table shows the number of Board and Committee meetings during fiscal year 2008, as well as Director membership and attendance at these various meetings. One out of the eight Board meetings held in 2008 was convened in addition to the meetings originally scheduled as a result of the acquisition of Orascom Cement. In 2008 the average attendance rate at Board meeting was 94% and the average attendance rate at Committee meetings stood at over 94% (these figures take into consideration changes in the composition of the Board and Committees throughout the year).

	Board of Directors	Audit Committee	Corporate Governance and nominations Committee	Remunerations Committee	Strategy and Investment Committee
NUMBER OF MEETINGS IN 2008	8	4	5	4	2
Bruno Lafont	8/8	-	-	-	-
Oscar Fanjul	8/8	-	5/5	4/4	-
Michael Blakenham *	5/5	-	4/4	3/3	-
Jean-Pierre Boisivon	8/8	4/4	-	-	-
Michel Bon	8/8	4/4	-	-	2/2
Philippe Charrier	8/8	-	-	1/1	2/2
Bertrand Collomb	8/8	-	-	-	-
Philippe Dauman	6/8	-	1/1	-	2/2
Paul Desmarais Jr **	6/8	-	-	-	2/2
Gérald Frère ***	2/3	-	1/1	-	-
Juan Gallardo	6/8	3/4	4/5	3/4	-
Jérôme Guiraud ***	3/3	2/2	-	-	-
Alain Joly *	4/5	-	4/4	3/3	0/1
Bernard Kasriel	8/8	-	-	-	-
Pierre de Lafarge	8/8	-	-	-	2/2
Jacques Lefèvre *	5/5	-	-	-	1/1
Michel Pébereau	7/8	-	5/5	4/4	2/2
Hélène Ploix	8/8	4/4	-	-	-
Michel Rollier ***	3/3	2/2	1/1	-	-
Thierry de Rudder **	8/8	2/4	-	4/4	-
Nassef Sawiris **	8/8	-	-	4/4	2/2

* Directors whose term of office ended on May 7, 2008.

** Directors appointed on January 18, 2008.

*** Directors appointed on May 7, 2008.

5.3.5 Powers of the Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer represents the Company in its relations with third parties. He has broad powers to act on behalf of our Company in all circumstances.

In addition, as Chairman of the Board, the Chairman and Chief Executive Officer represents the Board of Directors. He organizes and directs the work of the Board in accordance with the provisions of its internal regulations.

The Company's strategic priorities are proposed by the Chairman and Chief

Executive Officer and are discussed annually by the Board of Directors. Specific strategic presentations may be submitted to the Board of Directors as often as necessary. The Company's strategic priorities are approved by the Board of Directors.

Limitations of the Chairman and Chief Executive Officer's powers are contained in the Board's internal regulations and concern investment and divestment decisions, as well as certain financial transactions.

Investments and divestments

The Board's internal regulations stipulate that investment and divestment decisions

must be submitted to the Board of Directors as follows:

- as regards transactions, in line with our strategies as previously approved by the Board:
 - submission for information purposes following the closing of the transaction: for transactions below 200 million euros,
 - submission for approval of the principle of the transaction, either during a Board meeting or in writing, enabling Directors to comment on the proposed transaction or request a Board decision: for transactions between 200 and 600 million euros,

- submission for prior approval of the transaction and its terms: for transactions in excess of 600 million euros;
- as regards transactions that do not fall within the scope of the Company's strategy as previously defined by the Board: submission for prior approval of transactions exceeding 100 million euros.

The above amounts refer to the Company's total commitment including assumed debt and deferred commitments.

Financial transactions

The Board's internal regulations provide that transactions relating to the arrangement of debt and financing that can be decided by

Chief Executive Officers by law, or pursuant to a delegation by the Board of Directors and the General Meeting, are subject to the following rules:

- financing transactions carried out through bilateral or syndicated credit facilities for an amount below 2 billion euros are submitted to the Board of Directors by the Chairman and Chief Executive Officer for information purposes when the transaction closes. Those transactions exceeding 2 billion euros are submitted to the Board for prior approval;
- bond issues, which may be decided by the Chairman and Chief Executive Officer pursuant to a Board delegation, must be submitted to the Board as follows:

- for information purposes following the closing of the issue: for bond issues below 300 million euros,
- for information purposes prior to the launch of the issue: for bond issues between 300 million and 1 billion euros: the Chief Executive Officer is in charge of defining the terms and conditions of the issue,
- for prior approval of the issue and its terms: for bond issues in excess of 1 billion euros,
- for prior approval of the issue and its terms for bond issues convertible or exchangeable into shares.

5.4 Compensation

5.4.1 Compensation paid to Directors – Director's fees

The General Meeting held on May 28, 2001 set the maximum aggregate amount of Directors' fees to be paid in 2001 and in each subsequent year at 609,796 euros.

Each Director is currently entitled to receive a fixed fee of 15,245 euros per year (increased by 25% for our Committee Chairmen and Vice-Chairman). A Director who is appointed or whose office ends

during the course of the year is entitled to 50% of the fixed fee. For the year 2008, an additional fee of 1,175.93 euros is payable to each Director for every Board of Directors meeting or of one of its Committees attended. Some Directors who must travel from distant locations are eligible for a double additional fee.

The total amount of Directors' fees paid in 2009 (with respect to the 2008 fiscal year) was 609,794 euros. The 2009 increase on the total amount paid in 2008 (with respect

to the 2007 fiscal year) is due to an increase in the number of Directors. The total amount paid in 2008 (with respect to the 2007 fiscal year) had been increased by 10% compared with the fees paid in the previous three fiscal years according to the Board of Directors' decision to grant a double additional fee to Directors from a remote location and a fixed additional fee for the Board of Directors Vice-Chairman. The total amount of Directors' fees had not been adjusted since 2002.

Directors	Directors' fees for 2008 paid in 2009 (euros)	Directors' fees for 2007 paid in 2008 (euros)	Directors' fees for 2006 paid in 2007 (euros)
Bruno Lafont	24,652	28,056	26,955
Oscar Fanjul	46,672	35,711	30,859
Michaël Blakenham **	21,734	30,618	30,859
Jean-Pierre Boisivon	29,356	33,180	32,160
Michel Bon	31,708	34,461	33,461
Philippe Charrier	28,180	30,618	30,859
Bertrand Collomb	24,652	28,056	26,955
Philippe Dauman	36,412	17,871	N/A
Paul Desmarais Jr *	34,060	N/A	N/A
Gérald Frère ***	11,150	N/A	N/A
Juan Gallardo	52,875	53,677	24,353
Jérôme Guiraud ***	13,502	N/A	N/A
Alain Joly **	20,558	38,273	38,574
Bernard Kasriel	24,652	28,056	25,654
Pierre de Lafarge	27,004	15,309	N/A
Jacques Lefèvre **	14,678	30,618	29,557
Michel Pébereau	40,224	36,992	37,273
Hélène Ploix	33,168	34,430	34,671
Michel Rollier ***	14,678	N/A	N/A
Thierry de Rudder *	31,708	N/A	N/A
Nassef Sawiris *	48,171	N/A	N/A
TOTAL	609,794	502,701 ****	457,402 ****

* Directors appointed on January 18, 2008.

** Directors whose office ended on May 7, 2008.

*** Directors appointed on May 7, 2008.

**** Including fees paid to Directors whose term of office expired before 2008.

According to Group policy, no Directors' fees have been paid in 2008 either to Lafarge S.A. Senior Officers or to Group Executive members for offices they may hold in any Group subsidiary.

The compensation paid to Directors in 2008 comprised only fees (excluding Chairman's compensation).

5.4.2 Compensation and benefits paid to the Chairman and Chief Executive Officer

Compensation paid to the Chairman and Chief Executive Officer

Our Remuneration Committee is responsible for submitting to our Board of Directors a remuneration policy for our Chairman and Chief Executive Officer. The Remuneration Committee, in establishing the policy, seeks guidance from outside consultants on the market practices of comparable companies.

In 2008, compensation of Bruno Lafont comprised a fixed portion and a performance-related portion, which might be up to 160% of his fixed remuneration.

His fixed annual compensation remains unchanged at 900,000 euros since his appointment as Chairman and Chief Executive Officer on May 3, 2007.

75% of performance-related pay is based on the financial results of the Group in comparison to the objectives set at the beginning of the year, and 25% of his performance-related pay is based on his individual performance over the course of the year.

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.4 Compensation

For 2008, the financial criteria used to determine performance-related pay were the increase in earnings per share, the free cash flow, the increase in economic value-added, which reflects the return on capital employed, the relative return on investment of Lafarge by comparison with its competitors and the cost-

savings program called Excellence 2008. The portion based on individual performance is determined by reference to the personal targets set at the beginning of the year with respect to the major tasks to be undertaken.

The Board of Directors, with Bruno Lafont not attending this discussion, decided the percentage of performance-related pay due to our Chairman and Chief Executive Officer to 64 % of his performance-related portion which amounts to 919,440 euros.

THE COMPENSATION PAID TO OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR 2008, 2007 AND 2006 WAS AS FOLLOWS:

	2008 AMOUNT		2007 AMOUNT		2006 AMOUNT	
(thousand euros)	Due	Paid	Due	Paid	Due	Paid
Bruno Lafont, Chairman and Chief Executive Officer						
Fixed compensation	900	900	869	920 ⁽¹⁾⁽²⁾	800	776 ⁽¹⁾⁽²⁾
Variable compensation ⁽³⁾	919	1,940	1,940	1,194	1,194	327
Exceptional compensation	N/A	N/A	N/A	N/A	N/A	N/A
Lafarge S.A. Directors' fees	25	28	28	27	27	13
Benefits in kind (company car)	5	5	5	5	5	5
TOTAL	1,849	2,873	2,842	2,146	2,026	1,121

(1) Including Directors' fees for directorship in our subsidiaries until 2007 (excluding Lafarge S.A.)

(2) In 2007, it has been decided not to further delay the payment of the 13th instalment to January of the following year. As a result, 2006 and 2007 13th installments were paid in 2007.

(3) The variable compensation paid with respect to each fiscal year corresponds to the variable compensation due with respect to the previous fiscal year.

(euros)	Valuation of options granted in 2008 *
B. Lafont	2,521,200

* Share options fair value are calculated at grant date using the Black & Scholes model. See Notes to the consolidated statements No. 2.24 and 21 (Share-based payments).

The information on stock options granted in 2008 to the Chairman and Chief Executive Officer (as well as their valuation) are detailed in Section 5.5.2 (Stock options plans). The Company considers that these items must not be aggregated because the amount of stock options' valuation at fair value at the grant date is not a compensation paid to the beneficiary.

No performance share has been granted to the Chairman and Chief Executive Officer.

Employment agreement and Severance arrangements for the Chairman and Chief Executive Officer

EMPLOYMENT AGREEMENT OF BRUNO LAFONT

In agreement with Bruno Lafont, his employment agreement will be terminated on June 30, 2011.

SEVERANCE COMPENSATION AND AMENDMENTS TO THE EMPLOYMENT AGREEMENT

If, until his employment agreement is terminated, Bruno Lafont were once again to receive the benefits of his employment agreement after his term of office as CEO, in the event of dismissal (for any reason other than serious misconduct or gross negligence), he would receive contractual severance compensation, the conditions of which have been reviewed by the Board in order to take into account the Afep-Medef's recommendations on the subject.

Such severance compensation would therefore be due only insofar as all terms have been fulfilled:

- the first condition is the event giving rise to the right to severance compensation. The dismissal must take place after a change of control (meaning (i) a change in the Company's capital distribution

characterized by the holding by the Groupe Bruxelles Lambert and NNS Holding Sàrl of respectively, not acting in concert, more than 30% and 20% of the Company's voting rights or (ii) the fact that another shareholder or several shareholders acting in concert hold more than 50% of the Company's voting rights) or after a change in the Company's strategy

■ the second condition is performance based. This term will be satisfied and severance compensation would be paid if two of the following three criteria are satisfied. If only one criterion out of the three is satisfied, the condition will only be partially satisfied and only one half of the severance compensation would be paid. If none of the criteria are satisfied the condition would not be satisfied and no severance compensation would be paid. The three criteria to be satisfied

over the last three fiscal years preceding the employment agreement's termination, are as follows:

- on average, over the last three fiscal years: the after-tax return on invested capital is greater than the Average Weighted Cost of the Capital. Here, the term Average Weighted Cost of the Capital means the sum of the cost of debt multiplied by the total debt divided by the total of the capital and cost of equity multiplied by the equity and divided by the total of capital (Group figures);
- on average, over the last three fiscal years: the EBITDA/Turnover is strictly greater than 18% (Group figures);
- on average, over the last three fiscal years: the average percentage of given bonuses under the Employment Agreement or the Term of Office is greater than 60% of the maximum bonus.

The amount of such severance compensation is a maximum equal to two years of total gross remuneration received by Bruno Lafont for the most favorable of the three years preceding the date of his dismissal notice. In order to ensure that the total amount of the compensation due to Bruno Lafont in case of a departure is within such limit, such

severance compensation would be reduced:

- by the amount of the contractual dismissal compensation due pursuant and in compliance with the terms of the applicable collective bargaining agreement, and
- by all the amounts received by Bruno Lafont during and based on his dismissal notice period.

A job elimination or a decrease in the level of responsibilities would also constitute a case of dismissal creating a right to dismissal compensation.

In addition, at the Board's request and in order to ensure his presence to successfully carry out the strategy undertaken by the Group, Bruno Lafont has agreed not to leave the Company before June 30, 2011. As consideration for such commitment, the Company has agreed, in the case of dismissal other than for gross negligence or serious misconduct, that Bruno Lafont's dismissal notice may run until such date.

The amendments to Bruno Lafont's employment agreement resulting from the decisions made by the Board and mentioned above will be presented to the shareholders for a vote at the next general meeting. This is a "regulated agreement".

Pensions and other retirement benefits for the Chairman and Chief Executive Officer

Bruno Lafont is eligible for a supplementary plan in defined benefits. On principle, a person is eligible for this plan only if he is still in the Company upon retirement date. As far as Bruno Lafont is concerned, and due to his 26 years of service within the Group, this plan would provide him with a pension equal to 26% of his reference salary (average of the variable and fixed compensation over the last 3 years) in excess of 8 times the annual French social security cap to which an additional 13% would be added in excess of 16 times the annual French social security cap.

In February 2009, the Board of Directors reviewed the recommendations of the Company governance code from Afep-Medef, and checked that the estimated pension amount paid to the Chairman and Chief Executive Officer related to these two plans would remain below 40% of his last total cash compensation (variable and fixed). This cap will be applied as the rule adopted by the Board of Directors for any future Senior Officer.

There is no specific pension plan for Corporate Officers.

SUMMARY

Corporate Executive Officer	Employment contract		Supplementary pension plan		Severance arrangements paid or to be paid in case of termination or change of position		Non competition clause payments	
	Yes	No	Yes	No	Yes	No	Yes	No
Bruno Lafont * Chairman and Chief Executive Officer	X (see above)		X (see above)		X (see above)			X

* Bruno Lafont was appointed as Director on May 25, 2005, Chief Executive Officer on January 1, 2006 and Chairman and Chief Executive Officer on May 3, 2007. His Director offices will be proposed for renewal at the General Meeting on May 6, 2009.

5.4.3 Compensation and benefits paid to the Chief Operating Officer

Michel Rose was Chief Operating Officer until April 30, 2008, date of his retirement.

His compensation comprised a fixed portion and a performance-related portion, which may be up to 120% of his fixed remuneration.

As a consequence of his retirement, Michel Rose has been paid an amount of 609,765 euros. This amount includes the retirement indemnity provided by the applicable collective bargaining agreement and an unused leave payment.

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.5 Stock options and performance share plans

THE COMPENSATION PAID TO THE CHIEF OPERATING OFFICER FOR 2008, 2007 AND 2006 WAS AS FOLLOWS:

	2008 AMOUNT		2007 AMOUNT		2006 AMOUNT	
(thousand euros)	Due	Paid	Due	Paid	Due	Paid
Michel Rose, Chief Operating Officer						
Fixed compensation	424 ⁽²⁾	424 ⁽²⁾	510	510 ⁽¹⁾	510	510 ⁽¹⁾
Variable compensation ⁽³⁾	N/A	762	762	671	671	340
Exceptional compensation	N/A	N/A	N/A	N/A	N/A	N/A
Lafarge S.A. Directors' fees	N/A	N/A	N/A	N/A	N/A	N/A
Benefits in kind (company car)	2	2	5	5	5	5
TOTAL	426	1,188	1,277	1,186	1,186	855

(1) Including Directors' fees for directorship in our subsidiaries until 2007 (excluding Lafarge S.A.)

(2) Amounts calculated on his 2007 total compensation (variable and fixed), Michel Rose is no longer Chief Operating Officer as of May 1, 2008, on which date he retired.

(3) The variable compensation paid with respect to every fiscal year corresponds to the variable compensation due with respect to the previous fiscal year.

Furthermore, no stock options were granted to the Chief Operating Officer in 2008.

No performance share was granted to him.

5.4.4 Total compensation paid to the Executive Officers in 2008 and pension and other retirement benefits

The aggregate gross amount of compensation paid to Bruno Lafont in his capacity as Chairman and Chief Executive Officer and to other Executive Officers in 2008, including variable remuneration, was 11.1 million euros. This aggregate amount was 9.8 million euros in 2007 and 8.4 million euros in 2006.

This amount:

- includes the fixed portion of Executive Officers' salaries in 2008 as well as the bonuses paid in 2008 in respect to 2007;
- includes an individual performance component, a financial performance component and a collective performance component as the variable remuneration;
- concerns all those who were Executive Officers in 2008, for the period of the year during which they were Executive Officers;
- includes the Directors' fees paid by Lafarge S.A. to Bruno Lafont.

The changes in the aggregate amount of compensation paid to the Chairman and Chief Executive Officer and to the Executive Officers over the last three fiscal years result from the changes in the number of Executive Officers. In 2008, the Executive Officers were 11 owing to the appointment of 2 new individuals and to the retirement of the Chief Operating Officer (*versus* 10 individuals in 2007 and 9 individuals in 2006).

Furthermore, the aggregate amount set aside or accrued to provide pension, retirement or similar benefits for Executive Officers (11 persons) was 17.4 million euros at December 31, 2008.

5.5 Stock options and performance share plans

5.5.1 Grant policy

The Board of Directors redefined the Group's global remuneration policy in June 2007, upon a proposal put forward by the Remuneration Committee. The policy's objective is to reward and retain key talent while providing managers and employees with an opportunity to share in the success of the Group's business. This has resulted in the partial replacement of the stock option grant policy by a performance share grant policy reserved for middle management, expatriates and other employees in recognition of their commitment and achievements for the Group. Senior management and Corporate Executive Officers share in the

Group's success solely through our stock option grant policy.

Stock options and performance shares are granted by the Board of Directors upon a proposal put forward by the Remuneration Committee at times set by the Board of Directors. Both stock purchase and subscription options may be granted. Stock option grants up to June 2007 generally took place once a year for a number of beneficiaries that varied from one year to the next (usually involving broader coverage every two years). The first performance shares were granted on June 15, 2007.

During its review of the Afep-Medef corporate governance code recommendations in

February 2009, the Board of Directors decided on a new rule of principle concerning Corporate Executive Officers benefitting from stock options. Under this rule, for each stock option award, the portion attributable to Corporate Executive Officers may not exceed 10% of the total amount allocated.

5.5.2 Stock options plans

Total stock options outstanding at the end of December 2008 was 7,289,578 representing approximately 3.73% of our outstanding shares at December 31, 2008.

As of the date of this annual report all the stock option exercise prices are above the Lafarge share price.

Main terms

STOCK OPTION TERMS

All stock options lapse 10 years after they have been granted.

The exercise price of options is set as the average of the share price during the twenty trading days preceding the date of grant by the Board of Directors. No discount is applied to the exercise price.

Options can be exercised in whole or in part.

TERMS OF EXERCISE

Stock options granted between December 1997 and May 2001 were subject to a five-year vesting period. Since December 2001, the vesting period has been reduced to 4 years.

This vesting period also applied to the stock options granted by the Board as part of the LEA 2002 plan (share offering reserved for employees enabling them to subscribe

between 1 and 110 shares, with the right to receive one option for every share purchased beginning with the eleventh share).

The Board of Directors also determined that options would vest immediately in the event of termination of employment due to retirement, a tender offer launched on Lafarge or a merger or demerger of Lafarge in all stock options plan rules, and would also vest immediately upon termination of employment without misconduct for stock options granted between 2001 and 2006.

CANCELLATION OF OPTIONS

Stock options not exercised within 10 years of their date of grant are cancelled. Stock options are also cancelled in specific circumstances, such as resignation or termination of employment.

Stock options are not cancelled, however, if the beneficiary is transferred to a company outside of the Group, with the approval of his or her employer, for stock options granted

between 2001 and 2006, and may not be cancelled by the Board if the beneficiary's employing company is sold outside the Group for stock options granted in 2007.

Fiscal year 2008: stock options granted to Corporate Executive Officers and to largest beneficiaries

The tables below set forth the following information related to Corporate Executive Officers (Mr. Bruno Lafont during 2007 and Mr. Michel Rose as Chief Operating Officer until April 30, 2008):

- options granted by Lafarge and Group subsidiaries to the relevant members of senior management above;
- options exercised by senior management in 2007;
- total number of options outstanding with respect to the relevant members of senior management at December 31, 2008.

OPTIONS GRANTED IN 2008 TO CORPORATE EXECUTIVE OFFICERS

	Plan No. and date of grant	Type of options	Valuation of options per accounting treatment used in the consolidated accounts * (euros)	Total number of options **	Exercise price (euros)	Exercise period
B. Lafont	1402324 dated March 26, 2008	Options to subscribe for shares	2,521,200	120,000 ***	111.27	From 03/26/2012 until 03/25/2018

* Share options fair value are calculated at grant date using the Black & Scholes model. See Notes to the consolidated statements No. 2.24 and 21 (Share-based payments).

** One option entitles the holder to acquire one share.

*** Of which 60,000 options which exercise is contingent upon the performance of our share price. See the sub-section below entitled "Directors and Executive Officers' share ownership".

OPTIONS EXERCISED BY CORPORATE EXECUTIVE OFFICERS IN 2008

	Plan No. and date of grant	Total number of shares exercised	Weighted average exercise price (euros)
M. Rose	1401813 dated 12/16/2005	30,000 *	72.63

* Some of the stock options granted to Mr. Rose have become exercisable due to his retirement in 2008.

OPTIONS GRANTED BY US AND OUR CONSOLIDATED SUBSIDIARIES TO OUR CORPORATE EXECUTIVE OFFICERS OUTSTANDING AT DECEMBER 31, 2008

	Options exercisable at December 31, 2008	Options not exercisable at December 31, 2008	Total
B. Lafont	90,824 *	300,000 *	390,824
M. Rose	57,107 **	30,000 *	87,107

* Including those options, exercisability of which is contingent upon performance conditions.

** Some of the stock options granted to Mr. Rose have become exercisable due to his retirement in 2008.

As of the date of this annual report all the stock options exercise prices are above the Lafarge share price.

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.5 Stock options and performance share plans

THE FOLLOWING TABLE SHOWS THE TOTAL OF THE TEN LARGEST OPTION GRANTS MADE TO THE GROUP'S EMPLOYEES OTHER THAN CORPORATE EXECUTIVE OFFICERS, AND THE TOTAL OF THE TEN LARGEST OPTION EXERCISES

Total number of options granted/shares subscribed or purchased	Weighted average price	Plan No.
OPTIONS GRANTED DURING THE FINANCIAL YEAR BY THE ISSUER AND ITS CONSOLIDATED SUBSIDIARIES FOR STOCK OPTION GRANT PURPOSES TO THE TEN EMPLOYEES OF THE ISSUER AND ITS SUBSIDIARIES HAVING RECEIVED THE LARGEST GRANTS (GLOBAL INFORMATION)		
Lafarge	188,000	€111.27
SHARES * SUBSCRIBED OR PURCHASED DURING THE FINANCIAL YEAR AS A RESULT OF THE EXERCISE OF STOCK OPTIONS OF THE ISSUER AND ITS CONSOLIDATED SUBSIDIARIES FOR STOCK OPTION GRANT PURPOSES, BY THE TEN EMPLOYEES OF THE ISSUER AND ITS SUBSIDIARIES HAVING SUBSCRIBED OR PURCHASED THE LARGEST NUMBER OF SHARES (GLOBAL INFORMATION)		
Lafarge	44,393	€76.55
		1401503 - 1401504 - 1401505 - 1401507 - 1401508 - 1401509 - 1401510

* One share per option.

Directors, Executive Officers' and Senior Management share ownership – Performance criteria and holding rule

At December 31, 2008, the Directors, Executive Officers and Senior Management (listed in Section 5.2) held 24.39% of unexercised options.

PERFORMANCE CONDITIONS

Since 2003, a portion of the stock options granted to the Chairman, the Corporate Executive Officers and the member of the Executive Committee has been subject to performance conditions. This portion of options amounted to 30% of the total granted in 2003 and 2004, and 50% of the total grant since 2005.

A portion of the options granted to the Chairman and members of the Executive Committee between 2003 and 2006 was contingent upon the performance of the share price. These options could be exercised only if the share price averaged an amount equal to the issue price plus 20% or, failing that, during the subsequent two years an amount equal to the issue price plus 30%, for a continuous period of 60 trading sessions during the first four years after the date of grant.

This performance condition was satisfied on August 3, 2007 for all options granted between 2003 and 2006 subject to this condition.

In 2006, certain members of the Executive Committee were exceptionally awarded options that may only be exercised if the Group achieves its cost reduction targets announced for the period running from January 1, 2006 to December 31, 2008 as part of the Excellence 2008 program.

The performance condition, which applies to stock options granted in 2007 and 2008, also corresponds to achievement of the Excellence 2008 cost reduction targets.

On February 19, 2008, the Board of Directors stated that the Excellence 2008 cost reduction targets were met and, as a consequence, the performance condition was satisfied.

HOLDING RULE

As regards Corporate Executive Officers (those in office and future Officers), the Board also amended the rule of principle concerning the requirement for them to hold shares resulting from the exercise of stock options until they stand down from their functions. This new rule also requires Executive Officers to hold 50% of shares resulting from the exercise of stock options for each allocation until the shares thus held represent an amount equivalent to three years of the last fixed pay of the Executive Officer in question (based on a calculation taking in account the share price at the time of each exercise). This rule is now applicable for all exercises of options carried out for all options awarded that have not yet been exercised.

The Chief Operating Officer must hold 5,000 shares until April 30, 2011, three years after termination of his office.

The members of our Executive Committee are required since December 2003, to invest one third of the net theoretical gain after tax realized upon exercise of their stock purchase or subscription options in Lafarge shares each year until each holds the equivalent in value of his fixed annual remuneration in Lafarge shares.

Stock options outstanding in 2008

The total number of shares that could be subscribed or purchased upon exercise of the options, and the exercise price set forth in the following tables have been readjusted since the date of grant to reflect transactions that have affected option value, such as certain increases in the share capital or the issue of performance shares to existing shareholders, to maintain a constant total option value for each beneficiary.

Around 30% and 40% of the stock options granted on June 15, 2007 and March 26, 2008, respectively, to each beneficiary were subject to a performance condition, linked to achievement of the Group's cost reduction targets as set out in the Excellence 2008 program.

On February 19, 2009, the Board of Directors stated that the Excellence 2008 cost reduction targets were met and, as a consequence, the performance condition was satisfied.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.5 Stock options and performance share plans

STOCK OPTIONS GRANTED FROM MAY 26, 1998, 1997 TO MAY 28, 2001

	Plan No. 1401502	Plan No. 1401503	Plan No. 1401505	Plan No. 1401504	Plan No. 1401506
Allotment authorized by the shareholders' meeting of	05/21/1997	05/21/1997	05/27/1999	05/27/1999	05/27/1999
Date of allotment by the Board of Directors	05/26/1998	12/10/1998	12/15/1999	12/13/2000	05/28/2001
Type of options	subscription	purchase	subscription	purchase	purchase
The total number of shares that could be subscribed or purchased upon exercise of the options	139,972	112,337	1,055,503	499,692	12,754
<i>Of which by Directors and Corporate Executive Officers</i>					
<i>Bruno Lafont</i>	0	0	6,894	7,567	0
<i>Bertrand Collomb</i>	0	0	68,924	0	0
<i>Bernard Kasriel</i>	0	0	34,463	0	0
<i>Michel Rose</i>	0	0	11,489	10,811	0
Initial beneficiaries (total)	108	150	1,552	438	1
Available for exercise from	05/26/2003	12/10/2003	12/15/2004	12/13/2005	05/28/2006
Option exercise period lapses	05/26/2008	12/10/2008	12/15/2009	12/13/2010	05/28/2011
Exercise price (euros)	74.72	74.18	82.70	79.74	102.12
TOTAL NUMBER OF OPTIONS PURCHASED OR SUBSCRIBED AS AT DECEMBER 31, 2008	108,842	74,333	437,060	244,137	0
TOTAL NUMBER OF OPTIONS CANCELLED OR THAT HAVE LAPSED ⁽¹⁾	31,130	38,004	44,758	12,284	0
OPTIONS OUTSTANDING AT DECEMBER 31, 2008	0	0	573,685	243,271	12,754

(1) In accordance with the terms of the plan.

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.5 Stock options and performance share plans

STOCK OPTIONS GRANTED FROM DECEMBER 13, 2001 TO DECEMBER 16, 2005

	Plan No. 1401507	Plan No. 1401508 ⁽²⁾	Plan No. 1401509	Plan No. 1401510	Plan No. 1401530	Plan No. 1401813
Allotment authorized by the shareholders' meeting of	05/28/2001	05/28/2001	05/28/2001	05/20/2003	05/20/2003	05/25/2005
Date of allotment by the Board of Directors	12/13/2001	05/28/2002	12/11/2002	12/10/2003	12/14/2004	12/16/2005
Type of options	subscription	subscription	subscription	subscription	subscription	subscription
The total number of shares that could be subscribed or purchased upon exercise of the options	1,264,338	472,985	502,263	1,273,925	687,550	1,278,155
<i>Of which by Directors and Corporate Executive Officers</i>						
<i>Bruno Lafont</i>	<i>10,628</i>	<i>107</i>	<i>10,628</i>	<i>25,000</i>	<i>30,000</i>	<i>60,000</i>
<i>Bertrand Collomb</i>	<i>127,533</i>	<i>0</i>	<i>0</i>	<i>80,000</i>	<i>40,000</i>	<i>40,000</i>
<i>Bernard Kasriel</i>	<i>63,767</i>	<i>0</i>	<i>0</i>	<i>120,000</i>	<i>70,000</i>	<i>60,000</i>
<i>Michel Rose</i>	<i>21,256</i>	<i>0</i>	<i>21,256</i>	<i>30,000</i>	<i>30,000</i>	<i>30,000</i>
Initial beneficiaries (total)	1,703	14,364	421	1,732	479	1,916
Available for exercise from	12/13/2005	05/28/2006	12/11/2006	12/10/2007	12/14/2008	12/16/2009
Option exercise period lapses	12/13/2011	05/28/2012	12/11/2012	12/10/2013	12/14/2014	12/16/2015
Exercise price (euros)	96.16	101.79	74.48	65.95	70.79	72.63
TOTAL NUMBER OF OPTIONS PURCHASED OR SUBSCRIBED AS AT DECEMBER 31, 2008	328,717	104,831	218,427	259,310	7,050	45,975
TOTAL NUMBER OF OPTIONS CANCELLED OR THAT HAVE LAPSED ⁽¹⁾	53,063	5,417	7,343	32,920	9,500	8,770
OPTIONS OUTSTANDING AT DECEMBER 31, 2008	882,558	362,737	276,493	981,695	671,000	1,223,410

(1) In accordance with the terms of the plan.

(2) 2002 employee stock purchase plan.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.5 Stock options and performance share plans

STOCK OPTIONS GRANTED FROM MAY 24, 2006 TO MARCH 26, 2008

	Plan No. 1401913	Plan No. 1402034	Plan No. 1402167	Plan No. 1402324
Allotment authorized by the shareholders' meeting of	05/25/2005	05/25/2005	05/03/2007	05/03/2007
Date of allotment by the Board of Directors	05/24/2006	05/24/2006	06/15/2007	03/26/2008
Type of options	subscription	subscription	subscription	subscription
The total number of shares that could be subscribed or purchased upon exercise of the options	667,075	150,000	540,050	708,700
<i>Of which by Directors and Corporate Executive Officers</i>				
<i>Bruno Lafont</i>	60,000	-	60,000	120,000
<i>Bertrand Collomb</i>	-	-	-	-
<i>Bernard Kasriel</i>	-	-	-	-
<i>Michel Rose</i>	30,000	-	30,000	-
Initial beneficiaries (total)	536	33	169	184
Available for exercise from	05/24/2010	05/24/2010	06/15/2011	03/26/2012
Option exercise period lapses	05/24/2016	05/24/2016	06/15/2017	03/26/2018
Exercise price (euros)	97.67	97.67	128,15	111,27
TOTAL NUMBER OF OPTIONS PURCHASED OR SUBSCRIBED AS AT DECEMBER 31, 2008	3,050	-	-	-
TOTAL NUMBER OF OPTIONS CANCELLED OR THAT HAVE LAPSED ⁽¹⁾	800	-	-	-
OPTIONS OUTSTANDING AT DECEMBER 31, 2008	663,225	150,000	540,050	708,700

(1) In accordance with the terms of the plan.

5.5.3 Performance shares plans

The total number of outstanding performance shares at the end of December 2008 was 194,010, representing approximately 0.1% of our outstanding shares at December 31, 2008.

I Main properties

PERFORMANCE SHARE PROPERTIES

Performance shares are definitively allotted to beneficiaries upon expiry of a two-year vesting period for French tax residents or upon expiry of a four-year vesting period for non-French tax residents. In addition, French tax residents must also hold the performance shares for a further period of two years following definitive allotment.

LOSS OF RIGHTS TO THE PERFORMANCE SHARES

Under certain circumstances, such as resignation or termination of employment, the right to performance shares will be lost during the vesting period. The right to performance shares may be maintained by the Board if the beneficiary's employer company is sold outside the Group.

I Fiscal year 2008: performance shares granted to largest beneficiaries

TOTAL OF THE TEN LARGEST PERFORMANCE SHARES GRANTS MADE TO THE GROUP'S EMPLOYEES OTHER THAN CORPORATE EXECUTIVE OFFICERS

	Total number of options granted/shares subscribed or purchased	Plan No.
PERFORMANCE SHARES GRANTED DURING THE FINANCIAL YEAR BY THE ISSUER AND ITS CONSOLIDATED SUBSIDIARIES FOR PERFORMANCE SHARES GRANT PURPOSES TO THE TEN EMPLOYEES OF THE ISSUER AND ITS SUBSIDIARIES HAVING RECEIVED THE LARGEST GRANTS (GLOBAL INFORMATION)		
Lafarge	2,100	240068-240069-240070-240071

According to Group policy no performance shares have been granted to Directors and Corporate Executive Officer.

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.6 Share ownership

Performance shares plans outstanding in 2008

In 2007 and 2008, around two thirds of the beneficiaries of performance shares had 15% and 20%, respectively, of their grant

subject to a performance condition, linked to achievement of the Group's cost reduction targets as set out in the Excellence 2008 program.

On February 19, 2009, the Board of Directors stated that the Excellence 2008 cost reduction targets were met and, as a consequence, the performance condition was satisfied.

PERFORMANCE SHARES GRANTED FROM JUNE 15, 2007 TO MARCH 26, 2008

	Plan No. 243019 – 243020 – 243024 – 243025	Plan No. 240068-240069- 240070-240071
Allotment authorized by the shareholders' meeting of	05/03/2007	05/03/2007
Date of allotment by the Board of Directors	06/15/2007	03/26/2008
Performance shares initially granted (total)	143,090	52,250
Initial beneficiaries (total)	2,040	628
<i>French tax residents</i>	741	201
<i>Non-French tax residents</i>	1,299	427
Date of definitive allotment		
<i>French tax residents</i>	06/15/2009	03/26/2010
<i>Non-French tax residents</i>	06/15/2011	03/26/2012
Date performance shares can be transferred (all beneficiaries included)	06/15/2011	03/26/2012
PERFORMANCE SHARES CANCELLED *	1,205	125
PERFORMANCE SHARES DEFINITELY ALLOTTED AT DECEMBER 31, 2008 *	-	-
PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2008	141,885	52,125

* According to the plan rules.

5.6 Share ownership

5.6.1 Directors, Corporate Executive Officers and Executive Committee members share ownership

The Directors, Corporate Executive Officers and Executive Committee members held together 0.11% of our share capital and 0.12% of voting rights at December 31, 2008.

Corporate Executive Officers must hold at least the equivalent of their fixed annual remuneration in Lafarge shares.

5.6.2 Trading in Lafarge shares by Directors, Corporate Executive Officers and Executive Committee members

The following transactions in Lafarge shares were carried out by our Directors, Corporate Executive Officers and Executive Committee members in 2008:

Date of transaction	Name of Director or Executive Officer	Nature of transaction	Unit price (euros)	Total amount of transaction (euros)	Type of financial instrument	Place of transaction
January 3, 2008	Isidoro Miranda	Sale	118.42	1,793,996	Lafarge shares	Euronext Paris
January 3, 2008	Christian Herrault	Exercise	74.18	170,539.82	Opt. to purchases shares	Euronext Paris
January 3, 2008	Christian Herrault	Sale	120.14	276,201.86	Lafarge shares	Euronext Paris
January 17, 2008	Philippe Charrier	Acquisition	111.34	16,701	Lafarge shares	Euronext Paris
February 14, 2008	Bertrand Collomb	Sale	115.47	808,290	Lafarge shares	Euronext Paris
February 19, 2008	Nassef Sawiris	Acquisition	114.81	131,227.83	Lafarge shares	Euronext Paris
March 14, 2008	Thierry de Rudder	Acquisition	108.50	217,000	Lafarge shares	Euronext Paris
March 17, 2008	Paul Desmarais Jr.	Acquisition	114.11	513,495	Lafarge shares	Euronext Paris

Date of transaction	Name of Director or Executive Officer	Nature of transaction	Unit price (euros)	Total amount of transaction (euros)	Type of financial instrument	Place of transaction
April 25, 2008	Michel Rollier	Acquisition	119.30	47,720	Lafarge shares	Euronext Paris
April 29, 2008	Michel Rollier	Acquisition	119.72	47,888	Lafarge shares	Euronext Paris
May 5, 2008	Michel Rollier	Acquisition	114.94	45,976	Lafarge shares	Euronext Paris
May 7, 2008	Bertrand Collomb	Sale	121.03	300,760	Lafarge shares	Euronext Paris
May 19, 2008	Jean-Carlos Angulo	Exercise	82.70	380,089.20	Opt. to subscribe for shares	Euronext Paris
May 19, 2008	Jean-Carlos Angulo	Sale	118.31	541,899.24	Lafarge shares	Euronext Paris
May 27, 2008	Jérôme Guiraud	Acquisition	113.10	8,482.50	Lafarge shares	Euronext Paris
May 28, 2008	Gérald Frère	Director's shares loan	N/A	N/A	Lafarge shares	Off market
June 4, 2008	Jérôme Guiraud	Acquisition	113.10	64,240.80	Lafarge shares	Euronext Paris
June 4, 2008	Jérôme Guiraud	Acquisition	114.10	57,050	Lafarge shares	Euronext Paris
June 9, 2008	Eric Olsen	Acquisition	27.52	16,514.13	Lafarge ADRs	OTC Market
June 16, 2008	Philippe Charrier	Acquisition	108.41	10,841	Lafarge shares	Euronext Paris
July 2, 2008	Philippe Charrier	Acquisition	92.50	9,250	Lafarge shares	Euronext Paris
July 10, 2008	Philippe Charrier	Acquisition	87.49	8,749	Lafarge shares	Euronext Paris
August 6, 2008	Bernard Kasriel	Exercise	65.95	428,675	Opt. to subscribe for shares	Euronext Paris
August 28, 2008	Eric Olsen	Acquisition	79.37	33,733.57	Lafarge ADRs	OTC Market
September 30, 2008	Bernard Kasriel	Sale	72.37	101,309.46	Lafarge shares	Euronext Paris
September 30, 2008	Bernard Kasriel	Acquisition	72.47	101,457.30	Lafarge shares	Euronext Paris
October 1, 2008	Bernard Kasriel	Sale	72.91	145,318.26	Lafarge shares	Euronext Paris
October 1, 2008	Bernard Kasriel	Acquisition	73.12	146,728.50	Lafarge shares	Euronext Paris
October 3, 2008	Jérôme Guiraud	Sale	2.05	205	Puts	Euronext Paris
October 3, 2008	Jérôme Guiraud	Sale	2.02	2,828	Puts	Euronext Paris
October 8, 2008	Eric Olsen	Acquisition	57.14	68,572.52	Lafarge ADRs	OTC Market
October 15, 2008	Thierry de Rudder	Acquisition	58.31	116,613	Lafarge shares	Euronext Paris
October 16, 2008	Bernard Kasriel	Acquisition	55.50	111,343	Lafarge shares	Euronext Paris
October 17, 2008	Jérôme Guiraud	Sale	620	9,300	Puts	Off market
October 22, 2008	A person related to Paul Desmarais Jr.	Acquisition	50.86	1,068,132.11	Lafarge shares	Euronext Paris
November 17, 2008	Hélène Ploix	Sale	42.84	73,856.16	Lafarge shares	Euronext Paris
November 17, 2008	Hélène Ploix	Acquisition	42.84	73,856.16	Lafarge shares	Euronext Paris
November 18, 2008	Bernard Kasriel	Sale	41.20	143,713.57	Lafarge shares	Euronext Paris
November 18, 2008	Bernard Kasriel	Acquisition	41.30	145,097.66	Lafarge shares	Euronext Paris
November 19, 2008	Bernard Kasriel	Sale	39.92	139,224.41	Lafarge shares	Euronext Paris
November 19, 2008	Bernard Kasriel	Acquisition	39.98	140,416.56	Lafarge shares	Euronext Paris
November 20, 2008	Bernard Kasriel	Sale	35.20	105,248.84	Lafarge shares	Euronext Paris
November 20, 2008	Bernard Kasriel	Acquisition	35.40	106,585.89	Lafarge shares	Euronext Paris
November 25, 2008	Eric Olsen	Acquisition	42.12	16,846.30	Lafarge ADRs	OTC Market
November 26, 2008	Jérôme Guiraud	Acquisition	52.0	78,000	Lafarge shares	Off market

5.6.3 Employee share offerings

Lafarge has developed and maintained an active employee share ownership program over a number of years. Since 1961, date of the first share offering reserved for employees, employee offerings have shared the following common features:

- they are intended for all employees to the full extent permitted by local laws;

- the employee's contribution is supplemented by an employer contribution;
- savings in the plans cannot be sold or disposed of for a minimum period of five years, except in case of an early release event, subject to local requirements.

Lafarge launched employee stock ownership programs called "*Lafarge en action*" (LEA) in 1995, 1999, 2002 and 2005, enabling

employees participating in these plans to subscribe for 1 to 110 shares, with an employer contribution applying to the first 10 shares depending on the gross domestic product of the relevant country. The plans launched in 1995 and 2002 also gave employees the right to receive one option for every share purchased beginning with the eleventh share.

The table below summarizes the main terms of each of these plans:

	LEA 2005 ⁽¹⁾	LEA 2002 ⁽¹⁾	LEA 1999 ⁽²⁾	LEA 1995 ⁽²⁾
Number of countries covered	46 ⁽³⁾	47	33	21
Number of eligible employees	51,150	53,818	40,570	20,113
Subscription rate	48.8%	53.3%	51.6%	74.6%
Total number of shares subscribed	576,125	708,718	493,954	482,582
Maximum number of shares offered to each employee	110	110	110	110
Subscription price (euros)	57.31	81.84	73.17	39.94
Associated stock option grant	No	Yes	No	Yes
Total number of stock options granted	N/A	437,373	N/A	331,060
Stock option exercise price (euros)	N/A	101.79 ⁽⁴⁾	N/A	43.09 ⁽⁴⁾

(1) Plans not offered in the United States or Canada.

(2) Plan not offered in Canada.

(3) Countries covered were those in which Lafarge employed over 100 employees at December 31, 2004, subject to local requirements.

(4) After readjustments following subsequent rights issues.

Lafarge also set up an employee savings fund in 1990 for its French employees, called Lafarge 2000, under which participating employees can contribute to a savings plan linked to the value of the Lafarge shares and benefit from an employer contribution.

There are also specific employee share purchase plans, which have been implemented by some of our subsidiaries, including Lafarge North America Inc.

At December 31, 2008, Group employees held 1.46% of our share capital and 2.24% of our voting rights. 0.46% of these shares were held through the Lafarge 2000 employee fund and the remainder by Group employees directly.



RESTAURANT

of the Simon Fraser University (SFU), Burnaby, Canada, made with Lafarge concrete.

6

Major Shareholders

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6 MAJOR SHAREHOLDERS

6.1 Major shareholders and share capital distribution

6.1 Major shareholders and share capital distribution

The following tables set out, to the best of our knowledge, the principal holders of Lafarge's share capital at December 31, 2008, 2007 and 2006, their percentage ownership and geographic distribution:

GROUP OF SHAREHOLDERS

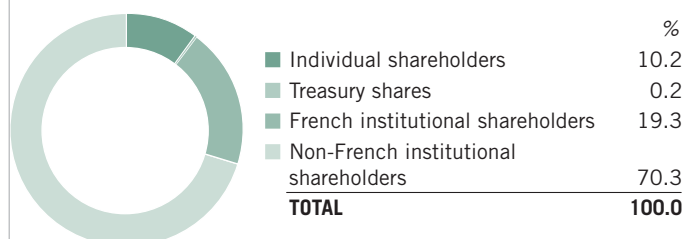
AT DECEMBER 31,	2008				2007				2006			
			% of total shares issued	% of total voting rights			% of total shares issued	% of total voting rights		% of total shares issued	% of total voting rights	
	Number of shares held	Number of votes held			Number of shares held	Number of votes held			Number of shares held			
Groupe Bruxelles Lambert	41,262,503	67,764,393	21.1	28.5	30,968,898	30,968,898	17.9	16.4	28,101,890	15.9	14.8	
NNS Holding Sàrl	26,902,820	26,902,820	13.8	11.3	-	-	-	-	-	-	-	
Dodge & Cox	9,236,500	12,557,525	4.7	5.3	-	-	-	-	-	-	-	
Other institutional shareholders *	97,563,441	104,825,751	50.0	43.9	120,740,592	131,547,737	70.0	69.8	127,668,828	72.3	71.7	
Individual shareholders	19,834,477	25,686,602	10.2	10.8	20,197,852	25,266,928	11.7	13.4	19,482,164	11.0	12.8	
Treasury shares	436,793	436,793 **	0.2	0.2 **	657,233	657,233 **	0.4	0.4	1,372,260	0.8	0.7	
TOTAL	195,236,534	238,173,884	100.0	100.0	172,564,575	188,440,796	100.0	100.0	176,625,142	100.0	100.0	

Source: Capital Precision

* Including 51,581 Lafarge S.A. shares currently held by Cementia Holding AG for the benefit of shareholders who have not yet requested the delivery of their Lafarge S.A. shares, following the squeeze-out procedure carried out by Lafarge S.A. in 2002 with respect to the Cementia Holding AG shares.

** Theoretical voting rights; at a General Meeting these shares bear no voting right.

DISTRIBUTION BY TYPE OF SHAREHOLDER



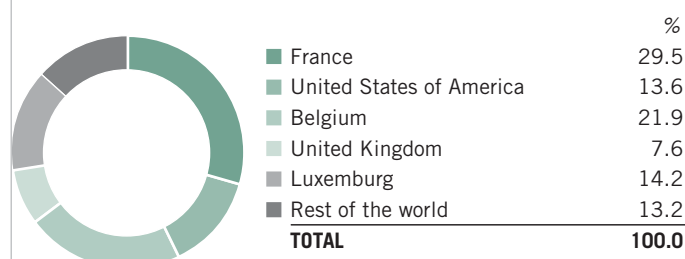
GEOGRAPHICAL DISTRIBUTION

AT DECEMBER 31,	2008		2007		2006	
	Number of shares held	% of total shares issued	Number of shares held	% of total shares issued	Number of shares held	% of total shares issued
France	57,588,446	29.5	60,985,185	35.3	74,412,363	42.1
United States of America	26,458,487	13.6	35,497,376	20.6	29,843,930	16.9
Belgium	42,814,249	21.9	35,976,260	20.9	29,517,372	16.7
United Kingdom	14,808,800	7.6	17,329,794	10.0	18,877,413	10.7
Luxemburg *	27,733,111	14.2	276,614	0.2	186,095	0.1
Rest of the World	25,833,441	13.2	22,499,346	13.0	23,787,969	13.5
TOTAL	195,236,534	100.0	172,564,575	100.0	176,625,142	100.0

Source: Capital Precision

* Including shares held by NNS Holding Sàrl.

GEOGRAPHICAL DISTRIBUTION



6.2 Shareholder agreement with the Sawiris family and NNS Holding Sàrl

A 10-year shareholder agreement was entered into with certain members of the Sawiris family and NNS Holding Sàrl on December 9, 2007, following the Orascom Cement acquisition. This agreement contains certain commitments regarding the shares issued for their benefit as a result of the reserved capital increase of 2008. In particular, the shareholder agreement contains (i) a lock-up commitment of four years (with limited exceptions) followed by a three-year

period for phased disposals; (ii) a standstill commitment for a four-year period not to acquire more than 8.5% of the share capital in addition to their current shareholding, such holding in any case not to exceed a total of 20% of the share capital or any other higher level of shareholding that would come to be held by another shareholder acting alone or in concert; and (iii) a commitment not to act in concert with a third party in relation to Lafarge shares for a 10-year

period. In consideration of these commitments, the Company has undertaken to make its best efforts to ensure that NNS Holding Sàrl is entitled to nominate two of its representatives as members of the Board of Directors as long as NNS Holding Sàrl and the Sawiris family together hold more than 10% of the share capital of the Company and comply with all their obligations under this agreement.

6.3 Threshold notifications imposed by law and declarations of intent

Groupe Bruxelles Lambert

In 2008, Groupe Bruxelles Lambert made several threshold notifications. In particular, Groupe Bruxelles Lambert declared having exceeded the 20% threshold of the share capital of Lafarge S.A. on September 4, 2008 and holding 39,118,503 Lafarge shares representing 53,878,053 voting rights

(20.04% of the share capital and 24.06% of the voting rights). In the same notification, Groupe Bruxelles Lambert declared not acting in concert with a third party, contemplating further acquisitions where in line with market opportunities, and had no intention of taking control of Lafarge S.A. or soliciting the appointment of additional directors other

than its existing three representatives to Lafarge's Board of Directors.

In addition, Groupe Bruxelles Lambert also declared having exceeded the threshold of 25% of the voting rights in Lafarge S.A. on September 14, 2008 and holding 39,918,503 Lafarge shares representing 58,279,503 voting rights (20.45% of the

share capital and 25.61% of the voting rights) as a result of the allotment of 3,601,450 double voting rights to its benefit.

No declaration of intent was made by Groupe Bruxelles Lambert in the threshold notifications made in 2007. In 2006, Groupe Bruxelles Lambert had declared on several occasions its intention, over the coming twelve months, not to act in concert with a third party, contemplating further acquisitions where in line with market opportunities, and having no intention of taking control of Lafarge S.A. or soliciting the appointment of representatives to Lafarge's Board of Directors.

NNS Holding Sàrl

Following completion of the share capital increase reserved for its benefit as part of the Orascom Cement acquisition, resulting in the issuance of 22,500,000 new shares, NNS Holding Sàrl (the Sawiris family holding company) declared having exceeded, in concert with Nassef Sawiris and NNS Holding Sàrl (controlled by a trust), the 5% and 10% thresholds of the share capital and voting rights of the Company and holding as at April 2, 2008, 25,533,963 Lafarge S.A. shares and voting rights, representing 13.09% of the share capital and 12.17% of the voting rights. NNS Holding Sàrl and Nassef Sawiris declared their intention to back the management of Lafarge in its development of the Group and not to launch

a tender offer on Lafarge shares within the 12 coming months.

NNS Holding Sàrl and Nassef Sawiris also declared that as a result of the shareholders agreement of December 9, 2007 entered into between Lafarge and NNS Holding Sàrl, they had undertaken not to act in concert with a third party (with the exception of Nassef Sawiris, members of its family and related companies) for the duration of the shareholders agreement (ten years).

In addition, NNS Holding Sàrl and Nassef Sawiris made the following declarations of intent for the coming 12 months:

- NNS Holding Sàrl and Nassef Sawiris "contemplate further acquisition of Lafarge shares where in line with market opportunities and the shareholders agreement of December 9, 2007. According to the provisions of this agreement, NNS Holding Sàrl has committed not to acquire, in addition to the 22,500,000 Lafarge shares subscribed on March 27, 2008 (representing 11.5% of the share capital of Lafarge), more than 5.5% of the share capital of Lafarge for a one-year period beginning on March 27, 2008, more than 1% of the share capital of Lafarge for each of the following three years, and no more than 8.5% of the share capital of Lafarge in total during this four-year period (its total shareholding not to exceed 20% of the share capital during this four-year period). In case Lafarge or a third party would declare that such a third party

holds more than 20% of the share capital of Lafarge, NNS Holding Sàrl and its related parties would however be entitled to increase their shareholding to the same level";

- Under the terms of the shareholders agreement, "Lafarge has undertaken to propose, at its General Meeting, the appointment of two representatives from NNS Holding Sàrl to its Board of Directors. In this context, Nassef Sawiris was appointed to the Lafarge Board of Directors by the General Meeting of January 18, 2008. In addition and upon a proposal by NNS Holding Sàrl, the Lafarge Board of Directors will submit a proposal for the appointment of Jérôme Guiraud * to the Board of Directors at General Meeting called on May 7, 2008. Given the level of its current shareholding, NNS Holding Sàrl does not intend to solicit the appointment of further representatives to Lafarge's Board of Directors".

* Mr Jérôme Guiraud was appointed to the Board of Directors at the General Meeting of May 7, 2008.

Dodge & Cox

Dodge & Cox, acting for client accounts declared having exceeded the 5% threshold of the voting rights of Lafarge S.A. on November 5, 2008 and holding for the accounts of the above mentioned clients 9,106,171 Lafarge shares representing 11,572,896 voting rights corresponding to 4.66% of the share capital and 5.03% of the voting rights.

6.4 Other information

Based on our knowledge, 6 institutional shareholders held between 1% and 4% of our outstanding shares at December 31, 2008. Of these institutional shareholders, 4 held between 1% and 2% of our shares and two held between 3% and 4% of our shares.

All of our shares are subject to the same voting right conditions, except for our treasury shares, which at General Meetings bear no voting rights, and our shares held in registered form for over two years, which carry double voting rights.

See Section 8.3 (Articles of association (statuts)).



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7

The Listing

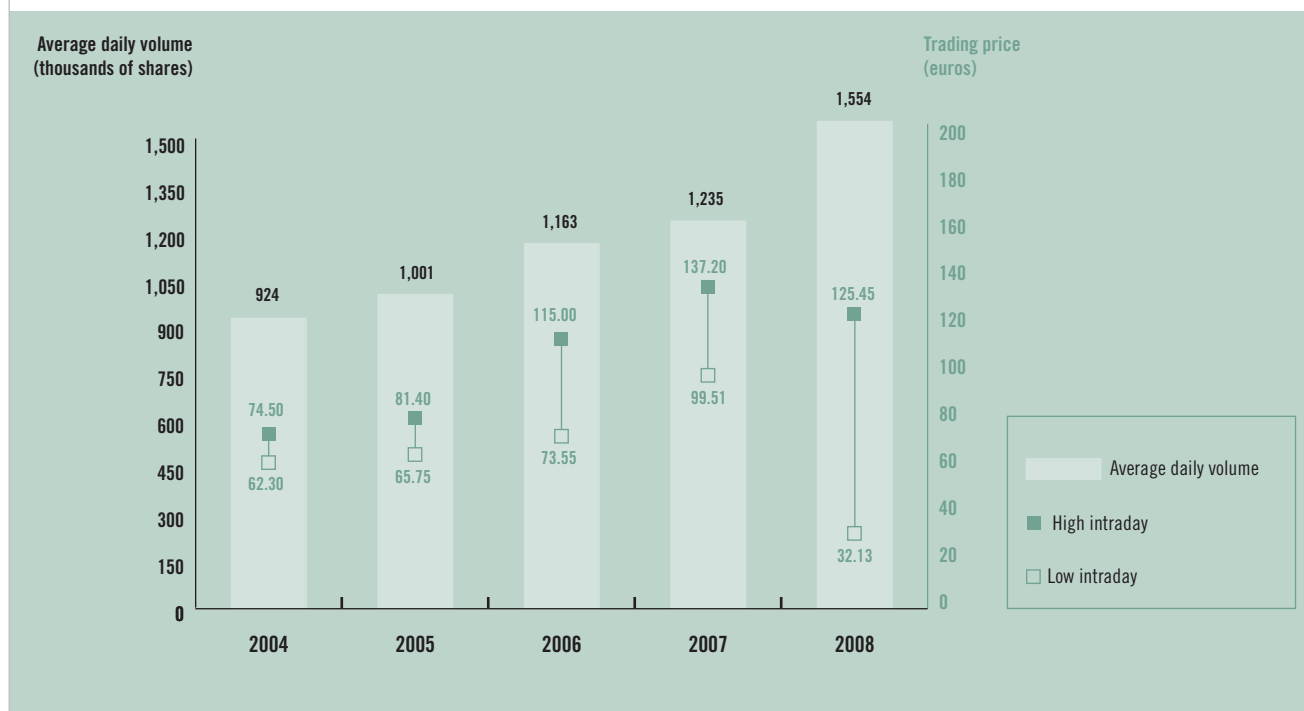
7

The Company's shares are listed on Euronext, under code ISIN FR0000120537 and symbol "LG".

Lafarge's shares are traded on the Paris Stock Exchange since 1923 and have been part of the French CAC 40 index since its creation on December 31, 1987 and of the SBF 250 index since its creation in December 1990.

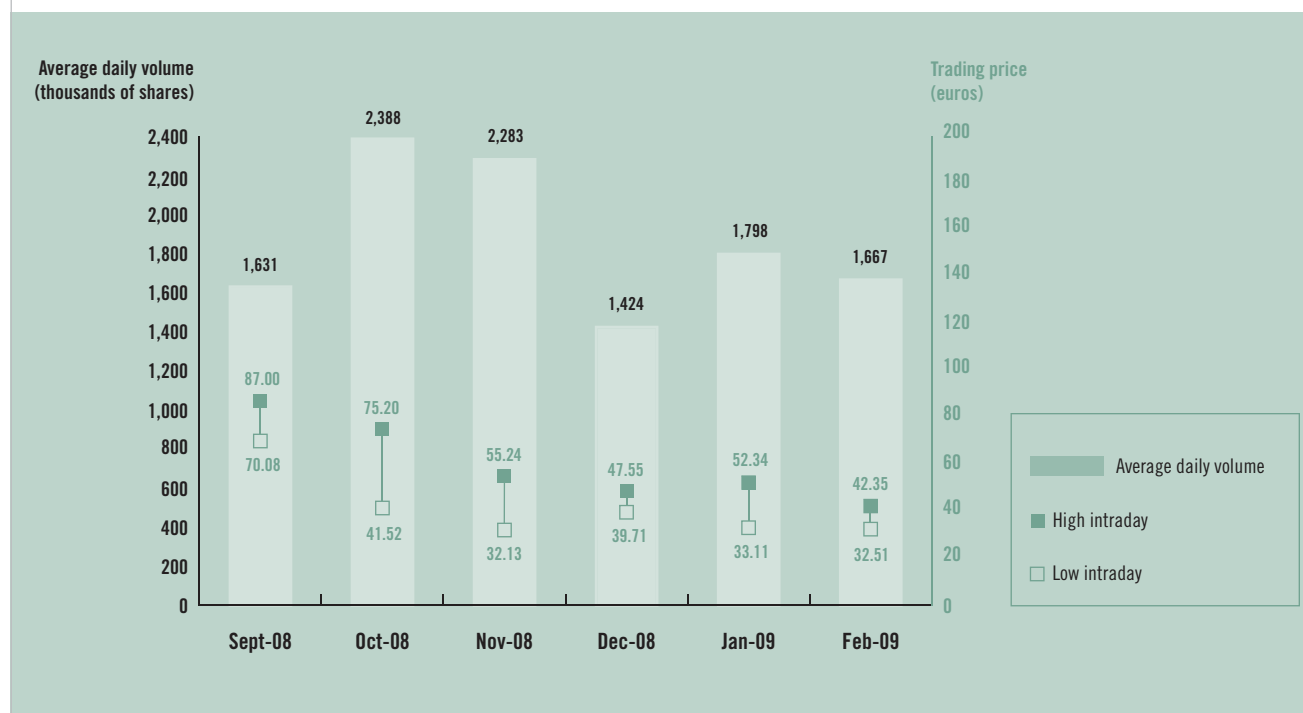
The following tables show the volume and high and low closing price of our shares of common stock, as reported by Euronext Paris S.A.

FIVE MOST RECENT FINANCIAL YEARS



Source: Euronext.

THE LAST 6 MONTHS



Source: Euronext.

Lafarge voluntarily delisted its American Depositary Receipts (“ADRs”) from the New York Stock Exchange on September 13, 2007. The delisting became effective on

September 24, 2007. Since its delisting on October 8, 2007, the Lafarge ADR program has been maintained and ADRs continue to be traded over the counter (“level one”

program). Each ADR represents a quarter of a share. Since October 8, 2007, Lafarge is no longer subject to Securities & Exchange Commission regulations.





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8

Additional Information

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8.1 Share Capital

On December 31, 2008, the Company's share capital amounted to 780,946,136 euros divided into 195,236,534 fully paid-up shares, each with a nominal value of four euros.

There are no securities not representing capital.

Considering that double voting rights accrue to shares (42,937,350) held in registered form for at least two years, the total number of voting rights attached to the shares for the purpose of computing notification thresholds amounted to 238,173,884 at December 31, 2008.

8.1.1 Changes in the share capital during the fiscal year ended December 31, 2008

The Company's share capital at December 31, 2007 amounted to 690,258,300 euros divided into 172,564,575 shares, each with a nominal value of four euros.

Since December 31, 2007, the Company's share capital has increased by a total of 22,671,959 shares as a result of the following:

	Number of shares issued	Capital	Subscription amount (euros)	
			Share premium	Total
Exercise of stock subscription options during the period from January 1, 2008 to December 31, 2008	171,959	687,836.00	12,015,652.60	12,703,488.60
Reserved share capital increase*	22,500,000	90,000,000.00	2,722,500,000.00	2,812,500,000.00
TOTAL AT DECEMBER 31, 2008	22,671,959	90,687,836.00	2,734,515,652.60	2,825,203,488.60

* In the context of the Orascom Cement acquisition, our General Meeting held on January 18, 2008 authorized a share capital increase of a maximum nominal amount of 90 million euros, representing a maximum of 22,500,000 new shares with a nominal value of four euros each, with the suppression of preferential subscription rights of shareholders in favor of the founding shareholders of Orascom Construction Industries SAE.

8.1.2 Potential share capital at December 31, 2008

The Company's share capital as at December 31, 2008 could increase through issuance of a maximum of 7,033,553 new shares as a result of the exercise of stock options granted to employees. Of this amount, 3,748,168 stock options may be exercised at the date of publication of this document. The remaining 3,285,385 stock

options can be exercised only upon expiry of a period of four years after their grant.

At December 31, 2008, the Company had not issued any other type of security giving any right, directly or indirectly, to the Company's share capital.

Our Board of Directors has received from our General Meeting held on May 3, 2007, the right to carry out increases in the share capital through the issue of shares or other equity securities with or without preferential sub-

scription rights for shareholders, through the capitalization of reserves, through the issue of employee stock subscription options or performance shares, and through the issue of shares reserved for our employees.

At December 31, 2008, our Board of Directors may carry out the following increases in the share capital pursuant to the delegations granted to it by our General Meeting held on May 3, 2007:

TYPE OF INCREASE IN THE SHARE CAPITAL

	Maximum nominal amount authorized (euros)	Expiration date of delegations	Maximum nominal amount left at December 31, 2008 (euros)
Issue of shares or other equity securities with preferential subscription rights for shareholders	200,000,000*	July 3, 2009	110,000,000 *
Issue of shares or other equity securities without preferential subscription rights for shareholders	135,000,000*	July 3, 2009	45,000,000 *
Issue of shares or other equity securities in return for contributions in kind	68,000,000*	July 3, 2009	45,000,000 *
Capitalization of reserves	100,000,000	July 3, 2009	100,000,000
Issue of employee stock subscription options and performance shares	3% of the share capital on the date of grant	July 3, 2009	17,657,344.08 **
Issue of shares reserved for our employees***	14,000,000	March 18, 2010	14,000,000

* The cap of 200,000,000 euros is a global cap for all three delegations.

** Based on the share capital at December 31, 2008.

*** Delegation provided by the General Meeting of January 18, 2008.

See Section 3.2 (Investments) for more information on the Orascom Cement acquisition.

8.1.3 Changes in our share capital over the past three fiscal years

	2008	2007	2006
SHARE CAPITAL AT THE BEGINNING OF THE FISCAL YEAR <i>(number of shares)</i>	172,564,575	176,625,142	175,985,303
NUMBER OF SHARES ISSUED DURING THE PERIOD FROM JANUARY 1 TO DECEMBER 31 AS A RESULT OF	22,671,959	968,838	652,047
payment of the dividend in shares	-	-	-
exercise of stock subscription options	171,959	968,838	652,047
exercise of stock subscription warrants	-	-	-
increase in share capital reserved for employees	-	-	-
issue of new shares	22,500,000	-	-
NUMBER OF SHARES CANCELLED DURING THE PERIOD FROM JANUARY 1 TO DECEMBER 31	-	(5,029,405)	(12,208)
MAXIMUM NUMBER OF SHARES TO BE ISSUED IN THE FUTURE AS A RESULT OF	7,033,553	6,502,420	6,957,586
exercise of stock subscription options	7,033,553	6,502,420	6,957,586
exercise of stock subscription warrants	-	-	-
conversion of bonds	-	-	-
SHARE CAPITAL AT THE END OF THE FISCAL YEAR			
a- euros	780,946,136	690,258,300	706,500,568
b- number of shares	195,236,534	172,564,575	176,625,142

8.2 Shares owned by the Company

8.2.1 Information on transactions completed since January 1, 2008

The Company held 436,793 shares with a nominal value of 4 euros, as of December 31, 2008, representing 0.22% of its capital stock. The value based on the purchase

price of those shares is 35,821,842.31 euros.

As of December 31, 2008, the Company terminated its liquidity agreement with Rothschild & Cie, which purchased on behalf of the Company a total of 1,103,669 shares and sold a total of 1,306,669 shares

in 2008. The transactions fees amount to 1 million euros for 2008.

Thus, as of December 31, 2008, the Company does not hold any share under a liquidity agreement and all of the 436,793 shares held by the Company are assigned to cover stock options or performance shares grants.

TABLE OF SUMMARY STATEMENT OF TRANSACTIONS CARRIED OUT BETWEEN JANUARY 1, 2008 AND FEBRUARY 29, 2009

Percentage of treasury shares as of February 28, 2009	0.22%
Number of shares cancelled in the last 24 months preceding February 28, 2009	5,029,405
Number of shares held in portfolio as of February 28, 2009	436,743
Book value of the portfolio as of February 28, 2009	35,821,841.71 euros
Market value of the portfolio as of February 28, 2009	14,977,631.97 euros

8 ADDITIONAL INFORMATION

8.2 Shares owned by the Company

	Purchases			Sales			Open purchase positions (calls purchases, puts sold, or forward purchases)	Open sale positions (calls sold, puts purchased or forward sales)
	Number of shares purchased	Average price (in euros)	Amounts (in euros)	Number of shares sold	Average price (in euros)	Amounts (in euros)		
January 2008	112,000	111.62	12,501,375.00	3,838	75.94	291,469.36	-	-
February 2008	21,800	115.66	2,521,298.00	249,139	113.32	28,232,212.86	-	-
March 2008	56,000	109.22	6,116,390.00	326	79.74	25,995.24	-	-
April 2008	167,400	113.69	19,031,156.00	264,727	115.00	30,443,935.22	-	-
May 2008	270,869	115.99	31,418,965.26	308,017	115.81	35,671,479.47	-	-
June 2008	302,100	108.38	32,742,247.26	22,250	113.34	2,521,871.00	-	-
July 2008	53,000	87.98	4,663,010.00	74,612	87.30	6,513,268.16	-	-
August 2008	10,000	80.92	809,200.00	-	-	-	-	-
September 2008	20,000	79.77	1,595,316.50	700	74.18	51,926.00	-	-
October 2008	57,000	54.96	3,132,670.00	-	-	-	-	-
November 2008	33,000	42.96	1,417,833.00	-	-	-	-	-
December 2008	500	46.24	23,118.50	400,500	44.97	18,012,252.50	-	-
January 2009	-	-	-	-	-	-	-	-
February 2009	-	-	-	50	-	-	-	-

8.2.2 Information on the shares buyback program

The shares buyback program approved by the Ordinary Shareholders' Meeting on May 7, 2008 has the following features:

Securities	Shares
Maximum percentage of capital that may be authorized	7%
Maximum number of shares that may be acquired	12,079,590*
Maximum total amount of the program	1 billion euros
Maximum unit purchase price	180 euros

* Which is 7% of the capital as of December 31, 2007, subject to adjustment to take into account treasury shares and/or shares cancelled on the date of the purchases.

Program objectives:

- to grant stock options or performance shares to employees or executives of the Company and/or the companies of its group;
- to allow the implementation of any stock purchase plan or grant shares to the employees as part of their profit sharing plan, company or group savings plans, or voluntary employee savings partnership plan;
- to allow the transfer of shares during the exercise of rights attached to debt securities that give rights in any way to an allotment of shares of the Company;
- to exchange or transfer securities in the context of external growth transactions;
- to allow cancellation of shares pursuant to the eleventh Resolution approved by the Combined Shareholders' Meeting on May 3, 2007;
- to manage the market and the liquidity of the transactions through a liquidity contract in compliance with an ethics charter recognized by the *Autorité des marchés financiers* and signed with an investment service provider.

Period 18 months, until November 7, 2009

8.3 Articles of Association (*Statuts*)

8.3.1 Corporate purpose (article 2)

The Company's purpose as set out in article 2 of our *statuts* is:

1. The acquisition and management of all industrial and financial holdings, including, without limitation:
 - industries relating to cement and other hydraulic binders, construction materials and products or equipment used in homes;
 - refractory product industries;
 - industrial plant engineering and construction;
 - bio-industries and agri-business.

2. Research and provision of services in any of the above-mentioned fields and in any other field where the skills of the Company and its subsidiaries may be relevant.

3. All associations or undertakings, all acquisitions of securities, and all industrial, commercial, financial, agricultural, real and movable property transactions relating directly or indirectly to any of the above-mentioned purposes or such as ensure the development of Company assets.

8.3.2 Directors

The Board of Directors must have a minimum of three members and a maximum of 18 members. The Directors are appointed by shareholders at a General Meeting, and their term of office is for four years. Directors must not be over 70 years of age and must each hold at least 1,143 of the Company's shares. Each Director's term of office expires at the end of the ordinary shareholders' meeting called to approve the previous year's accounts held in the year during which the Director's term of office normally expires or during which the Director reaches the age limit of 70 years.

The Board of Directors elects a Chairman from among its members. The Chairman of the Board must not be over 65 years of age. The Chairman automatically ceases to perform his duties on December 31 of the year in which he reaches the age of 65 unless the Board of Directors decides as

an exceptional measure to extend the term of office of the Chairman beyond the above-mentioned age limit for successive one-year periods provided that his term of office as Director continues for such periods. In this case, the term of office of the Chairman of the Board expires definitively on December 31 of the year in which he reaches the age of 67.

See Chapter 5 (Directors, Senior Management and Employees) for more information on our Board of Directors.

Transactions between the Company and Directors

Agreements between the Company and any member of the Board of Directors are subject to prior approval of the Board unless these agreements are entered into at arms' length in the ordinary course of business. The Director who has an interest in the agreement to be approved by the Board cannot take part in the vote of the Board of Directors. The same applies to agreements to be entered into between the Company and the Chief Executive Officer, a Chief Operating Officer, a shareholder holding more than 10% of the voting rights in the Company or, if such shareholder is a legal entity, a company controlling that shareholder.

Directors' remuneration

The shareholders can award a fixed annual amount as compensation for the members of the Board of Directors. The Board can then distribute amount between its members as it sees fit.

See Section 5.4 (Compensation) for more information on the amount of compensation awarded to the Directors by the shareholders.

The Board of Directors can authorize the reimbursement of travelling expenses and expenses incurred by Directors in the interests of Lafarge. The Board may also award exceptional remuneration to Directors who are members of Committees formed from among its members or who are entrusted with specific tasks or duties.

8.3.3 Rights, preferences and restrictions attached to shares

Allocation and appropriation of earnings

The net results of each financial year after deduction of overhead and other Company expenses, including any depreciation and provisions, constitute the Company's profit or loss for that financial year.

The Company contributes 5% of this profit, as reduced by any loss carried forward from previous years, to a legal reserve fund; this contribution is no longer required if the legal reserve fund equals to 10% of the Company's issued share capital and becomes compulsory again if the legal reserve fund falls below this percentage of the share capital.

A contribution is also made to other reserve funds in accordance with French law.

The profits remaining after these contributions constitute the profits available for distribution, as increased by any profit carried forward from the previous years, out of which an initial dividend equal to 5% of the nominal value of shares fully paid-up and not redeemed is paid to the shareholders. Such dividends cannot be carried forward from one year to another.

The profits available for distribution remaining after payment of the initial dividend can be allocated to optional reserve funds or carried forward. Any profits remaining are distributed to shareholders as a super dividend.

The General Meeting of shareholders may also decide to distribute part of the Company's distributable reserves. In such cases, the decision of the shareholders must specify expressly from which reserves the distribution is to be made. In any event, dividends are to be paid first from the financial year's distributable profits.

If the Company has incurred losses, such losses are booked, after approval of the accounts by the shareholders, in a special balance sheet account and can be carried forward against profits in subsequent years until extinguished.

I Payment of dividends

Our *statuts* provide that the General Meeting may offer shareholders a choice, with respect to all or part of any dividend to be distributed, between payment in cash and payment in new Company shares pursuant to applicable law. Shareholders may be offered the same choice with regard to the payment of interim dividends.

Unclaimed dividends within five years from the date of payment are forfeited and must be paid to the French State, in accordance with French law.

I Loyalty dividend

Any shareholder who, at the end of the fiscal year, has held registered shares for at least two years and still holds them at the payment date of the dividend in respect of that year, is entitled to receive in respect of such shares a bonus equal to 10% of the dividend (initial and loyalty dividend) paid to other shareholders, including any dividend paid in shares. Where applicable, the increased dividend is rounded down to the nearest cent. Entitlement to the increased dividend is lost upon conversion of the registered shares into bearer form or upon transfer of the registered shares.

Similarly, any shareholder who, at the end of the fiscal year, has held registered shares for at least two years and still holds them at the date of an issue by way of capitalization of reserves, retained earnings or issue premiums of performance shares, is entitled to receive additional shares equal to 10% of the number distributed, rounded down to the nearest whole number.

The number of shares giving entitlement to such increases held by any one shareholder may not exceed 0.5% of the total share capital at the relevant fiscal year-end.

In the event of a share dividend or bonus issue, any additional share ranks *pari passu* with the shares previously held by a shareholder for the purpose of determining any increased dividend or distribution of performance shares. However, in the event of fractions:

- where a shareholder opts for payment of dividends in shares, he can pay a balancing amount in cash to receive an addi-

tional share provided he meets the applicable legal requirements;

- in the event of a bonus issue, the rights to any fractions of a share arising from the increase are not negotiable, but the corresponding shares can be sold and the proceeds will be distributed to the holder of such rights no later than thirty days after the registration in the share account of the whole number of shares allocated to him.

I Voting rights

Each holder of shares is entitled to one vote per share at any General Meeting of shareholders. Voting rights attached to shares may be exercised by the holder of the usufruct except where the holder of the usufruct and the beneficial owner agree otherwise and jointly notify the Company at least five days before the date of the meeting.

DOUBLE VOTING RIGHTS

Double voting rights are attached to fully paid-up shares registered for at least two years in the name of the same shareholder. In accordance with French law, entitlement to double voting rights is lost upon conversion of the registered shares into bearer form or upon transfer of the registered shares (this does not apply to transfers resulting from inheritance or gifts). Double voting rights were introduced in our *statuts* over 60 years ago and are exercisable within the limitations set out below.

ADJUSTMENT OF VOTING RIGHTS

There are no restrictions on the number of voting rights held by each of our shareholders if those rights do not exceed 5% of the rights attached to all the shares comprising the Company's share capital. Above this threshold, the number of voting rights is adjusted on the basis of the percentage of the capital represented at the General Meeting rounded off to the nearest whole unit. This prevents over representation of a shareholder when participation at a General Meeting is low, while ensuring that each of our shareholders obtains a percentage of voting rights at least equal to his stake in the Company's share capital.

Where applicable, the voting rights held directly or indirectly by a shareholder are added to the voting rights belonging to any

third party, with whom such shareholder is acting in concert, as defined by law.

This adjustment mechanism does not apply when the quorum at the General Meeting is greater than two-thirds of the total number of voting rights.

8.3.4 Changes to shareholders' rights

Shareholders' rights can only be modified if a resolution to amend our *statuts* is passed at an Extraordinary General Meeting of the shareholders by a two-thirds majority. Unanimity is, however, required to increase shareholders' obligations. In addition to a vote at the shareholders' Extraordinary General Meeting, elimination of double voting rights requires ratification by a two-thirds majority at a special meeting of the shareholders benefiting from such rights.

8.3.5 Convocation and admission to shareholders' general meetings

I Convocation of General Meetings

General Meetings of shareholders can be called by the Board of Directors or, failing which, by the auditors and any other person legally authorized for such purpose.

The form of notice calling such meeting which may be transmitted electronically and the time limits for sending out this notice are regulated by law. The notice must specify the place of the meeting, which may be held at the registered office or any other place and the agenda of the meeting.

I Attendance and Voting at Meetings

General Meetings of shareholders may be attended by all shareholders regardless of the number of shares they hold, provided that all calls of capital contributions due or past due with respect to such shares have been paid in full.

Access to the meeting is open to such shareholders, as well as to their proxies and registered intermediaries who have provided evidence of their entitlement to attend no later than midnight (Paris time) three business days before the date of the meeting including certification that their shares are

registered in an account. It is not necessary to block shares in order to attend General Meetings. The Board of Directors may, where appropriate, present shareholders with personal admission cards and request production of the cards.

At all General Meetings, shareholders are deemed present for quorum and majority purposes if participating in the meeting by videoconference or by a method of telecommunication that permits them to be identified. The Board of Directors organizes, in accordance with applicable laws and regulations, the participation and voting by such shareholders at the meeting by creating an exclusively site dedicated, and verifies the efficacy of the methods adopted to permit shareholder identification and to guarantee their effective participation in the meeting.

Shareholders not domiciled in French territory may be represented by an intermediary registered in accordance with applicable laws.

Any shareholder may be represented by proxy (provided that the proxy holder is himself a shareholder or a spouse, even if the latter is not a shareholder). Shareholders may also vote by mail in accordance with the conditions set out by law.

Shareholders may, pursuant to applicable law and regulations, submit their proxy or mail voting forms in respect of any General Meeting, either in paper form or by a method of telecommunications, provided that such method is approved by the Board of Directors and published in the notices of meeting, no later than 3.00 p.m. (Paris time) the day before the date of the meeting. The Board of Directors is authorized to reduce the time limit for the receipt of such forms.

Any shareholder fulfilling the required conditions set out above may attend the General Meeting and take part in the vote, and any previously submitted correspondence vote or previously granted proxy is deemed invalid.

I Quorum

In Ordinary and Extraordinary General Meetings of the shareholders, the calculation of the quorum is based on the total number of shares with voting rights.

Ordinary General Meetings: the quorum for Ordinary General Meetings called pursuant to the first notice of the meeting is only met if the shareholders present, deemed present or represented, hold 20% of the shares with voting rights. No quorum is required for a meeting called pursuant to a second notice.

Extraordinary Meetings: a quorum for Extraordinary Meetings is met only if the shareholders present, deemed present or represented at a meeting called pursuant to the first notice, hold 25% of the shares with voting rights, or hold 20% of the shares with voting rights at a meeting called on second notice. If the quorum is not met pursuant to the second notice, the meeting is to be postponed to a date no later than two months after the date for which it had been called.

I Majority Required

Resolutions at an Ordinary General Meeting of shareholders are passed by a simple majority of the votes cast by the shareholders present, deemed present or represented.

Resolutions at an Extraordinary General Meeting of shareholders are passed by a two-thirds majority of the votes cast by the shareholders present, deemed present or represented.

In the event of a capital increase by capitalization of reserves, profits or issue premiums, resolutions are passed in accordance with the voting requirements for Ordinary General Meetings of shareholders.

8.3.6 Disclosure of holdings exceeding certain thresholds

In addition to the legal requirement to disclose holdings exceeding certain thresh-

olds, our *statuts* provide that any person acting alone or in concert who becomes, directly or indirectly, the owner of 2% or more of our share capital must notify the Company therein. This notification requirement is governed by the same provisions that apply to the legal requirement. The Company must be notified, within the time limits provided by law, by registered mail with return receipt requested or by fax or telex, of the number of shares held, indicating whether these are held directly or indirectly and whether the shareholder is acting alone or in concert. The same notification requirement applies to each subsequent increase or decrease in ownership of 1% or whole multiples of 1%. The notification must also specify the date on which the threshold was crossed (which corresponds to the date on which the transaction resulting in the crossing of the threshold took place) and the number of shares held giving access to the share capital.

If a person does not comply with this notification requirement, the provisions of the law providing for loss of voting rights apply. If this sanction is not applied automatically, one or more shareholders holding 1% or more of our share capital or voting rights may require a shareholders' General Meeting to strip the shares in excess of the relevant threshold of voting rights at all General Meetings for two years following the date on which the owner complies with the notification requirements. This penalty is irrespective of any legal sanction that may be issued by a court upon the request of the Chairman, a shareholder or the *Autorité des marchés financiers* (AMF).

The Company may at any time request, under the terms and conditions set forth by applicable law, the entity in charge of settlement of securities transactions to identify the holders of securities conferring immediate or future entitlement to voting rights at General Meetings and to state the number of securities held by each holder and any restrictions on such securities.

8.4 Change of control

Within the framework of the provisions of Article L. 225-100-3 of the Commercial Code, the Company states that it has no specific provisions which may have an incidence in the event of a call for tenders. The change of control provisions of the Company's principal financing agreements, including those presented in Section 8.5 (Material contracts), details the early reimbursement of the loans in case of a change of control. The EMTN program of the Company includes in its terms and conditions the situation of a change of control accompanied by a lowered financial rating for the Company which could bring about,

at the choice of bonds holders and subject to certain conditions, the early reimbursement of bonds. In addition, for informational purposes:

- the structure of the Company's capital, the information on the thresholds notifications and declaration of intent are set forth in Chapter 6 (Major shareholders) and certain provisions of the Articles of Association, including those regarding voting rights, are set forth in Section 8.3 (Articles of Association (*Statuts*));
- to the Company's knowledge, there are no agreements between shareholders which may give rise to restrictions to the transfer

of shares and the exercise of the Company's voting rights, and the Company has not been informed of agreement clauses pursuant to Article L. 233-11 of the Commercial Code;

- the severance arrangements which may be due to the Chief Executive Officer following a change of control is set forth in Section 5.4.2 (Compensation paid to Directors – Director's fees).

8.5 Material Contracts

We are a party to a 1,850 million euro credit facility dated October 29, 2004, and amended on July 28, 2005, arranged by the Royal Bank of Scotland plc, Société Générale, HSBC, Citibank International plc, London branch and Calyon. This facility provides a revolving credit line in the amount of 1,850 million euros, which may be disbursed in euros or any other eligible currency. This facility has an initial maturity of five years from the date of the amendment and includes two one-year extension options on the first and second anniversary date of July 28, 2005, subject to the banks' approval. We exercised the first option to extend the facility by one year on May 5, 2006, and the second option on May 14, 2007, which extends the current term of the facility to July 28, 2012, for an

amount of 1,825 million euros, 25 million euros remaining due on July 28, 2010.

As a part of the acquisition of Orascom Cement, we are party to a 7,200 million euros credit facility dated December 9, 2007 arranged by BNP Paribas, Calyon and Morgan Stanley Bank International Ltd. This facility is structured in several tranches of different amounts and with maturity dates between one and five years (1,800 million euros maturing in one year, 2,300 million euros in two years and 3,100 million euros in five years, with one-year extension options for each of the tranches maturing in one and two years). The first tranche was partially reimbursed up to 1.5 billion euros in 2008. We exercised the first extension option of

one year on November 17, 2008 for the remaining 300 million euros.

In addition, we signed important acquisition and sale contracts, as mentioned in Section 3.2 (Investments).

See Section 4.4 (Liquidity and Capital Resources) and Note 25 – Debt to our consolidated financial statements for further information and Section 3.2 (Investments).

Furthermore, a bank facility of 1 billion euros was signed on February 19, 2009.

See Note 34 to our consolidated financial statements and Section 4.1 (Overview) for further information.

8.6 Documents on Display

8.6.1 Documents available at the registered office and the Lafarge website

The *Articles of Association* of the Company, minutes of General Meetings as well as reports from the Board of Directors to the General Meeting, auditors reports, financial statements of the Company for the last three fiscal years, and any other document sent to or available for our shareholders in accordance with the law, are available for consultation during the validity period of this report at our registered office, 61, rue des Belles Feuilles, 75116 Paris.

In addition, historical financial information and regulated information relating to the Group is available on-line at www.lafarge.com.

8.6.2 Documents on annual information (art. 222-7 of the General Regulation of the French Stock Exchange Authority (SEA))

The list herein below contains the information which has been disclosed by Lafarge since January 1, 2008 (*in addition to the data in section 8.6.1 herein above*).

Releases available on the Lafarge internet web page: www.lafarge.com and/or on the web page of the French Stock Exchange Authority: www.amf-france.org

Date	Title
02/20/2009	Record results in 2008: Excellence 2008 targets
02/20/2009	Availability of the Report as of December 31, 2008
12/31/2008	Termination of the liquidity agreement with Rothschild & Cie
12/01/2008	Lafarge inaugurates a new cement plant in Zambia
12/24/2008	USD 200 million bond issue
11/21/2008	Half year report on the liquidity agreement with Rothschild & Cie
11/07/2008	2008 third quarter results: strong operating results and focus on free cash flow
11/07/2008	Availability of the report as of September 30, 2008
11/07/2008	Compensation of executive directors and AFEP-MEDEF recommendations
11/04/2008	Divestment of the Cement and Aggregates & Concrete Businesses in Italy
10/29/2008	Science Festival: concrete on show in Paris
10/01/2008	"Living within infrastructure" with the architect Marc Mimram
07/31/2008	Results as of June 30, 2008
07/18/2008	Availability of Prospectus
07/17/2008	Lafarge has received French and European accessibility labels for its website
07/16/2008	Paris-Plages 2008
07/10/2008	Sponsorship of the Islamic Art at the Louvre Museum
07/02/2008	C.S.I.: a sectoral approach to accelerate reductions in CO ₂ emissions
06/21/2008	Acquisition of 35% stake in the Meftah cement plant, Algeria
06/04/2008	Sara Ravella has been appointed as Director of Communications and Executive Committee
06/02/2008	"Safety Month" around the world
05/20/2008	1.5 billion Euro bond issue
05/15/2008	Participation in rescue efforts following earthquake in China
05/14/2008	Acquisition of L&T Concrete in India
05/07/2008	2008 Shareholders' General Meeting
05/07/2008	Strong increase in 2008 First Quarter Results
05/06/2008	Divestment Lafarge Titan Joint Venture
04/23/2008	Annual information document
04/09/2008	Pascal Casanova appointed Group Director of R&D
03/31/2008	Information relating to the May 2008 General Meeting
03/28/2008	Availability of the 2007 Annual Report- <i>Document de Référence</i>
03/05/2008	Agreement with C.B.M.I, a Chinese equipment supplier, for 6 cement plants
28/02/2008	Appointment to Executive Committee
02/14/2008	2007 Strong Earnings Growth
01/23/2008	Lafarge owns 100% of Orascom Cement
01/18/2008	Orascom Cement deal approved by the General Meetings

Other permanent and occasional information available on the Lafarge website: www.lafarge.com or/and on the website of the French Stock Exchange Authority (SEA): www.amf-france.org

Date	Title
01/31/2009	Declaration with respect to article 223-16 of the SEA general regulation
12/31/2008	Declaration with respect to article 223-16 of the SEA general regulation
11/30/2008	Declaration with respect to article 223-16 of the SEA general regulation
10/31/2008	Declaration with respect to article 223-16 of the SEA general regulation
09/30/2008	Declaration with respect to article 223-16 of the SEA general regulation
08/31/2008	Declaration with respect to article 223-16 of the SEA general regulation
07/31/2008	Declaration with respect to article 223-16 of the SEA general regulation
06/30/2008	Declaration with respect to article 223-16 of the SEA general regulation
05/31/2008	Declaration with respect to article 223-16 of the SEA general regulation
04/30/2008	Declaration with respect to article 223-16 of the SEA general regulation
03/31/2008	Declaration with respect to article 223-16 of the SEA general regulation
02/29/2008	Declaration with respect to article 223-16 of the SEA general regulation
01/31/2008	Declaration with respect to article 223-16 of the SEA general regulation

Information published on Official Journal for Legal Compulsory Publications (BALO) available on the website: www.journal.official.gouv.fr

Date	Support	Title
08/22/2008	(n°102)	Intermediary Financial Accounts
08/06/2008	(n°95)	Turnover and intermediary situation
07/18/2008	(n°87)	Bond issue and cotation
05/19/2008	(n°61)	Annual accounts
05/07/2008	(n°56)	Turnover and intermediary situation
04/18/2008	(n°47)	Annual accounts
03/31/2008	(n°39)	Convocation for the Shareholders Assembly and shareholders
02/15/2008	(n°20)	Turnover and intermediary situation



THE VILLA NAVARRA.

Muy, France, made with fiber reinforced ultra-high performance concrete Ductal®, by architect Rudy Ricciotti and engineer Romain Ricciotti.

9

Controls and Procedures

9.1	REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL PROCEDURES AND ON CORPORATE GOVERNANCE (ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE)	142
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9.1 Report of the Chairman of the Board of Directors on internal control procedures and on corporate governance (article L. 225-37 of the French Commercial Code)

This report, on internal control procedures and corporate governance, was prepared under the responsibility of the Chairman of the Board pursuant to the article L. 225-37 of the French Commercial Code.

It was drafted with the support of the Group Internal Control department and Group Audit department.

This report was examined by the Audit Committee in its meeting of February 18, 2009 and approved by the Board of Directors in its meeting of February 19, 2009.

This report covers Group Holding, Lafarge S.A., as well as controlled companies included in the Group's scope of consolidation.

The information of this report is organized as follows:

- general organization of internal control and of risk management;
- internal control procedures related to the preparation of accounting and financial information.

The introduction of Chapter 5 (Declaration in terms of corporate governance – Governance Code of reference), Sections 2.2 (Risk Management), 5.1 (Board of Directors), 5.4 (Remuneration and other benefits), 5.3 (Organization of the activities of the Board and Committees) and 8.3.5 (Conditions of convocation and admission to shareholders general assemblies) of the Annual Report are part of this report. Moreover the Annual Report includes the information pursuant to article L.225-100-3 of the French Commercial Code.

Internal control related to the preparation of financial and accounting information is presented below “internal control over financial reporting”.

9.1.1 General organization of internal control

I Internal control framework chosen by the Group

In conformity with the definition of the COSO Report⁽¹⁾, which is the framework chosen by the Group, the internal control process consists of implementing and permanently adapting appropriate management systems, aiming at giving the directors and management reasonable assurance concerning the reliability of financial reporting, compliance with the laws and internal regulations, and the effectiveness and efficiency of major Company processes. One of the objectives of internal control is to prevent and monitor the risks of errors and fraud. Like all control systems, because of its inherent limitations, the internal control process cannot guarantee that all risks of errors or fraud are fully eliminated or controlled.

I Group internal control environment

The Group's internal control environment is based on key documents such as the Group Principles of action, principles of organization and Code of Business Conduct, which have to be strictly applied by Group employees:

- *the principles of actions* present Group commitments towards customers, employees, shareholders and other Group stakeholders, and define what the “Lafarge Way” is, being its management philosophy;
- *the principles of organization* define responsibilities at all levels within the organization (business units, Divisions and Group), the various components of the management cycle as well as the key principles driving performance improvement;
- *the Code of Business Conduct* defines rules of conduct and is structured as follows: compliance with the law and regulations, prevention of conflicts of interest, respect for people and the environment, the safeguarding of the Group's assets, financial disclosure, the importance of internal control, implementation of behavioral rules and appropriate sanctions.

Those documents are complemented by rules and policies established by the Group defining priorities for each of the Group's principal functions. Among other things, these rules state that implementing a robust internal control process is one of the primary responsibilities of the Executive Committee of each legal or operational entity.

An annual assessment of the internal control environment is organized in the Group main operational units, on the basis of self-assessment questionnaires.

I Risk identification and analysis

The approach implemented by the Group, relating to the identification and analysis of risks, is described in section 2.2.1 (Risk and identification and analysis) of the Annual Report.

(1) COSO: Committee of Sponsoring Organizations of the Treadway Commission.

9.1 Report of the Chairman of the Board of Directors on internal control procedures and on corporate governance

Risk management systems

A presentation of the general framework of risk management and of major risk management systems is included in section 2.2.2. (Risk management systems) of the Annual Report.

Control activities

Control activities are implemented at every level in the Group, in conformity with rules and policies described above. Internal control activities over major processes impacting the reliability of Group's financial reporting are documented and tested as described in section 2 below.

Information and communication

The Group's key documents are available on the Group's intranet. Function leaders are responsible for disseminating the rules, policies and procedures applicable Group-wide.

Controls and procedures over key processes affecting the Group's financial reporting are subject to formal documentation and test procedures described in section 2 below.

Internal control monitoring across the Group

Internal control is monitored at all levels of the Group. The roles of major stakeholders are described below.

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

The Board of Directors and its special committees, and in particular the Audit Committee, monitor implementation of the Group's internal control policy.

See Sections 5.1 (Board of Directors), 5.4 (Compensation) and 5.3 (Board and Committees Rules and Practices).

GROUP EXECUTIVE COMMITTEE

The Executive Committee ensures that the Group's internal control policy is effectively implemented, through:

- the monitoring and follow-up of internal control procedures performed throughout the Group, and in particular the follow-up of identified action plans;
- the review of the annual summary of the Group's internal audit reports.

GROUP FUNCTIONS AND DIVISIONS

With regard to processes affecting the preparation of financial reporting, Group function managers, with in particular managers of the Group Finance function, have been designated at Division and Group level, in order to:

- document their processes at Division and Group level and verify that the "Internal Control Standards" for such processes are effectively implemented;
- define and update the standards of internal control applicable to business units.

BUSINESS UNITS

In application of Group internal control policy, internal control is under the direct responsibility of the Executive Committee of business units.

In each of the Group's major business units, "Internal Control Coordinators" are appointed. Their role is to continuously improve internal control and consists mainly in supporting implementation of the Group's "Internal Control Standards" and coordinating procedures related to "internal control over financial reporting" at their unit. Their activities are coordinated by the Group Internal Control department presented below.

GROUP INTERNAL AUDIT

The Group Internal Audit department (38 auditors) is responsible for performing an independent assessment of the quality of internal control at all levels in the organization, following the annual audit plan approved by the Group's Chief Executive Officer and Audit Committee.

Reports are issued to business units and to senior managers upon completion of the fieldwork. An annual summary of such reports is presented to the Group's CEO and to the Audit Committee, which solicits their comments on internal control, if any, from the Group's external auditors.

Furthermore, follow-up assignments are organized to verify that internal audit recommendations have been put in place.

9 CONTROLS AND PROCEDURES

9.1 Report of the Chairman of the Board of Directors on internal control procedures and on corporate governance

GROUP INTERNAL CONTROL DEPARTMENT

A Group Internal Control department (10 persons) was set up as part of the Group Finance function in order to sustain all the work performed within the framework of the Sarbanes-Oxley project. This department is in charge of overseeing internal control and monitoring all procedures related to “internal control over financial reporting”.

This department oversees the definition of “Internal Control Standards” mentioned above. It supports business units and the heads of Group functions in the implementation of such standards and in the documentation and tests of controls over financial reporting presented in section 2 below. More generally, it aims to support continuous improvement in processes.

An operational committee encompassing the key finance managers at Group level, the Group audit director and headed by the Group Chief Finance Officer, oversees the work performed on “internal control over financial reporting”.

9.1.2 Procedures related to “internal control over financial reporting”

I Key processes with an impact on the reliability of Group financial reporting

Processes with a direct impact on the production of financial reporting, for which key controls were defined as part of the analysis presented above, relate to the following areas: finance (closing process, consolidation process, legal and tax management, etc.), purchases (from the bidding process to recording and payment of invoices), sales (from orders receipt to revenue recognition and collection), IT (security management, among others), payroll and management of various employee benefits, management of tangible and intangible assets management of inventories (physical count, valuation, etc.) and treasury and financing activities.

I Documentation and testing of “controls over financial reporting”

The Group is committed to maintain high standards of internal control and despite the fact that the Group no longer needs to comply with section 404 of the Sarbanes-Oxley Act, it continues to implement detailed work related to documentation and testing of “internal control over financial reporting”.

This work is implemented by business units, Divisions and at Group level, on key controls contributing to the reliability of financial reporting and encompasses:

- a description of key processes affecting the reliability of the Group’s financial reporting, as presented above;
- a detailed description of key controls defined in the “Internal Control Standards” presented above;
- tests of controls to check the operational effectiveness of such controls; the scope of such tests being defined based on the materiality and risk level of each entity;
- an internal certification process to confirm management responsibility at business units, Divisions and Group level on the quality of both internal control and financial reporting.

This work is part of the process of continuous improvement in internal control and includes the preparation of specific action plans identified through the activities described above, as well as through internal and external audits. The implementation of action plans is followed up by relevant senior management. The outcome of such procedures are presented to the Audit Committee.

I Preparation of published financial reporting

Specific procedures are put in place to ensure the reliability of published financial reporting, as follows:

- a consolidation and financial reporting system is used to prepare Group financial reporting;
- a formal reporting and analysis process for other published information included in the Group’s Annual Report (*Document de Référence*) is implemented.

This process is monitored by the Disclosure Committee, composed of the main heads of Group functions, who verify the content of financial disclosures and reports before they are submitted to the Audit Committee and to the Board of Directors.

Paris, February 19, 2009

French original signed by

Bruno Lafont

Chairman of the Board of Directors

9.2 Report of Independent Registered Public Accounting Firms

STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF LAFARGE, S.A. ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Year ended December 31, 2008

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French Law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as statutory auditors of Lafarge S.A. ("the Company"), and in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), we report to you on the report prepared by the Chairman of the Board of Directors of your Company in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*) for the year ended December 31, 2008.

It is the Chairman's responsibility to:

- prepare a report describing the internal control and risk management procedures implemented within the Company and providing the other information required by article L. 225-37 of the French Commercial Code (***Code de commerce***) notably relating to the corporate governance system;
- submit it for approval to the Board of Directors.

It is our responsibility to:

- report our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.
- certify that the report contains the other information required by article L. 225-37 of the French Commercial Code (***Code de commerce***), knowing that we are not responsible for verifying the fairness of this other information.

We performed our procedures in accordance with the relevant professional standards applicable in France.

Information concerning the internal control procedures relating to the preparation and processing of financial and accounting information

This standard requires us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information, on which the information presented in the Chairman's report is based, as well as reviewing supporting documentation;
- obtaining an understanding of the work performed to prepare this information, as well as reviewing supporting documentation;
- ensuring that material weaknesses in internal control procedures relating to the preparation and processing of financial and accounting information detected in the course of our engagement have been properly disclosed in the Chairman's report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman's report, prepared in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*).

Other information

We certify that the Chairman's report contains the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*).

Neuilly-sur-Seine and Paris-La Défense, February 20, 2009

The Statutory Auditors

DELOITTE & ASSOCIÉS
French original signed by

Arnaud de Planta

Jean-Paul Picard

ERNST & YOUNG Audit
French original signed by

Christian Mouillon

Alain Perroux





HASSAN II MOSQUE

with a protective wall against the sea made with high performance cements and concretes of Lafarge, Casablanca, Morocco.

10

Auditing Matters

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10.1 Auditors

Statutory auditors

I Deloitte & Associés

185, avenue Charles-de-Gaulle, F 92200 Neuilly-sur-Seine, represented by Messrs Jean-Paul Picard and Arnaud de Planta.

Date of first appointment: 1994.

Current appointment expires at the end of the shareholders' meeting called to approve the financial statements for fiscal year 2011.

I Ernst & Young Audit

11, allée de l'Arche, F 92400 Courbevoie, represented by Messrs Christian Mouillon and Alain Perroux.

Date of first appointment: 2006.

Current appointment expires at the end of the shareholders' meeting called to approve the financial statements for fiscal year 2011.

Deputy auditors

I BEAS

7-9, villa Houssay, F 92200 Neuilly-sur-Seine.

Date of first appointment: 2000.

Current appointment expires at the end of the shareholders' meeting called to approve the financial statements for fiscal year 2011.

I AUDITEX

11, allée de l'Arche, F 92400 Courbevoie.

Date of first appointment: 2008.

Current appointment expires at the end of the shareholders' meeting called to approve the financial statements for fiscal year 2013.

10.2 Auditors' Fees and Services

This table sets out the amount of fees billed for each of the last two fiscal years by each of our auditors, Deloitte & Associés and Ernst & Young Audit, in relation to audit services, audit-related services, tax and other services provided to us.

(million euros)	DELOITTE & ASSOCIÉS				ERNST & YOUNG AUDIT			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2008	2007	2008	2007	2008	2007	2008	2007
AUDIT FEES								
Audit, review of financial statements	7.9	8.1	66%	93%	5.7	5.7	60%	80%
<i>Lafarge S.A.</i>	2.0	2.2	17%	25%	1.4	1.6	15%	22%
<i>Subsidiaries</i>	5.9	5.9	49%	68%	4.3	4.1	45%	58%
Audit-related Fees ⁽¹⁾	3.2	0.4	27%	5%	3.7	1.2	39%	17%
<i>Lafarge S.A.</i>	-	0.1	-	1%	2.8	0.7	29%	10%
<i>Subsidiaries</i>	3.2	0.3	27%	4%	0.9	0.5	10%	7%
SUB-TOTAL	11.1	8.5	93%	98%	9.4	6.9	99%	97%
OTHER FEES								
Tax Fees ⁽²⁾	0.9	0.2	7%	2%	0.1	0.2	1%	3%
Legal and Employment Fees	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
SUB-TOTAL, OTHER FEES	0.9	0.2	7%	2%	0.1	0.2	1%	3%
TOTAL FEES	12.0	8.7	100%	100%	9.5	7.1	100%	100%

(1) Audit-related fees are generally fees billed for services that are closely related to the performance of the audit or review of financial statements. These include due diligence services related to acquisitions, consultations concerning financial accounting and reporting standards, attestation services not required by statute or regulation, information system reviews.

(2) Tax fees are fees for services related to international and domestic tax compliance, including the review of tax returns and tax services regarding statutory, regulatory or administrative developments and expatriate tax assistance and compliance.



Certification

We hereby certify that, having taken all reasonable care to ensure that this is the case, the information set out in this *Document de Référence* is, to the best of our knowledge, true and accurate and that no information has been omitted that would be likely to impair the meaning thereof.

We certify that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, and of the financial position and results of the Company and of its consolidated subsidiaries, and that the management report of the annual financial report defined on page 261 provides a true and fair view of the evolution of the business, results and financial condition of the Company and of its consolidated subsidiaries, and a description of the main risks and uncertainties the Company and its consolidated subsidiaries are subject to.

We have obtained from our statutory auditors, Deloitte & Associés and Ernst & Young Audit, a letter asserting that they have reviewed the information regarding the financial condition and the financial statements included in this *Document de Référence* and that they have read the whole *Document de Référence*.

The auditors' report on the statutory accounts presented in the *Document de Référence* in page F-87 of the said document contains observation.

Paris, March 16, 2009

French original signed by
Jean-Jacques Gauthier
Chief Financial Officer

French original signed by
Bruno Lafont
Chairman and Chief Executive Officer

THE BIRD'S NEST.

Chinese national Olympic stadium in Beijing, made using Lafarge cement, by architects Ai Weiwei, Jacques Herzog and Pierre de Meuron.



F

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Statutory auditor's report

I Statutory Auditors' report on the consolidated financial statements - Year ended December 31, 2008

This is a free translation into English of the statutory auditors' report issued in French language and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report also includes information relating to the specific verification of information in the Group management report. This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying consolidated financial statements of Lafarge;
- the justification of our assessments;
- the specific verification required by French law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes verifying, by audit sampling and other selective testing methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by management and the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2008 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matter:

Goodwill and intangible assets have been valued in accordance with the Group accounting policies described in Note 2.12 "Impairment of long-lived assets" of the consolidated financial statements. The estimates are established based on currently available information at the time of their definition and are in keeping with the current economic and financial crisis, the magnitude and duration of which cannot be anticipated with accuracy as described in Note 2.3 "Use of estimates and judgments" of the consolidated financial statements.

Our procedures consisted in reviewing available documents and assessing the reasonableness of retained valuations.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

We have also verified the information given in the Group management report as required by French law.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, February 20, 2009

The Statutory Auditors

DELOITTE & ASSOCIES

French original signed by

Arnaud de Planta

Jean-Paul Picard

ERNST & YOUNG Audit

French original signed by

Christian Mouillon

Alain Perroux

Consolidated statements of income

		YEARS ENDED DECEMBER 31,		
(million euros, except per share data)	Notes	2008	2007	2006
REVENUE	(4)	19,033	17,614	16,909
Cost of sales		(13,729)	(12,700)	(12,385)
Selling and administrative expenses		(1,762)	(1,672)	(1,752)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	(4)	3,542	3,242	2,772
Gains on disposals, net	(5)	229	196	28
Other operating income (expenses)	(6)	(409)	(149)	(122)
OPERATING INCOME		3,362	3,289	2,678
Finance costs	(8)	(1,157)	(652)	(582)
Finance income	(8)	216	126	97
Income from associates	(13)	(3)	-	30
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX		2,418	2,763	2,223
Income tax	(22)	(479)	(725)	(630)
Net income from continuing operations		1,939	2,038	1,593
Net income/(loss) from discontinued operations		-	118	(4)
NET INCOME		1,939	2,156	1,589
<i>Out of which:</i>				
Group share		1,598	1,909	1,372
Minority interests		341	247	217
EARNINGS PER SHARE (euros)				
NET INCOME - GROUP SHARE				
Basic earnings per share		8.27	11.05	7.86
Diluted earnings per share		8.24	10.91	7.75
FROM CONTINUING OPERATIONS				
Basic earnings per share	(9)	8.27	10.37	7.88
Diluted earnings per share	(9)	8.24	10.24	7.77
FROM DISCONTINUED OPERATIONS				
Basic earnings per share		-	0.68	(0.02)
Diluted earnings per share		-	0.67	(0.02)
BASIC AVERAGE NUMBER OF SHARES OUTSTANDING (thousands)	(9)	193,172	172,718	174,543

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

Consolidated balance sheets

		AT DECEMBER 31,		
(million euros)	Notes	2008	2007	2006*
ASSETS				
NON CURRENT ASSETS		32,928	21,490	20,474
Goodwill	(10)	13,374	7,471	7,511
Intangible assets	(11)	614	472	426
Property, plant and equipment	(12)	16,927	11,904	11,183
Investments in associates	(13)	563	331	253
Other financial assets	(15)	1,147	1,096	830
Derivative instruments - assets	(26)	122	5	70
Deferred income tax assets	(22)	181	211	201
CURRENT ASSETS		7,680	6,818	9,367
Inventories	(16)	2,195	1,761	1,619
Trade receivables	(17)	2,320	2,515	2,674
Other receivables	(18)	1,351	1,061	1,126
Derivative instruments - assets	(26)	223	52	60
Cash and cash equivalents	(19)	1,591	1,429	1,155
Assets held for sale		-	-	2,733
TOTAL ASSETS	(4)	40,608	28,308	29,841
EQUITY & LIABILITIES				
Common stock	(20)	781	691	707
Additional paid-in capital	(20)	8,462	6,019	6,420
Treasury shares		(40)	(55)	(72)
Retained earnings		5,225	4,411	3,023
Other reserves	(20)	(613)	36	31
Foreign currency translation		(905)	(104)	205
SHAREHOLDERS' EQUITY - PARENT COMPANY		12,910	10,998	10,314
Minority interests	(20)	1,725	1,079	1,380
EQUITY		14,635	12,077	11,694
NON CURRENT LIABILITIES		17,043	10,720	11,962
Deferred income tax liability	(22)	923	695	529
Pension & other employee benefits liabilities	(23)	943	724	1,057
Provisions	(24)	976	928	935
Long-term debt	(25)	14,149	8,347	9,421
Derivative instruments - liabilities	(26)	52	26	20
CURRENT LIABILITIES		8,930	5,511	6,185
Pension & other employee benefits liabilities	(23)	67	79	120
Provisions	(24)	165	201	132
Trade payables		1,864	1,732	1,598
Other payables	(27)	2,039	1,553	1,668
Income tax payable		176	148	136
Short term debt and current portion of long-term debt	(25)	4,472	1,762	1,664
Derivative instruments - liabilities	(26)	147	36	25
Liabilities associated with assets held for sale		-	-	842
TOTAL EQUITY AND LIABILITIES	(4)	40,608	28,308	29,841

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

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

Consolidated statements of cash flows

YEARS ENDED DECEMBER 31,				
(million euros)	Notes	2008	2007	2006
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
NET INCOME		1,939	2,156	1,589
NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS		-	118	(4)
NET INCOME FROM CONTINUING OPERATIONS		1,939	2,038	1,593
<i>Adjustments for income and expenses which are non cash or not related to operating activities, financial expenses or income taxes:</i>				
Depreciation and amortization of assets	(4)	1,076	941	932
Impairment losses	(6)	276	13	23
Income from associates	(13)	3	-	(30)
(Gains) on disposals, net	(5)	(229)	(196)	(28)
Finance costs (income)	(8)	941	526	485
Income taxes	(22)	479	725	630
Others, net (including dividends received from equity affiliates)		22	(238)	90
Change in operating working capital items, excluding financial expenses and income taxes (see analysis below)		(154)	(79)	(257)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS BEFORE IMPACTS OF FINANCIAL EXPENSES AND INCOME TAXES		4,353	3,730	3,438
Cash payments for financial expenses		(777)	(478)	(513)
Cash payments for income taxes		(575)	(550)	(543)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS		3,001	2,702	2,382
NET OPERATING CASH GENERATED BY (USED IN) DISCONTINUED OPERATIONS		-	(26)	184
NET CASH PROVIDED BY OPERATING ACTIVITIES		3,001	2,676	2,566
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES				
Capital expenditures	(4)	(2,886)	(2,113)	(1,639)
Investment in subsidiaries and joint ventures ⁽¹⁾		(6,309)	(604)	(3,151)
Investment in associates	(13)	(63)	(225)	(10)
Investment in available for sale investments		(11)	(228)	(14)
Disposals ⁽²⁾		615	2,492	180
Net decrease in long-term receivables		(117)	(10)	(15)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS		(8,771)	(688)	(4,649)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS		-	(15)	(198)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(8,771)	(703)	(4,847)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of common stock		12	76	48
Minority interests' share in capital increase/(decrease) of subsidiaries		90	(23)	148
(Increase) decrease in treasury shares		8	(505)	26
Dividends paid	(20)	(784)	(521)	(447)
Dividends paid by subsidiaries to minority interests		(267)	(131)	(170)
Proceeds from issuance of long-term debt		9,208	1,279	3,341
Repayment of long-term debt		(1,094)	(2,239)	(2,213)
Increase (decrease) in short-term debt		(1,143)	359	1,148
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		6,030	(1,705)	1,881
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS		-	41	15
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		6,030	(1,664)	1,896

CONSOLIDATED STATEMENTS

Consolidated statements of cash flows

YEARS ENDED DECEMBER 31,

(million euros)	Notes	2008	2007	2006
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS		260	309	(386)
Increase in cash and cash equivalents from discontinued operations		-	-	1
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts		(98)	(35)	(97)
Cash and cash equivalents at beginning of year		1,429	1,155	1,735
Reclassification of cash and cash equivalents from discontinued operations		-	-	(98)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(19)	1,591	1,429	1,155
(1) Net of cash and cash equivalents of companies acquired		306	10	5
(2) Net of cash and cash equivalents of companies disposed of		30	16	4
ANALYSIS OF CHANGES IN OPERATING WORKING CAPITAL ITEMS		(154)	(79)	(257)
(Increase)/decrease in inventories		(373)	(201)	(146)
(Increase)/decrease in trade receivables		206	126	(238)
(Increase)/decrease in other receivables – excluding financial and income taxes receivables		(292)	5	(167)
Increase/(decrease) in trade payables		53	131	122
Increase/(decrease) in other payables – excluding financial and income taxes payables		252	(140)	172

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

Consolidated statements of changes in equity

	Notes	Outstanding shares (number of shares)	Of which Treasury shares	Common stock	Additional paid-in capital	Treasury shares	Retained earnings	Other reserves	Foreign currency translation *	Shareholders' equity – Parent company	Minority interests	Equity (million euros)
BALANCE AT JANUARY 1, 2006 **		175,985,303	1,785,074	704	6,316	(98)	2,025	(37)	741	9,651	2,533	12,184
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY							73	68	(536)	(395)	(119)	(514)
Net income							1,372			1,372	217	1,589
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD							1,445	68	(536)	977	98	1,075
Dividends paid							(447)			(447)	(170)	(617)
Issuance of common stock (exercise of stock options)	(21)	639,839		3	45					48		48
Share based payments	(21)				59					59		59
Treasury shares			(412,814)			26				26		26
Other movements – minority interests	(20)										(1,081)	(1,081)
BALANCE AT DECEMBER 31, 2006 **		176,625,142	1,372,260	707	6,420	(72)	3,023	31	205	10,314	1,380	11,694
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY								5	(309)	(304)	(46)	(350)
Net income							1,909			1,909	247	2,156
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD							1,909	5	(309)	1,605	201	1,806
Dividends paid	(20)						(521)			(521)	(159)	(680)
Issuance of common stock (exercise of stock options)	(21)	968,838		4	72					76		76
Share based payments	(21)				29					29		29
Cancellation of shares	(20)	(5,029,405)	(5,029,405)	(20)	(502)	522						
Treasury shares			4,314,378			(505)				(505)		(505)
Other movements – minority interests	(20)										(343)	(343)
BALANCE AT DECEMBER 31, 2007		172,564,575	657,233	691	6,019	(55)	4,411	36	(104)	10,998	1,079	12,077

CONSOLIDATED STATEMENTS

Consolidated statements of changes in equity

	Notes	Outstanding shares (number of shares)	Of which Treasury shares	Common stock	Additional paid-in capital	Treasury shares	Retained earnings	Other reserves	Foreign currency translation*	Shareholders' equity – Parent company	Minority interests	Equity (million euros)
BALANCE AT DECEMBER 31, 2007		172,564,575	657,233	691	6,019	(55)	4,411	36	(104)	10,998	1,079	12,077
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY								(649)	(801)	(1,450)	(35)	(1,485)
Net income							1,598			1,598	341	1,939
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD							1,598	(649)	(801)	148	306	454
Dividends paid	(20)						(784)			(784)	(259)	(1,043)
Issuance of common stock (exercise of stock options)	(21)	171,959			12					12		12
Issuance of common stock (Orascom Cement acquisition)	(3), (20)	22,500,000		90	2,402					2,492		2,492
Share based payments	(21)				29					29		29
Treasury shares	(20)		(220,440)			15				15		15
Other movements – minority interests	(20)										599	599
BALANCE AT DECEMBER 31, 2008		195,236,534	436,793	781	8,462	(40)	5,225	(613)	(905)	12,910	1,725	14,635

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

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

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

Consolidated statement of recognized income and expense

DECEMBER 31,									
(million euros)	2008			2007			2006		
	Group Share	Minority Interests	Total	Group Share	Minority Interests	Total	Group Share	Minority Interests	Total
NET INCOME	1,598	341	1,939	1,909	247	2,156	1,372	217	1,589
Available for sale investments	(338)	-	(338)	(29)	-	(29)	145	-	145
Cash-flow hedge instruments	(53)	-	(53)	12	-	12	(38)	-	(38)
Actuarial gains/(losses)	(384)	-	(384)	34	(1)	33	22	27	49*
Deferred taxes and others	126	-	126	(12)	-	(12)	12	-	12
Change in translation adjustments	(801)	(35)	(836)	(309)	(45)	(354)	(536)	(146)	(682)
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY	(1,450)	(35)	(1,485)	(304)	(46)	(350)	(395)	(119)	(514)
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD	148	306	454	1,605	201	1,806	977	98	1,075

* Figures have been adjusted after the application by the Group of the amendment of IAS 19 – Employee Benefits, allowing the recognition through equity of the actuarial gains and losses under defined-benefit pension plans.
The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Note 1 - Business description

Lafarge S.A. is a French limited liability company (*société anonyme*) governed by French law. Our commercial name is "Lafarge". The company was incorporated in 1884 under the name "J et A Pavin de Lafarge". Currently, our by-laws state that the duration of our company is until December 31, 2066, and may be amended to extend our corporate life. Our registered office is located at 61 rue des Belles Feuilles, BP 40, 75116 Paris Cedex 16, France. The company is registered under number "542 105 572 RCS Paris" with the registrar of the Paris Commercial Court (*Tribunal de Commerce de Paris*).

The Group organizes its operations into three Divisions: Cement, Aggregates & Concrete and Gypsum (*see Note 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 "Group" or "Lafarge" refer to Lafarge S.A. together with its consolidated companies. The consolidated financial statements are presented in euros rounded to the nearest million.

These financial statements were established and authorized for issue by the Board of Directors on February 19, 2009.

Note 2 - Summary of significant accounting policies

2.1 Basis of preparation

In accordance with the European Regulation No. 1606/2002 issued July 19, 2002, the consolidated financial statements of the Group for the period presented are prepared in accordance with the **International Financial Reporting Standards** ("IFRS") as endorsed by the European Union as of December 31, 2008, and available on the site http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The consolidated financial statements have been prepared under the historical cost convention, except for the following:

- derivative financial instruments measured at fair value;
- financial instruments at fair value through profit and loss measured at fair value;
- available-for-sale financial assets measured at fair value;
- liabilities for cash-settled share based payment arrangements measured at fair value.

As a first time adopter of IFRS at January 1, 2004, the Group has followed the specific prescriptions of IFRS 1 which govern the first-time adoption. The options selected for the purpose of the transition to IFRS are described in the following notes to the consolidated financial statements.

The accounting policies retained for the preparation of the Group consolidated financial statements as at December 31, 2008 are compliant with those retained for the preparation of the Group

consolidated financial statements as at December 31, 2007 with the exception of the following standards, amendments and interpretations which are mandatory for the financial statements as at December 31, 2008:

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions;
- amendments to IAS 39 – Financial Instruments: Recognition and Measurement - and to IFRS 7 – Financial Instruments: Disclosures – headed "Reclassification of Financial Assets".

These standards and interpretations have no impact on the Group consolidated financial statements. In particular, the Group did not reclassify any financial assets.

These accounting policies do not differ from the IFRS published by the IASB as:

- the application of IFRIC 12 – Service concession Arrangements effective as of January 1, 2008 once approved by the European Union, will not have any impact on the Group consolidated financial statements;
- the application of IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction effective as of January 1, 2008 and approved by the European Union at a different effective date (January 1, 2009), will not have any impact on the Group consolidated financial statements.

Standards, amendments and interpretations that are not yet effective have not been early adopted by the Group (*see Note 2.27*).

2.2 Principles of consolidation

Investments over which the Group exercises control are fully consolidated. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in companies in which the Group and third party investors have agreed to exercise joint control are consolidated by the proportionate consolidation method with the Group's share of the joint ventures' results of operations, assets and liabilities recorded in the consolidated financial statements.

Investments over which the Group exercises significant influence, but not control, are accounted for under the equity method. Such investees are referred to as "associates" throughout these consolidated financial statements.

Significant influence is presumed to exist when the Group holds at least 20% of the voting power of associates. Associates are initially recognized at cost. The consolidated financial statements include the Group's share of income and expenses after adjustments to align the accounting policies with those of the Group, from the date significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Special Purpose Entities (SPE) are consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

All intercompany balances and transactions have been eliminated in consolidation. With respect to proportionately consolidated companies, intercompany transactions are eliminated on the basis of the Group's interest in the entity involved.

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.3 Use of estimates and judgments

1a) Estimates

The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and of revenues and expenses. Such estimates are prepared on the assumption of ongoing concern, are established based on currently available information and are in keeping with the current economic and financial crisis, the magnitude and duration of which cannot be anticipated with accuracy. Changes in facts and circumstances may result in revised estimates, and actual results could differ from the estimates.

The measurement of some assets and liabilities in the preparation of these financial statements include assumptions made by management particularly on the following items:

- Impairment tests (*see Note 2.12 and Note 10 (c)*): the determination of recoverable amounts of the CGUs assessed in the annual impairment test requires an estimate of their fair value net of disposal costs as well as their value in use. The assessment of the value in use requires assumptions to be made with respect to the operating cash flows of the CGUs as well as the discount rates;
- Deferred tax (*see Note 2.23 and Note 22*): the recognition of deferred tax assets requires assessment of future taxable profit;
- Provisions for employee benefits (*see Note 2.20 and Note 23*): the actuarial techniques used to assess the value of the defined benefit plan involve financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee's turnover rate...). The Group uses the assistance of an external independent actuary in the assessment of these assumptions;
- Provisions for environmental risks and site restoration (*see Note 2.21 and Note 24*): provisions for environmental risks and site restoration require assessment of the amounts that the Group will have to pay and assumptions in terms of phasing and discount rate;
- Provisions for litigation (*see Note 24 and Note 29*): the litigation and claims to which the Group is exposed are assessed by the Legal Department. In certain situation, the Legal Department may use the assistance of external specialised lawyers.

1b) Judgments

The accounting for certain provisions, certain financial instruments and the disclosure of financial assets, contingent assets and liabilities at the date of the consolidated financial statements is judgmental. The items subject to judgment are detailed in the corresponding disclosures.

2.4 Translation of financial statements denominated in foreign currencies

1) Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies recorded at historical cost are retranslated at the functional currency closing rate whereas monetary assets and liabilities measured at fair value are translated using the exchange rates at the dates at which the fair value was determined. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transaction.

All differences are taken to profit and loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity, until the disposal of the net investment.

12) Foreign operation

As at reporting date, the assets and liabilities, including goodwill and any fair value adjustment arising on the acquisition of a foreign operation whose functional currency is not the euro, are translated by using the closing rate.

Income and expenses of a foreign entity whose functional currency is not the currency of a hyperinflationary economy is translated by using the average currency rate for the period except if exchange rates fluctuate significantly.

The exchange differences arising on the translation are taken directly to a separate component of equity. On the disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

The Group, as permitted by IFRS 1, elected to "reset to zero" previous cumulative translation differences arising from the translation into euros of foreign subsidiaries' financial statements denominated in foreign currencies. Translation adjustments which predate the transition to IFRS will therefore not be included when calculating gains or losses arising from the future disposal of consolidated subsidiaries, joint ventures or associates.

For companies that operate in countries which have been designated as hyperinflationary, balance sheet amounts not yet expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index. Revenues and expenses in local currency are also restated on a monthly basis. Differences between original values and reassessed values are included in income. In defining hyperinflation, the Group employs criteria which include characteristics of the economic environment, such as inflation and foreign currency exchange rate fluctuations.

The schedule below presents foreign exchange rates for the main currencies used within the Group:

RATES

(euro)	2008		2007		2006	
	Average rate	Year-end rate	Average rate	Year-end rate	Average rate	Year-end rate
Brazilian real (BRL)	2.6745	3.2436	2.6665	2.6196	2.7330	2.8161
Canadian dollar (CAD)	1.5593	1.6998	1.4690	1.4449	1.4243	1.5281
Chilean peso (CLP)	768.7801	885.7475	716.0046	731.4716	666.6667	714.2857
Chinese yuan (CNY)	10.2242	9.4956	10.4186	10.7524	10.0100	10.2775
Algerian dinar (DZD)	94.8358	99.1003	94.9874	97.9942	91.1814	93.6870
Egyptian pound (EGP)	8.0031	7.6734	7.7343	8.1179	7.2046	7.5188
British pound (GBP)	0.7965	0.9525	0.6846	0.7333	0.6818	0.6715
Indian rupee (INR)	64.0031	67.4279	56.6878	58.0155	56.8944	58.2509
Iraqi dinar (IQD)	1,757.3700	1,642.2060	1,710.3000	1,785.6600	1,838.5200	1,742.3900
Jordanian dinar (JOD)	1.0441	0.9881	0.9731	1.0452	0.8915	0.9351
Moroccan dirham (MAD)	11.3828	11.2910	11.2515	11.3860	11.0742	11.1732
Malaysian ringgit (MYR)	4.8879	4.8048	4.7075	4.8682	4.6041	4.6490
Nigerian naira (NGN)	172.8726	182.6606	170.8707	171.9413	158.7302	166.6667
Philippine peso (PHP)	65.1284	65.9300	63.0159	60.7240	64.5161	64.5161
Polish zloty (PLN)	3.5151	4.1535	3.7833	3.5935	3.8956	3.8314
Romanian leu (RON)	3.6840	4.0225	3.3380	3.6077	3.5244	3.3835
Russian rouble (RUB)	36.4226	41.2830	35.0203	35.9860	34.1115	34.6800
U.S. dollar (USD)	1.4706	1.3917	1.3706	1.4721	1.2557	1.3170
South African rand (ZAR)	12.0659	13.0667	9.6615	10.0298	8.5251	9.2166

2.5 Business combinations, related goodwill and intangible assets

1) Business combinations

BUSINESS COMBINATIONS AFTER JANUARY 1, 2004

Business combinations entered into after January 1, 2004 are accounted for in accordance with the purchase method. Once control is obtained over a company, its assets and liabilities and contingent liabilities are recognized in accordance with the rules set forth in IFRS 3. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5. Non-current assets held for sale are recognized and measured at fair value less costs to sell.

The cost of acquisition is measured as the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree;

- any costs directly attributable to the business combination.

Any excess of the cost of acquisition over the Group's share in the fair value of all identified assets and liabilities is recognized as goodwill.

If the acquirer's interest in the net fair value of the acquiree is an excess, a gain is recognized immediately.

When the Group initially acquires a controlling interest in a business any portion of the assets and liabilities retained by minority shareholders is also recorded at its fair value.

STEP UP ACQUISITIONS

For the time being, in the absence of specific rules, the Group has elected to adopt the following accounting treatment:

- if the Group subsequently acquires an interest in the assets and liabilities from minority shareholders, no additional fair value adjustment is recorded at that time;
- the difference between the purchase price and the carrying value of proportional interest in assets and liabilities acquired is recorded as goodwill.

When goodwill is determined provisionally by the end of the period in which the combination is effected, the Group recognizes any adjustments to those provisional values within twelve months of the acquisition date. Comparative information presented for the periods before the initial accounting of fair values is complete is presented as if the initial accounting had been completed from the acquisition date, if the adjustments to provisional values would have materially affected the presentation of the consolidated financial statements.

SPECIFIC TREATMENT RELATED TO FIRST-TIME ADOPTION OF IFRS

As permitted by IFRS 1, the Group has not restated the business combinations which predate the transition date (January 1, 2004).

Prior to the transition date, the Group has applied the purchase method according to French GAAP to all of its business combinations since January 1, 1989. The principal difference relate to acquired goodwill, which was amortized over the expected period of benefit, not to exceed 40 years; goodwill is not amortized under IFRS.

12) Goodwill

As required by IFRS 3, "Business Combinations", and IAS 36, "Impairment of Assets", subsequent to January 1, 2004, goodwill is no longer amortized but is tested for impairment at least annually (refer to Note 2.12).

13) Indefinite life intangible assets recorded during a business combination

Under French GAAP, before January 1, 2004, non-amortizable intangible assets acquired in a business combination, such as market share, have been recognized through the purchase price allocation. These assets are not considered as a separately identifiable intangible asset under IAS 38, "Intangible Assets" (such as market share), but as a component of goodwill. They have been reclassified to goodwill at their carrying value as at January 1, 2004.

2.6 Revenue recognition

Consolidated revenues represent the value, before sales tax, of goods, products and services sold by consolidated enterprises as part of their ordinary activities, after elimination of intra-Group sales.

Revenues from the sale of goods and products are recorded when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer (generally at the date ownership is transferred) and recovery of the consideration is probable.

Revenue is measured at the fair value of the consideration received or receivable net of return, taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Amounts billed to a customer in a sales transaction related to shipping and handling are included in "Revenue", and costs incurred for shipping and handling are classified as "Cost of sales".

2.7 Operating income before capital gains, impairment, restructuring and other

The Group has included the subtotal "Operating income before capital gains, impairment, restructuring and other" on the face of the consolidated statement of income. This measure excludes those elements of our operating results 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 the future. The Group believes that the subtotal "Operating income before capital gains, impairment, restructuring and other" 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 providing 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, operating income before capital gains, impairment, restructuring and other is a major component of the Group's key profitability measure, return on capital employed (which is calculated by dividing the sum of operating income before capital gains, impairment, restructuring and other after tax and income from associates by the average of 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 its use 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.

2.8 Finance costs and income

Finance costs and income comprise:

- interest charges and income relating to debenture loans, the liability component of compound instruments, other borrowings including lease-financing liabilities, and cash and cash equivalents;
- other expenses paid to financial institutions for financing operations;
- dividends received from non-consolidated investments;
- impact of discounting provisions (except employee benefits);

- financial exchange gains and losses;
- gains on the disposal of available-for-sale financial assets;
- impairment losses recognised on available-for-sale financial assets;
- gains and losses associated with certain derivative instruments (except for the effective portion of derivative instruments qualified as cash flow hedge or net investment hedge); and
- change in value of derivative instruments held for trading.

2.9 Earnings per share

Basic earnings per share are computed by dividing income available to shareholders of the parent company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are computed by dividing adjusted net income available to shareholders of the parent company by the weighted average number of common shares outstanding during the year adjusted to include any dilutive potential common shares.

Potential dilutive common shares result from stock options and convertible bonds issued by the Group on its own common shares.

2.10 Intangible assets

In accordance with criteria set in IAS 38, "Intangible Assets", intangible assets are recognized only if:

- identifiable;
- controlled by the entity;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets primarily include depreciable items such as software, mineral rights, and real estate development rights as well as certain development costs that meet the IAS 38 criteria.

Intangible assets are amortized using the straight-line method over their useful lives ranging from three to five years, except for mineral rights, which are amortized based upon tonnes extracted, and real estate development rights, which are amortized over the estimated life of the development program.

Depreciated expense is recorded in "Cost of sales" and "Selling and administrative expenses", based on the function of the underlying assets.

I Research & Development costs

According to IAS 38, "Intangible assets", development expenditure is capitalized only if the entity can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development;
- its capacity to measure reliably the expenditure attributable to the intangible assets during their development.

The Group is committed to improving its manufacturing process maintaining product quality and meeting existing and future customer needs. These objectives are pursued through various programs. Within their framework, expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognised as expenses when incurred. Development expenditures (which have direct applications on the product offer) are capitalized only if the above-mentioned criteria are met and are amortized on a straight-line basis over five years. The expenditure capitalized includes the costs that are directly attributable to preparing the asset for its intended use. Other development costs are recognized as expenses as incurred.

Intangible assets considered to have finite useful life are carried at their costs less accumulated amortization and accumulated impairment losses.

2.11 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

In accordance with IFRIC 4, "Determining whether an arrangement contains a lease", arrangements including transactions that convey a right to use the asset, or fulfillment of the arrangement is dependent on the use of a specific asset, are analyzed in order to assess whether such arrangements contain a lease and whether the prescriptions of IAS 17 have to be applied.

In accordance with IAS 17, "Lease Contracts", the Group capitalizes assets financed through capital leases where the lease arrangement transfers to the Group substantially all the benefits and risks of ownership. Lease arrangements are evaluated based upon the following criteria:

- the lease term in relation to the assets' useful lives;

- the total future payments in relation to the fair value of the financed assets;
- existence of transfer of ownership;
- existence of a favorable purchase option; and
- specificity of the leased asset.

Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and they are not recognized on the Group's balance sheet.

Interest on borrowings related to the financing of significant construction projects, which is incurred during development activities, is capitalized in project costs.

Investment subsidies are deducted from the cost of the property, plant and equipment.

The residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

Depreciation on property, plant and equipment is calculated as follows:

- land is not depreciated;
- mineral reserves consisting of proven and probable reserves are depleted using the units-of-production method;
- buildings are depreciated using the straight-line method over estimated useful lives varying from 20 years to 50 years for office properties;
- plant, machinery, equipment and installation costs are depreciated using the straight-line method over their estimated useful lives, ranging from 8 to 30 years.

The historical cost of assets is classified into specific cost categories based upon their distinct characteristics. Each cost category represents a component with a specific useful life. Useful lives are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation expense is recorded in "Cost of sales" and "Selling and administrative expenses", based on the function of the underlying assets.

2.12 Impairment of long-lived assets

1) Goodwill

In accordance with IAS 36, "Impairment of Assets", the net book value of goodwill is tested for impairment at least annually. This test, whose purpose is to take into consideration events or changes that could have affected the recoverable amount of these assets, is performed during the second half of the year. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use.

Our three Divisions are considered to be our three reporting/operating segments, each comprised of multiple CGUs. For the purposes of the goodwill impairment test, the Group's net assets are allocated to Cash Generating Units ("CGUs"). CGUs generally represent one of our three Divisions in a particular country. A CGU is the smallest identifiable group of assets generating cash inflows independently, and represents the level used by the Group to organize and present its activities and results in its internal reporting.

In its goodwill impairment test, the Group uses a combination of a market approach (fair value less costs to sell) and an income approach (value in use). In the market approach, we compare the carrying value of our CGUs with multiples of their operating income before capital gains, impairment, restructuring, other and before amortization and depreciation. For CGUs presenting an impairment risk according to the market approach, we then use the value in use approach. In the value in use approach, we estimate the discounted value of the sum of the expected future cash flows over a 10-year period. This period reflects the characteristics of our activities where operating assets have a long lifespan and where products evolve slowly. If the carrying value of the CGU exceeds the higher of the fair value (less costs to sell) or the value in use of the related assets and liabilities, the Group records an impairment of goodwill (in "Other operating expenses").

Evaluation for impairment is significantly impacted by estimates of future prices for our products, the evolution of expenses, economic trends in the local and international construction sector, expectations of long-term development of growing markets and other factors. The results of such evaluation are also impacted the discount rates and perpetual growth rates used. The Group has defined country specific discount rates for each of its CGUs based on their weighted-average cost of capital.

According to IAS 36, impairment charges recognized for goodwill are never reversed.

2) Property, plant & equipment and depreciable intangible assets

Whenever events or changes in circumstances indicate that the carrying amount of tangible and intangible assets may not be recoverable, an impairment test is performed. The purpose of this test is to compare the carrying value of the asset with its recoverable value. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use which is the present value of the future cash flows expected to be derived from the use of the asset or its disposal. Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption "Other operating income and expenses".

When an impairment loss is recognized for a cash-generating unit, the loss is allocated first to reduce the carrying amount of the goodwill to the cash-generating unit; and, then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

After the impairment loss, the newly assessed asset is depreciated over its remaining life.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each year-end. The increase in the carrying value of the assets, revised due to the increase of the recoverable value, cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the income statement.

2.13 Other financial assets

Other financial assets consist of shares held in equity securities, shares in listed companies treated as long-term equity investments, long-term receivables or deposits and cash balances that are restricted from use.

The Group classifies financial assets in four categories: trading (assets that are bought and held principally for the purpose of selling them in the near term), held-to-maturity (assets with fixed or determinable payments and fixed maturity that the Group has a positive intent and ability to hold to maturity), loans and receivables (assets with fixed or determinable payments that are not quoted in an active market) and available-for-sale (all other assets).

The classification depends on the purpose for which the financial assets were acquired. The classification is determined at initial recognition.

Most marketable debt and equity securities held by the Group are classified as available-for-sale. They are reported at their fair value (quoted price when available). If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity ("Other Reserves") is included in the profit or loss for the period (Finance income/costs).

Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, as a result of significant financial difficulty of the issuer, a material decrease in expected future profitability or a prolonged decrease in the fair value of the security.

An impairment loss is recognized if an asset is impaired.

Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale, are never reversed through profit or loss.

Available-for-sale financial assets are included in non-current asset unless management intends to dispose of the investment within 12 months of the balance sheet date.

Loans and receivables accounted for at amortized cost are measured in accordance with the effective interest rate method. They are reviewed for impairment on an individual basis if there is any indication they may be impaired.

Financial assets that are designated as held-to-maturity are measured at amortized cost, in accordance with the effective interest rate method.

Trading investments are measured at fair value with gains and losses recorded as financial profits or expenses. Assets in this category are classified as current assets.

All financial assets are reviewed for impairment on an annual basis to assess if there is any indication that the asset may be impaired.

Purchases and sales of all financial assets are accounted for at trade date.

2.14 Derecognition of financial assets

Under IAS 39, "Financial Instruments: Recognition and Measurement", financial assets can only be derecognized when no further cash flow is expected to flow to the Group from the asset and if substantially all risks and rewards attached to the assets have been transferred.

For trade receivables, programs for selling receivables with recourse against the seller in case of recovery failure (either in the form of a subordinated retained interest or a direct recourse) do not qualify for derecognition.

2.15 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overhead based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.16 Trade receivables

Trade receivables are initially measured at fair value, and subsequently carried at amortized cost using the effective interest method less provision for impairment.

A depreciation for trade receivables and others is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the depreciation is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the original effective interest rate. Impairment loss is recognized in the income statement.

2.17 Cash and cash equivalents

Cash and cash equivalents consist of cash, highly liquid investments and cash equivalents which are not subject to significant changes in value and with an original maturity date of generally less than three months from the time of purchase.

Cash balances that are restricted from use (restrictions other than those linked to exchange controls or other legal restrictions in force in some countries) by the Group are excluded from cash and cash equivalents presented in the balance sheet and in the Cash flow statement, and are classified in non-current assets on the line "Other financial assets" in the consolidated balance sheets.

2.18 Equity

1) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

12) Treasury shares

Treasury shares (own equity instruments held by Lafarge S.A. or subsidiaries) are accounted for as a reduction of shareholders equity at acquisition cost and no further recognition is made for changes in fair value. When shares are sold out of treasury shares, the resulting profit or loss is recognized in equity, net of tax.

2.19 Financial liabilities and derivative instruments

1) Recognition and measurement of financial liabilities

Financial liabilities and long-term loans are measured at amortized cost calculated based on the effective interest rate method.

Accrued interests on loans are presented within "Other payables" in the balance sheet.

Financial liabilities hedged by an interest rate swap that qualifies for fair value hedge accounting are measured in the balance sheet at fair value for the part attributable to the hedged risk (risk related to changes in interest rates). The changes in fair value are recognized in earnings for the period of change and are offset by the portion of the loss or gain recognized on the hedging item that relates to the effective portion.

12) Compound instruments

Under IAS 32, "Financial Instruments: Presentation", if a financial instrument contains components with characteristics of both liability and equity items, we classify the component parts separately according to the definitions of the various items. This includes financial instruments that create a debt and grant an option to the holder to convert the debt into equity instruments (e.g. bonds convertible into common shares).

The component classified as a financial liability is valued at issuance at the present value (taking into account the credit risk at issuance date) of the future cash flows (including interest and repayment of the nominal value) of a bond with the same characteristics (maturity, cash flows) but without any shareholders' equity derivative component as defined in IAS 32.

The equity component is assigned the residual carrying amount after deducting from the instrument as a whole the amount separately determined for the liability component.

13) Derivative instruments and hedge relationships

The Group enters into financial derivative contracts only in order to reduce its exposure to changes in interest rates, foreign currency exchange rates and commodities prices on firm or highly probable commitments.

Forward exchange contracts and foreign currency swaps are used to hedge foreign currency exchange rate exposures.

The Group enters into various interest rate swaps and options to manage its interest rate exposure.

The Group uses derivatives such as swaps and options in order to manage its exposure to commodity risks.

Pursuant to the guidance in IAS 39 and IAS 32, the Group records in its financial statements financial instruments which meet the criteria for recognition as derivatives. Derivative instruments are marked to market and recorded on the balance sheet at their fair value. The accounting for changes in fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Group designates its derivatives based on the criteria established by IAS 39.

In case of a fair value hedge relationship, changes in fair value on the hedging item are recognized in earnings of the period of change. The part corresponding to the efficient portion of the hedge is offset by the loss or gain recognized on the hedged item.

In case of a cash flow hedge relationship, changes in fair value on the hedging item that is determined to be an effective hedge are initially recognized directly in equity. The ineffective portion of the gain or loss is recognized in earnings immediately under the captions finance income. The gain or loss recognized in equity is subsequently reclassified to profit and loss when the hedged exposure affects earnings.

Embedded derivatives not closely related to host contracts are recorded at fair value in the balance sheet. For embedded derivatives, the gain or loss is recognized in earnings in the period of the change in fair value.

14) Put options on shares of subsidiaries

Pursuant to IAS 27 and IAS 32, put options granted to minority interests of consolidated subsidiaries are considered financial debt.

The Group records the put options granted to minority interests as a financial debt at its fair value and as a reduction in minority interests in equity. When the fair value of the put options exceeds the carrying amount of the minority interest, the Group records this difference as goodwill.

The value of the debt is estimated using the contract formulas or prices. When utilizing formulas based upon multiples of earnings

minus debt, we use the actual earnings of the period and the debt of the subsidiary at the closing date of the estimation. The change in the value of the instrument is recorded against the goodwill initially recorded on these instruments.

There is no impact on the consolidated statements of income.

2.20 Pensions, end of service benefits and other post-retirement benefits

1) Defined contribution plans

The Group accounts for pension costs related to defined contribution pension plans as they are incurred (in "Cost of sales" or "Selling and administrative expenses" based on the beneficiaries of the plan).

2) Defined benefit plans

Estimates of the Group's pension and end of service benefit obligations are calculated annually, in accordance with the provisions of IAS 19, "Employee Benefits", with the assistance of independent actuaries, using the projected unit credit method. This method considers best estimate actuarial assumptions including the probable future length of the employees' service, the employees' final pay, the expected average life span and probable turn-over of beneficiaries.

The Group's obligations are discounted by country based upon appropriate discount rates. The obligations are recognized based upon the proportion of benefits earned by employees as services are rendered.

Assets held by external entities to fund future benefit payments are valued at fair value at closing date.

For most defined benefit plans, changes in actuarial assumptions which affect the value of the obligations and the differences between expected and actual long-term return on plan assets are accounted for as actuarial gains and losses.

The current period pension expense is comprised of the increase in the obligation, which results from the additional benefits earned by employees in the period, and the interest expense, which results from the outstanding pension obligation. The amounts described above are reduced by the expected return on plan assets.

The current period pension expense is recorded in "Cost of sales" or "Selling and administrative expenses" based on the beneficiaries of the plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the SORIE in the period in which they arise, the Group applying the option offered by the amendment to IAS 19.

Pension plans amendments are, in general, recognized in profit and loss:

- in the year of the amendment for the part related to vested benefits;
- over the remaining service life of related employees for the portion related to non-vested benefits.

In the event of overfunding of a plan's liabilities by its dedicated assets, the Group applies the limitations applicable under IAS 19 (asset ceiling) to the prepaid pension cost amount to be recognized on the employer's balance sheet.

I3) Other post-retirement benefits

Certain of the Group's subsidiaries grant their employees and dependants post-retirement medical coverage or other types of post-employment benefits. These costs are calculated based upon actuarial determinations and are recorded through profit and loss over the expected average remaining service lives of the employees (in "Cost of sales" or "Selling and administrative expenses" based on the beneficiaries of the plan).

SPECIFIC TREATMENT RELATED TO FIRST-TIME ADOPTION OF IFRS

The Group has elected to use the option available in IFRS 1 under which any difference existing at January 1, 2004 between defined benefit plan liabilities and the fair value of dedicated assets, not recognized in an entity's balance sheet at that date, can be recognized through an adjustment to equity, except the non-vested portion of unrecognized prior service costs. As a consequence, actuarial gains or losses relating to pensions obligations were recognized as of January 1, 2004.

2.21 Provisions

The Group recognizes provisions when it has a legal or constructive obligation resulting from past events, the resolution of which would result in an outflow of resources.

I1) Restructuring

Reserves for restructuring costs are provided when the restructuring plans have been finalized and approved by the Group's management, and when the Group has raised a valid expectation in those affected that it will carry out the plan either by starting to implement the plan or announcing its main features to those affected by it. These reserves only include direct expenditures arising from the restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly linked with the closure of the facilities.

I2) Site restoration

When the Group is legally, contractually or constructively required to restore a quarry site, the estimated costs of site restoration are accrued and amortized to cost of sales, on a unit-of-production basis

over the operating life of the quarry. The estimated future costs for known restoration requirements are determined on a site by site basis and are calculated based on the present value of estimated future costs.

I3) Environmental costs

Costs incurred that result in future economic benefits, such as extending useful lives, increased capacity or safety, and those costs incurred to mitigate or prevent future environmental contamination, are capitalized. When the Group determines that it is probable that a liability for environmental costs exists, and that its resolution will result in an outflow of resources, an estimate of the future remediation is recorded as a provision without the offset of contingent insurance recoveries (only virtually certain insurance recoveries are recorded as an asset in the balance sheet). When the Group does not have a reliable reversal time schedule or when the effect of the passage of time is not significant, the provision is calculated based on undiscounted cash flows.

Environmental costs, which are not included above, are expensed as incurred.

2.22 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.23 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the Group is able to control the timing of the reversal of the temporary difference (*e.g.* the payment of dividends); and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Accordingly, for fully and proportionally consolidated companies, a deferred tax liability is only recognized in the amount of taxes payable on planned dividend distributions by these companies.

2.24 Share based payments

On a regular basis, the Group grants purchase or subscription share options to employees and offers employee share purchase plans.

In accordance with the prescriptions of IFRS 2, "Share Based Payments", the Group records compensation expense for all share-based compensation granted to its employees. The Group granted a performance stock plan for the first time in 2007.

1) Share options granted to employees, performance stock plan and SAR ("Stock Appreciation Rights")

Share options and performance stock fair value are calculated at grant date using the Black & Scholes model. However, depending on whether the equity instruments granted are equity-settled through the issuance of Group shares or cash settled, the accounting treatment differs.

If the equity instrument is settled through the issuance of Group shares, the fair value of the equity instruments granted is estimated and fixed at the grant date and recorded over the vesting period based on the characteristics of the equity instruments. In addition, the expense is recorded against equity.

If the equity instrument is settled in cash (applicable for SAR), the fair value of the equity instruments granted is estimated as of the grant date and is re-estimated at each reporting date, and the expense is adjusted pro rata taking into account the vested rights at the relevant reporting date. The expense is amortized over the vesting period based on the characteristics of the equity instruments. The expense is recorded as a non-current provision.

In accordance with IFRS 1 and IFRS 2, only options granted after November 7, 2002 and not fully vested at January 1, 2004 are measured and accounted for as employee costs.

12) Employee share purchase plans

When the Group performs capital increases reserved for employees and when the conditions offered are significantly different from market conditions, the Group records a compensation cost.

This cost is measured at the grant date, defined as the date at which the Group and employees share a common understanding of the characteristics of the offer.

The measurement of the cost takes into account the bonuses paid under the plan, the potential discount granted on the share price and the effect of post-vesting transfer restrictions (deducted from the discount granted).

The compensation cost calculated is expensed in the period of the operation (considered as compensation for past-services) if no vesting condition is attached to the shares.

2.25 Emission rights

Where the Group is involved in a cap and trade scheme, and until the IASB issues a position on the appropriate accounting treatment the Group will account for the effects of such scheme as follows:

- emission rights granted by governments are not recorded in the balance sheet, as they have a cost equal to zero;
- proceeds from the sale of granted emission rights are recorded as a reduction to cost of sales;
- purchases of emission rights on the market are recorded in Cost of sales when they cover actual emissions of the period. They are recorded as intangible assets if they cover actual emissions to be made in the future periods;
- provisions are recorded (in Cost of sales) when estimated yearly actual emissions exceed the number of emission rights granted for the period or purchased to cover actual emissions.

No other impact is recorded in the statement of income or in the balance sheet.

2.26 Non-current assets held for sale and discontinued activities

A fixed asset or a grouping of assets and liabilities is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or groupings of assets and liabilities) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or groupings of assets and liabilities), and its sale must be highly probable. Such assets or groupings of assets and liabilities are presented separately in the balance sheet, in the line "Assets held for sale" when they are material. These assets or grouping of assets and liabilities are measured at the lower of their carrying value and fair value less costs to sell. The liabilities directly linked to assets or grouping of assets held for sale are presented in the line "Liabilities directly associated with assets held for sale" on the face of the balance sheet.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a significant subsidiary acquired exclusively with a view to resale.

Amounts included in the statements of income and the statements of cash flow related to these discontinued operations are presented separately for the current period and all prior periods presented in the financial statements if they are material. Assets and liabilities related to discontinued operations are shown on separate lines for the last period presented with no restatement for prior years.

2.27 Accounting pronouncements not yet effective

Standards and interpretations adopted by the European Union at the closing date

- IFRS 8, Operating Segments (applicable for financial periods beginning on or after January 1, 2009). The application of this standard for the period beginning on January 1, 2009 is expected to have no impact on the consolidated financial statements;
- Revised IAS 23, Borrowing Costs (applicable for financial periods beginning on or after January 1, 2009) is not expected to have any impact on the consolidated financial statements;
- Revised IAS 1, Presentation of Financial Statements (applicable for financial periods beginning on or after January 1, 2009). This standard will not have any impact on the Group's financial position but will change the presentation of the consolidated financial statements;
- Amendment to IFRS 2, Share-based Payment – Vesting Conditions and Cancellations (applicable for financial periods beginning on

or after January 1, 2009). The Group has not yet determined the potential effect of the amendment;

- IFRIC 13, Customer Loyalty Program (applicable for financial periods beginning on or after January 1, 2009). This interpretation is not expected to have any impact on the consolidated financial statements;
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable for financial periods beginning on or after January 1, 2009). This interpretation is not expected to have any impact on consolidated financial statements.

Standards and Interpretations issued but not yet adopted by the European Union at the closing date

Pronouncements with a potential impact on consolidated financial statements

- Revised IFRS 3, Business Combinations (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009);
- Amended IAS 27, Consolidated and Separate Financial Statements (applicable for financial periods beginning on or after July 1, 2009).

These standards will have an impact on the accounting of future business combinations and future transactions with minority interests.

- Improvements to IFRS (applicable for financial periods beginning on or after January 1, 2009, except for the improvements related to IFRS 5 which are applicable on July 1, 2009).

Pronouncements with limited impact expected on consolidated financial statements

- Revised IAS 39, Eligible Hedged Items (applicable for financial periods beginning on or after July 1, 2009);
- Revised IFRS 1, First Time Adoption of IFRS (applicable for financial periods beginning on or after July 1, 2009);
- Revised IFRS 1 and IAS 27, Cost of An Investment in a Subsidiary, Jointly Controlled Entity or Associate (applicable for financial periods beginning on or after January 1, 2009);
- Revised IAS 32 and IAS 1, Puttable Financial Instruments and Obligations Arising on Liquidation (applicable for financial periods beginning on or after January 1, 2009);
- IFRIC 12, Service Concession Arrangements (applicable for financial periods beginning on or after January 1, 2008);
- IFRIC 15, Agreements for the Construction of Real Estate (applicable for financial periods beginning on or after January 1, 2009);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (applicable for financial periods beginning on or after October 1, 2008);
- IFRIC 17, Distributions of Non-cash Assets to Owners (applicable for fiscal periods beginning on or after July 1, 2009).

Note 3 - Significant events

(a) Main acquisition of the period: Acquisition of Orascom Cement (January 2008)

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

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

(million euros)	
Purchase price consideration	8,321
Provisional fair value of net assets acquired	2,038
PROVISIONAL GOODWILL AT DECEMBER 31, 2008	6,283

The purchase price consideration is determined as follows:

- price paid in cash to Orascom Cement shareholders: 5,768 million euros including the effect of contractual price adjustments and the price paid related to Grupo GLA (50% paid to Orascom Cement shareholders and 50% paid to the former partner of Orascom Cement) (effective date of acquisition: April 1, 2008);
- fair value of 22,500,000 new shares issued for the major shareholders of OCI, calculated on the basis of Lafarge's share price at acquisition date (market closing price: 110.76 euros per share): 2,492 million euros;
- costs directly related to the acquisition: 61 million euros.

The purchase price was adjusted during the year to take into account the terms of the acquisition contract signed between Lafarge and Orascom Cement shareholders, and the acquisition of Grupo GLA.

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

The goodwill is mainly attributable to the high profitability of the acquired business, market shares and to the expected synergies in terms of industrial performance and logistics network which are not separately recognized.

The Orascom Cement businesses contributed revenues of 1,510 million euros and net income (Group share) of 297 million euros to the Group for the period from January 23, 2008 to December 31, 2008.

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

(million euros)	12-month period from January 1, 2008 to December 31, 2008
Revenue	19,086
Operating income before capital gains, impairment, restructuring and other	3,570
Operating income	3,390
Finance income/(loss) net	(961)
NET INCOME – GROUP SHARE	1,598
BASIC EARNINGS PER SHARE (GROUP SHARE)	8.21

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

(million euros)	Fair value	Carrying value prior to acquisition *
Intangible assets	117	25
Property, plant and equipment	4,595	2,424
Inventories	213	210
Trade receivables	95	95
Other assets	348	235
Cash and cash equivalents	282	292
Provisions	(43)	(9)
Debt	(2,029)	(2,029)
Trade payables	(167)	(167)
Other liabilities	(737)	(273)
Minority interests	(636)	(219)
TOTAL NET ASSETS ACQUIRED	2,038	584
Purchase consideration settled in cash	5,768	
Purchase consideration settled in shares	2,492	
Acquisition costs	61	
PURCHASE PRICE	8,321	
Cash and cash equivalents acquired	(282)	
Purchase consideration settled in shares	(2,492)	
CASH OUTFLOW ON ACQUISITION	5,547	

* Corresponds to the carrying amounts of the assets and liabilities as of January 22, 2008 of the subsidiaries of Orascom Cement consolidated as of December 31, 2008. The figures have been converted to euros using the closing rates at January 22, 2008.

(b) Main divestments of the period

Divestment of our stake in Lafarge Titan Egypt Investments Limited

On May 6, 2008, we sold our 50% stake in Lafarge Titan Egypt Investments Limited, the holding company for our former joint venture with Titan in Egypt for a net amount of 309 million euros, before deduction of the cash disposed of (28 million euros), disclosed on the line "Disposals" in the statement of cash flows. The taxation of the related gain on sale was limited to 3 million euros, which impacts positively the effective tax rate of the period.

Divestment of our Cement and Aggregates & Concrete activities in Italy

On December 31, 2008, we sold our wholly-owned Cement and Aggregates & Concrete activities to Italian group Sacci for a total selling price of 268 million euros. Part of the selling price has not been received as at December 31, 2008 and is reflected in "Other financial assets" in the consolidated balance sheet for an amount of 30 million euros. This receivable is redeemable at the latest on December 31, 2011 and is subject to guarantees. These activities contributed revenues of 97 million euros and net income (Group share) of 7 million euros to the Group in 2008.

The impact of these divestments in our financial statements is described in Notes 5 and 32.

Note 4 - Business Segment and Geographic Area Information

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

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

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

Group management internally evaluates its performance based upon operating income before capital gains, impairment, restructuring and other, share in net income of associates and capital employed (defined as the total of goodwill, intangible and tangible assets, investments in associates and working capital) as disclosed in its business segment and geographic area information.

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

The accounting policies applied to segment earnings comply with those described in Note 2.

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

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

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

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

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Note 4 - Business Segment and Geographic Area Information

(a) Business segment information

2008 (million euros)	Cement	Aggregates & Concrete	Gypsum	Other	Total
STATEMENT OF INCOME					
Gross revenue	11,720	6,580	1,546	29	19,875
Less: intersegment	(809)	(7)	(25)	(1)	(842)
REVENUE	10,911	6,573	1,521	28	19,033
Operating income before capital gains, impairment, restructuring and other	2,964	623	36	(81)	3,542
Gains on disposals, net	228	(3)	-	4	229
Other operating income (expenses)	(294)	(70)	(9)	(36)	(409)
<i>Including impairment on assets and goodwill</i>	<i>(221)</i>	<i>(52)</i>	<i>(3)</i>	<i>-</i>	<i>(276)</i>
OPERATING INCOME	2,898	550	27	(113)	3,362
Finance costs					(1 157)
Finance income					216
Income from associates	15	4	13	(35)	(3)
Income taxes					(479)
NET INCOME					1,939
OTHER INFORMATION					
Depreciation and amortization	(700)	(260)	(80)	(36)	(1 076)
Impairment on assets and goodwill	(221)	(52)	(3)	-	(276)
Other segment non cash income (expenses) of operating income	10	-	(3)	(44)	(37)
Capital expenditures	2,109	556	144	77	2,886
Capital employed	25,547	5,503	1,484	731	33,265
BALANCE SHEET					
Segment assets	28,748	6,995	1,866	2,473	40,082
<i>Of which investments in associates</i>	<i>359</i>	<i>21</i>	<i>119</i>	<i>64</i>	<i>563</i>
Unallocated assets *					526
TOTAL ASSETS					40,608
Segment liabilities	2,601	1,273	398	1,958	6,230
Unallocated liabilities and equity **					34,378
TOTAL EQUITY AND LIABILITIES					40,608

* Deferred tax assets and derivative instruments.

** Deferred tax liability, financial debt, derivative instruments and equity.

2007 (million euros)	Cement	Aggregates & Concrete	Gypsum	Other	Total
STATEMENT OF INCOME					
Gross revenue	10,280	6,597	1,581	16	18,474
Less: intersegment	(824)	(11)	(25)	-	(860)
REVENUE	9,456	6,586	1,556	16	17,614
Operating income before capital gains, impairment, restructuring and other	2,481	721	116	(76)	3,242
Gains on disposals, net	156	10	-	30	196
Other operating income (expenses)	(128)	(38)	(32)	49	(149)
<i>Including impairment on assets and goodwill</i>	<i>(9)</i>	<i>(1)</i>	<i>(1)</i>	<i>(2)</i>	<i>(13)</i>
OPERATING INCOME	2,509	693	84	3	3,289
Finance costs					(652)
Finance income					126
Income from associates	13	14	19	(46)	-
Income taxes					(725)
NET INCOME FROM CONTINUING OPERATIONS					2,038
NET INCOME FROM DISCONTINUED OPERATIONS				118	118
NET INCOME					2,156
OTHER INFORMATION					
Depreciation and amortization	(578)	(258)	(73)	(32)	(941)
Other segment non cash income (expenses) of operating income	(22)	(9)	(15)	56	10
Capital expenditures	1,312	541	201	59	2,113
Capital employed	15,399	4,798	1,482	403	22,082
BALANCE SHEET					
Segment assets	18,094	6,065	1,854	2,027	28,040
<i>Of which investments in associates</i>	<i>115</i>	<i>57</i>	<i>103</i>	<i>56</i>	<i>331</i>
Unallocated assets *					268
TOTAL ASSETS					28,308
Segment liabilities	2,334	1,205	368	1,458	5,365
Unallocated liabilities and equity **					22,943
TOTAL EQUITY AND LIABILITIES					28,308

* Deferred tax assets and derivative instruments.

** Deferred tax liability, financial debt, derivative instruments and equity.

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Note 4 - Business Segment and Geographic Area Information

2006 (million euros)	Cement	Aggregates & Concrete	Roofing ⁽³⁾	Gypsum	Other	Total
STATEMENT OF INCOME						
Gross revenue	9,641	6,449		1,632	14	17,736
Less: intersegment	(794)	(10)		(22)	(1)	(827)
REVENUE	8,847	6,439		1,610	13	16,909
Operating income before capital gains, impairment, restructuring and other	2,103	564		198	(93)	2,772
Gains on disposals, net	7	3		(8)	26	28
Other operating income (expenses)	(114)	(12)		(21)	25	(122)
<i>Including impairment on assets and goodwill</i>	<i>(3)</i>	<i>(1)</i>		<i>(19)</i>	<i>-</i>	<i>(23)</i>
OPERATING INCOME	1,996	555		169	(42)	2,678
Finance costs						(582)
Finance income						97
Income from associates	3	11		16		30
Income taxes						(630)
NET INCOME FROM CONTINUING OPERATIONS						1,593
NET INCOME FROM DISCONTINUED OPERATIONS			(4)			(4)
NET INCOME						1,589
OTHER INFORMATION						
Depreciation and amortization	(575)	(258)		(69)	(30)	(932)
Other segment non cash income (expenses) of operating income	(157)	(35)		(24)	142	(74)
Capital expenditures	931	436		222	50	1,639
Capital employed	15,209	4,585		1,433	163	21,390
BALANCE SHEET						
Segment assets	17,661	5,295		1,695	2,126	26,777
<i>Of which investments in associates</i>	<i>113</i>	<i>41</i>	<i>-</i>	<i>92</i>	<i>7</i>	<i>253</i>
Assets held for sale			2,733			2,733
Unallocated assets ⁽¹⁾						331
TOTAL ASSETS						29,841
Segment liabilities	2,316	1,174		365	1,791	5,646
Liabilities associated with assets held for sale			842			842
Unallocated liabilities and equity ⁽²⁾						23,353
TOTAL EQUITY AND LIABILITIES						29,841

(1) Deferred tax assets and derivative instruments.

(2) Deferred tax liability, financial debt, derivative instruments and equity.

(3) Discontinued operations.

(b) Geographic area information

(million euros)	2008			2007			2006		
	Revenue	Capital expenditure	Segment assets	Revenue	Capital expenditure	Segment assets	Revenue *	Capital expenditure *	Segment assets
WESTERN EUROPE	6,021	669	11,236	6,285	606	10,872	5,953	501	10,266
<i>Of which:</i>									
France	2,721	314	4,620	2,676	264	3,628	2,524	255	3,047
United Kingdom	1,191	141	1,846	1,487	196	2,707	1,387	127	3,100
Spain	671	89	1,554	703	47	994	672	33	1,000
NORTH AMERICA	4,270	477	7,339	4,780	485	7,177	5,116	562	7,296
<i>Of which:</i>									
United States	2,215	286	5,634	2,709	336	5,324	3,216	430	6,192
Canada	2,055	191	1,705	2,071	149	1,853	1,900	132	1,104
MIDDLE EAST	1,611	436	6,752	527	78	878	628	44	861
<i>Of which:</i>									
Egypt	504	62	2,998	65	24	158	64	3	142
CENTRAL & EASTERN EUROPE	1,761	329	2,352	1,467	290	1,992	1,014	112	1,552
LATIN AMERICA	968	130	1,393	876	114	1,502	796	74	1,446
AFRICA	2,373	469	6,280	1,911	261	1,904	1,801	178	1,795
<i>Of which:</i>									
Algeria	361	51	3,896	9	6	14	8	1	9
ASIA	2,029	376	4,730	1,768	279	3,715	1,601	168	3,561
TOTAL	19,033	2,886	40,082	17,614	2,113	28,040	16,909	1,639	26,777

* Only from continuing operations.

Note 5 - Gains on Disposals, net

Components of gains on disposals, net are as follows:

(million euros)	YEARS ENDED DECEMBER 31,		
	2008	2007	2006
Gain (loss) on disposals of consolidated subsidiaries, joint ventures and associates, net	219	169	(5)
Gain on sale of other long-term assets, net	10	27	33
GAINS ON DISPOSALS, NET	229	196	28

2008

"Gain on disposals of consolidated subsidiaries, joint ventures and associates" amounts to 219 million euros, related mainly to:

- the disposal of our 50% stake in Lafarge Titan Egypt Investments Limited, the holding company from our former joint venture with Titan in Egypt, for a gain of 184 million euros;
- the disposal of a 20% stake in Ukraine to the EBRD, for a gain of 34 million euros;

- and the disposal of our wholly-owned Cement and Aggregates & Concrete activities in Italy, for a gain of 6 million euros.

"Gain on sale of other long-term assets" amounts to 10 million euros related mainly to sale of lands.

The effect of the tax rate on capital gains and losses is mentioned in Note 22 (a).

2007

"Gain on disposals of consolidated subsidiaries, joint ventures and associates" includes mainly the disposal of our participation in cement, aggregates and concrete activities in Central Anatolia (Turkey) sold to Cimentos de Portugal (Cimpor) on February 27, 2007, for an amount of 148 million euros.

In February 2007, we sold our Roofing business to an investment fund managed by PAI Partners and besides, we have also invested 217 million euros alongside the fund managed by PAI Partners in

the new entity housing the Roofing business, while retaining a 35% stake in the operations sold. The gain on the disposal of this activity is presented on the line "Net income / (loss) from discontinued operations" in the consolidated statement of income for an amount of 109 million euros, net of tax and costs directly attributable to the sale.

2006

No significant disposal occurred in 2006.

Note 6 - Other operating income (expenses)

Components of other operating income (expenses) are as follows:

(million euros)	YEARS ENDED DECEMBER 31,		
	2008	2007	2006
Impairment losses on goodwill *	(250)	-	(15)
Impairment losses on property, plant and equipment	(26)	(13)	(8)
IMPAIRMENT LOSSES	(276)	(13)	(23)
Restructuring costs	(96)	(81)	(99)
Litigations	(39)	(58)	(27)
Other income	56	71	73
Other expenses	(54)	(68)	(46)
OTHER OPERATING INCOME (EXPENSES)	(409)	(149)	(122)

* Impairment loss on goodwill is detailed in Note 10 (c).

2008

In 2008, the Group recognized impairment losses on goodwill of 250 million euros related to two cash generating units:

- Cement UK for an amount of 200 million euros;
- Aggregates & Concrete North America for an amount of 50 million euros.

The impairment losses on property, plant and equipment include an amount related to the impairment losses further to the earthquakes in China during the year, compensated by an income disclosed in the line "Other income" related to the insurance proceeds covering the damage.

"Litigations" includes an additional allowance of 36 million euros relating to the fine imposed by the European Commission. On July 8, 2008, the court of First Instance in Luxembourg confirmed the decision of the European Commission imposing a fine on Lafarge in the amount of 249.6 million euros for having colluded on market shares and prices with competitors between 1992 and 1998 for wallboard, essentially in the United Kingdom and Germany. This litigation is detailed in Note 29.

Restructuring costs include notably employee termination benefits, contract termination costs and other restructuring costs. These costs, such as in 2007, mainly relate to our Excellence 2008 reduction cost plans and concern notably Greece (Cement), the United Kingdom (Cement and Aggregates & Concrete) and Jordan (Cement).

2007

"Other income" mainly includes insurance proceeds to be received for 45 million euros related to the Tsunami damages that occurred on December 26, 2004.

"Other expenses" mainly include a 27 million euros loss in our insurance captives related to an unusual high loss rate in our operations in the year.

Restructuring costs mainly relate to Jordan (Cement) and North America (all divisions).

2006

"Other income" includes a 17 million euros refund to Lafarge North America Inc. following the distribution to the U.S. and Mexican cement industries of unliquidated historical duties over U.S. imports of Mexican cement. The Mexican and U.S. governments came to an agreement on this subject in early 2006. In addition, an indemnity amounting to 43 million euros was received in France following a court decision in our favor.

"Other expenses" include a 29 million euros stock option expense following the buy-out of the minority interests of Lafarge North America Inc. (*see Note 21*).

Restructuring costs mainly relate to Greece (Cement), the United Kingdom (Cement) and Jordan (Cement).

Note 7 - Emission rights

The Group accounts for trade and cap schemes as described in Note 2.25.

In 2003, the European Union adopted a Directive implementing the Kyoto Protocol on climate change. This directive established a CO₂ emissions trading scheme in the European Union: within the industrial sectors subject to the scheme, each industrial facility is allocated a certain amount of CO₂ allowances. Industrial operators that keep their CO₂ emissions below the level of allowance granted to their plants can sell their excess allowance to other operators that have emitted more CO₂ than the allowance they were initially granted. Another provision allows European Union companies to use credits arising from investments in emission reduction projects in developing countries to comply with their obligations in the European Union.

The Emissions Trading Directive came into force on January 1, 2005 for an initial three-year period (2005-2007). For the second period covering the years 2008 to 2012, each Member State issued at end of 2007, after approval by the European Commission, a National Allocation Plan (NAP) defining the amount of allowance given to each industrial facility.

The Emissions Trading Directive and its provisions apply to all our cement plants in the EU and, to a lesser extent, to our Gypsum operations. We are operating cement plants in 10 out of the 27 EU Member States. Allowances that were allocated to these facilities represented some 28 million tonnes of CO₂ per year over the 2008-2012 period. The Group policy is to monitor allowances on an annual basis. Actual emissions are followed and consolidated on a monthly basis. Forecast of annual position is updated regularly during the year. Allowances would be purchased on the market in case of actual emissions exceeding rights granted for the period and, conversely, surplus may be sold on the market.

In 2008, excess rights over actual emissions were sold for an amount of 85 million euros, these excess rights representing 12% of the total CO₂ allowances allocated by the governments. These excess result from the improvement of our industrial process and a lower level of production than expected in a limited number of our European and other countries cement plants.

For the year 2009, based on our current production forecasts, which may evolve in case of market trends different from those expected as at today, the allowances granted by the NAP 2008-2012 should cover our needs on a consolidated basis.

Note 8 - Finance (costs) income

Components of finance (costs) income are as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	2008	2007	2006
Interest expense ⁽¹⁾	(1,032)	(603)	(591)
Net loss on interest rate derivative instruments designated as cash flow hedges transferred from equity ⁽²⁾	-	(2)	(9)
Exchange gains (losses), net	(10)	(7)	(14)
Other financial expenses, net	(115)	(40)	32
FINANCE COSTS	(1,157)	(652)	(582)
Interest income ⁽³⁾	185	102	78
Dividends received from investments	31	24	19
FINANCE INCOME	216	126	97
NET FINANCE (COSTS) INCOME *	(941)	(526)	(485)
Of which net interest income (expense) ⁽¹⁾⁺⁽²⁾⁺⁽³⁾	(847)	(503)	(522)
* Including net (costs) income arising on foreign exchange, interest rate and commodity derivatives	5	6	(2)

The amount of interest expense increased significantly in 2008, mainly reflecting the interest expense on the debt set up for the financing of Orascom Cement acquisition for an amount of 360 million euros and the interest expense on the debt of the ex-Orascom Cement subsidiaries for an amount of 48 million euros.

Interest expense is reported net of capitalized interest costs for construction projects of 77 million euros, 18 million euros and 13 million euros for the years ended December 31, 2008, 2007 and 2006, respectively. The interest rate used to determine the amount of capitalized interest costs is the actual interest rate when there is a specific borrowing or the Group's debt interest rate. The significant increase in the

amount of capitalized interest costs mainly relates to the interest costs for construction projects capitalized on the ex-Orascom Cement subsidiaries' debts.

The amount of exchange gains and losses depends on the exchange risk exposure of loans and debts denominated in currencies different from the functional currencies of the company that contracted the principal amount. These exchange differences mainly relate to loans and debts denominated in Algerian dinar and in US dollars.

The other financial expenses mainly include the provision for interests on the 2002 Gypsum competition litigation (litigation described in Note 24 and in Note 29), the amortization of the expense incurred related

to the setting up of the credit facility further to the acquisition of Orascom Cement and bank commissions. In 2006, "Other financial expenses, net" include a capital gain of 44 million euros on the sale of the residual interest in Materis.

The amount of dividends received mainly relates to the dividends received from the Cimentos de Portugal (CIMPOR) investment for an amount of 26 million euros.

The net (costs) income arising on derivative instruments include gain and losses on the ineffective portion of derivatives designated as hedging instruments in cash flow hedge and fair value hedge relationships. Such impacts are not material for the disclosed periods.

Note 9 - Earnings per share

The computation and reconciliation of basic and diluted earnings per share from continuing operations for the years ended December 31, 2008, 2007 and 2006 are as follows:

	YEARS ENDED DECEMBER 31,		
	2008	2007	2006
NUMERATOR <i>(million euros)</i>			
NET INCOME FROM CONTINUING OPERATIONS – GROUP SHARE	1,598	1,791	1,375
DENOMINATOR <i>(thousands of shares)</i>			
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	193,172	172,718	174,543
Effect of dilutive securities – stock options	735	2,256	2,308
TOTAL POTENTIAL DILUTIVE SHARES	735	2,256	2,308
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – DILUTED	193,907	174,974	176,851
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS <i>(euros)</i>	8.27	10.37	7.88
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS <i>(euros)</i>	8.24	10.24	7.77

For purposes of computing diluted earnings per share, stock options which would have an anti-dilutive effect on the calculation of the diluted earnings per share are excluded from the calculation. In 2008, 3.32 million stock options were excluded from the diluted earnings per share calculation (0.54 million in 2007 and 1.27 million in 2006).

The significant increase in the average number of shares in 2008 relates to the increase in capital issued for the major shareholders of OCI as part of the Orascom Cement purchase price consideration on January 23, 2008. 22.5 million new shares were issued for the benefit of NNS Holding Sàrl and represented an average number of 21.1 million shares in 2008.

Note 10 - Goodwill

(a) Changes in goodwill

The following table displays the changes in the carrying amount of goodwill by business segment:

(million euros)	Cement	Aggregates & Concrete	Roofing ⁽¹⁾	Gypsum	Other	Total
CARRYING AMOUNT AT JANUARY 1, 2006	4,778	833	705	205	125	6,646
Additions	1,106	640	-	85	(2)	1,829
Disposals	-	-	-	(3)	-	(3)
Purchase accounting adjustments ⁽²⁾	8	4	-	-	-	12
Impairment losses	-	-	-	(15)	-	(15)
Change in goodwill related to put options on shares of subsidiaries	176	-	-	-	(123)	53
Translation adjustments ⁽³⁾	(220)	(76)	-	(10)	-	(306)
Reclassification as assets held for sale	-	-	(705)	-	-	(705)
CARRYING AMOUNT AT DECEMBER 31, 2006	5,848	1,401	-	262	-	7,511
Cost at January 1, 2007	5,906	1,401	-	284	-	7,591
Accumulated impairment	(58)	-	-	(22)	-	(80)
CARRYING AMOUNT AT JANUARY 1, 2007	5,848	1,401	-	262	-	7,511
Additions	198	75	-	-	-	273
Disposals	(58)	(9)	-	-	-	(67)
Purchase accounting adjustments ⁽²⁾	(44)	54	-	-	-	10
Change in goodwill related to put options on shares of subsidiaries	129	-	-	-	-	129
Translation adjustments ⁽³⁾	(275)	(99)	-	(11)	-	(385)
CARRYING AMOUNT AT DECEMBER 31, 2007	5,798	1,422	-	251	-	7,471
Cost at January 1, 2008	5,858	1,422	-	274	-	7,554
Accumulated impairment	(60)	-	-	(23)	-	(83)
CARRYING AMOUNT AT JANUARY 1, 2008	5,798	1,422	-	251	-	7,471
Additions	5,829	588	-	1	289	6,707
Disposals	(150)	(10)	-	-	-	(160)
Purchase accounting adjustments ⁽²⁾	2	29	-	-	-	31
Impairment losses	(200)	(50)	-	-	-	(250)
Change in goodwill related to put options on shares of subsidiaries and other	(134)	3	-	-	-	(131)
Translation adjustments ⁽³⁾	(278)	(7)	-	(9)	-	(294)
CARRYING AMOUNT AT DECEMBER 31, 2008	10,867	1,975	-	243	289	13,374
Cost at December 31, 2008	11,123	2,025	-	264	289	13,701
Accumulated impairment	(256)	(50)	-	(21)	-	(327)
CARRYING AMOUNT AT DECEMBER 31, 2008	10,867	1,975	-	243	289	13,374

(1) Discontinued operations.

(2) Goodwill is recorded as of the date of acquisition based upon a preliminary purchase price allocation. The Group typically makes adjustments to the preliminary purchase price allocation during the allocation period (not exceeding one year from the acquisition date) as the Group finalizes the fair value of certain assets and liabilities such as property, plant and equipment, intangible assets, pension and other post-retirement benefit obligations, contingent liabilities, and deferred and current tax balances.

(3) Including translation adjustments on impairment for 6 million euros in 2008 (-3 million euros in 2007 and 1 million euros in 2006).

Impairment losses on goodwill from continuing operations are as follows (see Note 6):

(million euros)	YEARS ENDED DECEMBER 31,		
	2008	2007	2006
Impairment losses	250	-	15

(b) Acquisitions

2008

ORASCOM CEMENT ACQUISITION (SEE NOTE 3 (A))

On January 23, 2008, Lafarge acquired 100% of the share capital and voting rights of the Orascom Building Materials Holding S.A.E. ("Orascom Cement"). Orascom Cement is a leading cement manufacturer in emerging markets (Egypt, Algeria, the United Arab Emirates and Iraq), and has strategic positions in other fast-growing markets in the region: Saudi Arabia, Syria and Turkey. 50% of Grupo GLA was part of the Orascom Cement acquisition. In April 2008, Lafarge acquired the remaining 50%.

The purchase price consideration amounted to 8,321 million euros and was settled part in cash and part in shares. This investment generated the consolidation of a complementary net debt of 1,747 million euros.

The preliminary goodwill arising from the transaction was 6,283 million euros.

LARSEN & TOUBRO ACQUISITION (L&T)

On October 23, 2008, Lafarge acquired L&T Concrete in India from the Larsen & Toubro group. Lafarge acquired 100% of L&T assets including around 60 concrete plants located across India in key markets such as Delhi, Kolkata, Mumbai and Bangalore. The acquisition price, based on an enterprise value of 226 million euros at the date of the contract, has been adjusted to 244 million euros (equivalent 15,6 billion Indian rupees) in accordance with the adjustment mechanism described in the acquisition contract. The purchase price consideration was partly financed by a local borrowing for 5 billion Indian rupees. This purchase price is provisional and could still be adjusted.

The preliminary goodwill arising from the transaction was 201 million euros.

ACQUISITION OF MINORITY INTERESTS IN HERACLES GENERAL CEMENT COMPANY

In 2008, we have continued to acquire Heracles General Cement Company shares for a total amount of 27 million euros representing a total of 1.6 million shares bringing Lafarge's ownership in this subsidiary to 88.99% as of December 31, 2008 (86.73% as of December 31, 2007).

The goodwill arising from these operations amounts to 11 million euros.

ACQUISITION OF MINORITY INTERESTS IN ROMANIA

On July 4, 2008, Lafarge acquired all the remaining shares owned by the EBRD as part of the put option that was granted by the Group for an amount of 215 million euros, representing 37.66% of the capital stock of the company. The additional goodwill arising from this acquisition is not significant.

ACQUISITION OF MINORITY INTERESTS IN RUSSIA

In 2008, Lafarge acquired all the remaining shares owned in its subsidiary OAO Lafarge Cement for an amount of 105 million euros representing 9.87% of the capital stock of the company. The goodwill arising from this acquisition amounts to 89 million euros.

2007

ACQUISITION OF CEMENT OPERATIONS IN THE SICHUAN PROVINCE (CHINA)

In 2007, Lafarge (through Lafarge Shui On Cement) further developed its cement operations in China by acquiring 100% of the shares of ShuangMa Investment Company who in turn owns 56.81% of Shenzhen-listed Sichuan ShuangMa Cement Company (ShuangMa Cement).

ShuangMa Cement owns and operates cement plants and other related production facilities in the Mianyang and Yibin districts of the Sichuan Province.

The price paid by Lafarge (through Lafarge Shui On Cement) for the shares of ShuangMa Investment Company and its subsidiaries was 18 million euros. This investment generated the consolidation of a complementary gross debt of 28 million euros.

The resulting goodwill arising from the transaction was 1 million euros.

ACQUISITION OF FELTES SAND & GRAVEL AND MELLOR IN NORTH AMERICA

In March 2007, Lafarge North America Inc. acquired Feltes Sand & Gravel Company, located in Chicago, Illinois, for a total amount of 66 million euros. Lafarge purchased 100% of the assets in Feltes Mineral Properties LLC, Feltes Mineral Properties II LLC and Feltes Development Properties LLC, which included one sand and gravel operation and 20.4 million tonnes of proven reserves. The goodwill arising from the transaction was 30 million euros.

In October 2007, Lafarge North America Inc. acquired H.B. Mellor Inc.'s Heritage Division, located in Hagerstown, Maryland for a total amount of 38 million euros. Lafarge purchased 100% of the assets, which included four active quarry operations, one inactive quarry operation, 36 million tonnes of probable reserves, and three ready-mix operations. The resulting goodwill arising from the transaction was 21 million euros.

ACQUISITION OF MINORITY INTERESTS IN HERACLES GENERAL CEMENT COMPANY

In April 2007, Lafarge Cementos acquired a bloc of approximately 18.5 million shares in Heracles General Cement Company from the National Bank of Greece, increasing Lafarge's ownership in this subsidiary from 53.17% to 79.17%. The transaction was carried out at a price of 17.40 euros per share representing a total consideration of 321.9 million euros.

We continued to acquire Heracles shares during the course of 2007 for a total cumulative amount of 417 million euros, bringing Lafarge's ownership in this subsidiary to 86.73% as of December 31, 2007.

The resulting goodwill arising from these operations amounts to 171 million euros.

2006

ACQUISITION OF CEMENT OPERATIONS IN YUNNAN (CHINA)

In 2006, Lafarge (through Lafarge Shui On Cement) further developed its cement operations in China by acquiring 80% of the shares of Yunnan Shui On Construction Materials Investment Holdings Ltd. ("Yunnan JV"). Yunnan JV is the owner of five subsidiaries specialized in Cement operations: Yunnan State Property Cement Honghe Co., Ltd., Yunnan State Property Cement Dongjun Co., Ltd., Yunnan Kaixin Building Materials Industries Co. Ltd., Yunnan State Property Cement Chuxiong Co., Ltd. and Yunnan State Property Cement Kunming Co. Ltd. The price paid by Lafarge (through Lafarge Shui On Cement) for the Yunnan JV and its subsidiaries was 17 million euros. This investment generated the consolidation of a complementary gross debt of 76 million euros.

The resulting goodwill arising from the transaction was 12 million euros.

ACQUISITION OF AGGREGATE ACTIVITIES IN POLAND

In May and June 2006, Lafarge Poland acquired a 100% interest in the shares of three companies specialized in quarry site operations, for a total amount of 30 million euros.

The resulting goodwill arising from the transaction was 16 million euros.

ACQUISITION OF AGGREGATE ACTIVITIES IN NORTH AMERICA

In October 2006, Lafarge North America Inc. acquired Western Sand & Gravel Inc., located in Chicago, for a total amount of 53 million euros. The resulting goodwill arising from the transaction was 22 million euros.

In September 2006, Lafarge North America Inc. acquired Sun State Rock & Materials Corporation Inc., located in Arizona, for a total amount of 26 million euros. The resulting goodwill arising from the transaction was 2 million euros.

In January 2006, Lafarge North America Inc. acquired the Aggregate activities of Rein Schultz & Dahl of Illinois Inc., located in Chicago, for a total amount of 58 million euros. The resulting goodwill arising from the transaction was 39 million euros.

BUY-OUT OF MINORITY INTERESTS OF LAFARGE NORTH AMERICA INC.

On February 6, 2006, the Group announced its intention to launch a cash tender offer for the outstanding 46.8% minority stake in Lafarge North America Inc. The offer was concluded on May 16, 2006. As a consequence of this transaction, the Group owns 100% of the common shares of Lafarge North America Inc.

The additional costs directly attributable to the buy-out of the minority stake in Lafarge North America Inc. have been aggregated in the acquisition cost. These costs mainly relate to fees paid for legal, accounting, and banking engagements. The total net acquisition cost amounted to 2.8 billion euros.

The resulting goodwill arising from the transaction was 1.6 billion euros.

Prior to this transaction, Lafarge North America Inc. was fully consolidated; the method of consolidation remains unchanged.

Other acquisitions

In addition to the acquisitions described separately in this note, several other relatively minor acquisitions throughout the Group's segments were consummated in 2008, 2007 and 2006. The aggregate cost of these acquisitions was 204 million euros, 65 million euros and 93 million euros in 2008, 2007 and 2006, respectively.

(c) Impairment test for goodwill

The Group's methodology to test its goodwill for impairment is described in Note 2.12.

Group goodwill is allocated to multiple cash generating units (CGUs) as defined in Note 2.12 (generally corresponding to the activity of a segment in a country).

The discount rates are post-tax discount rates applied to post-tax cash flows. The use of these rates results in recoverable values that are identical to the ones that would be obtained by using pre-tax rates and pre-tax cash flows, as required by IAS 36 – Impairment of assets.

The discount rates and perpetual growth rates in hard currency used for the valuation of the main CGU is as follows:

AT DECEMBER 31,	2008			2007			2006		
Cash Generating Units	Carrying value of goodwill (million euros)	Discount rate	Perpetual growth rate	Carrying value of goodwill (million euros)	Discount rate	Perpetual growth rate	Carrying value of goodwill (million euros)	Discount rate	Perpetual growth rate
Cement United Kingdom*	540	7.9 %	2.0%	961	7.7%	2.0%	1,055	7.8%	2.0%

* After impairment loss of 200 million euros in 2008.

As of December 31, 2008, the allocation of the goodwill arising from the Orascom acquisition (6,283 million euros) is still under process. Some of the new CGUs should account individually for more than 10% of total Group goodwill and will be, if applicable, detailed in this disclosure as of December 31, 2009.

Goodwill for Cement North America (1,521 million euros) was tested for impairment at the end of 2008 using the market approach. The goodwill of other CGUs represents individually less than 10% of total Group goodwill.

A summary of the range of main assumptions used for the valuation of CGUs are as follows:

	AT DECEMBER 31,		
	2008	2007	2006
Multiples of operating income before capital gains, impairment, restructuring and other, and before depreciation and amortization (fair value approach)	8.2 - 9.3	8.0 - 11.3	7.8 - 9.4
Discount rate (value in use approach)	7.9 % - 9.2%	7.7% - 10.2%	7.4% - 9.5%
Perpetual growth rate (value in use approach)	2.0 % - 2.5%	2.0% - 2.5%	2.0%

At December 31, 2008, the sensitivity of the recoverable amounts to an independent change of one point in either the discount rate or the perpetual growth rate was as follows:

IMPACT OF ONE POINT INCREASE/DECREASE IN THE					
Cash Generating Units (million euros)	Excess of estimated recoverable amount over carrying value	Discount rate		Perpetual growth rate	
		+1 PT	-1 PT	+1 PT	-1 PT
Cement United Kingdom*	-	(146)	206	13	(10)

* After impairment loss of 200 million euros in 2008.

The Group has analysed the above sensitivities and has specifically considered the consequences of the economic recession hitting the UK market on its operational assumptions. The main consequences of the economic recession compared to our previous forecasts are expected to be a reduced volume growth and limited price increases. On the basis of this analysis, the Group recorded a 200 million euros impairment loss for the CGU mentioned above. This impairment loss was determined based on the value in use of the CGU.

In other respects, the Group recorded a 50 million euro impairment loss for the CGU Aggregates and Concrete North America. Indeed as part of the disposal program initiated by the Group, some specific assets of the CGU are under discussion for disposal. In this context their net book value has been aligned with their estimated recoverable amount.

In 2007, no goodwill impairment loss was identified.

In 2006, the Group recorded an impairment loss on Gypsum Poland (15 million euros). This impairment loss was determined based on the value in use of the CGU.

Note 11 - Intangible assets

(million euros)	2008	2007	2006
CARRYING AMOUNT AT JANUARY 1,	472	426	355
Additions	77	143	97
Disposals	(4)	(5)	(4)
Amortization	(82)	(64)	(66)
Impairment losses	-	(10)	-
Major acquisitions through business combinations	117	51	33
Other changes	37	(40)	49
Translation adjustments	(3)	(29)	(25)
Reclassification as assets held for sale	-	-	(13)
CARRYING AMOUNT AT DECEMBER 31,	614	472	426

The intangible assets acquired through the acquisition of Orascom Cement are reflected in the line "Major acquisitions through business combinations" (see Note 3 (a)).

For the years presented, no reversal of impairment charges has been recorded.

The following table presents details of intangible assets that are subject to amortization:

AT DECEMBER 31,	2008			2007			2006 *		
(million euros)	Cost	Accumulated amortization and impairment	Carrying value	Cost	Accumulated amortization and impairment	Carrying value	Cost	Accumulated amortization and impairment	Carrying value
Software	432	260	172	384	226	158	376	201	175
Real estate development rights	77	49	28	99	61	38	109	64	45
Mineral rights	176	35	141	161	32	129	115	32	83
Other intangible assets	347	74	273	205	58	147	183	60	123
TOTAL INTANGIBLE ASSETS	1,032	418	614	849	377	472	783	357	426

* Only from continuing operations.

For the years presented, "Other intangible assets" include only assets with finite useful lives.

The part of the research costs from continuing activities that are expensed as incurred were 32 million euros, 44 million euros and 41 million euros for the years ended December 31, 2008, 2007 and 2006 respectively.

Note 12 - Property, plant and equipment

(a) Changes in property, plant and equipment

<i>(million euros)</i>	Mineral reserves and land	Buildings	Machinery, equipment, fixtures and fittings	Construction in progress	Total before investment subsidies	Investment subsidies	Total
Cost at January 1, 2006	2,258	3,494	15,419	976	22,147		
Accumulated depreciation	(416)	(1,695)	(7,742)	(7)	(9,860)		
CARRYING AMOUNT AT JANUARY 1, 2006	1,842	1,799	7,677	969	12,287	(116)	12,171
Additions	75	62	256	1,149	1,542	-	1,542
Disposals	(28)	(16)	(37)	(4)	(85)	-	(85)
Main acquisitions through business combinations	26	11	53	73	163	-	163
Other changes in scope	(5)	(3)	(8)	(11)	(27)	-	(27)
Depreciation	(68)	(118)	(687)	-	(873)	7	(866)
Impairment losses	(2)	(1)	(5)	-	(8)	-	(8)
Other changes	32	223	723	(993)	(15)	-	(15)
Translation adjustments	(82)	(54)	(374)	(71)	(581)	(7)	(588)
Reclassification as assets held for sale	(153)	(245)	(640)	(71)	(1,109)	5	(1,104)
CARRYING AMOUNT AT DECEMBER 31, 2006	1,637	1,658	6,958	1,041	11,294	(111)	11,183
Cost at January 1, 2007	2,069	3,107	13,826	1,081	20,083		
Accumulated depreciation	(432)	(1,449)	(6,868)	(40)	(8,789)		
CARRYING AMOUNT AT JANUARY 1, 2007	1,637	1,658	6,958	1,041	11,294	(111)	11,183
Additions	45	53	360	1,512	1,970	-	1,970
Disposals	(42)	(6)	(39)	(14)	(101)	-	(101)
Main acquisitions through business combinations	35	17	41	13	106	-	106
Other changes in scope	38	(5)	(20)	(6)	7	-	7
Depreciation	(53)	(131)	(700)	-	(884)	7	(877)
Impairment losses	(1)	(1)	(1)	-	(3)	-	(3)
Other changes	74	152	794	(926)	94	-	94
Translation adjustments	(65)	(56)	(292)	(66)	(479)	4	(475)
CARRYING AMOUNT AT DECEMBER 31, 2007	1,668	1,681	7,101	1,554	12,004	(100)	11,904
Cost at January 1, 2008	2,106	3,231	14,044	1,556	20,937		
Accumulated depreciation	(438)	(1,550)	(6,943)	(2)	(8,933)		

CONSOLIDATED STATEMENTS

Note 12 - Property, plant and equipment

(million euros)	Mineral reserves and land	Buildings	Machinery, equipment, fixtures and fittings	Construction in progress	Total before investment subsidies	Investment subsidies	Total
CARRYING AMOUNT AT JANUARY 1, 2008	1,668	1,681	7,101	1,554	12,004	(100)	11,904
Additions	49	94	394	2,231	2,768	-	2,768
Disposals	(9)	(26)	(38)	(5)	(78)	-	(78)
Main acquisitions through business combinations	37	304	2,994	1,273	4,608	-	4,608
Other changes in scope	(11)	(28)	(86)	(321)	(446)	-	(446)
Depreciation	(51)	(137)	(824)	-	(1,012)	18	(994)
Impairment losses	-	(14)	(12)	-	(26)	-	(26)
Other changes	115	124	1,506	(1,848)	(103)	(1)	(104)
Translation adjustments	(120)	(94)	(393)	(105)	(712)	7	(705)
CARRYING AMOUNT AT DECEMBER 31, 2008	1,678	1,904	10,642	2,779	17,003	(76)	16,927
Cost at December 31, 2008	2,111	3,504	17,779	2,786	26,180		
Accumulated depreciation	(433)	(1,600)	(7,137)	(7)	(9,177)		

The main acquisitions through business combinations mainly relate to the Orascom Cement acquisition and L&T in India. The tangible assets arising from the ex-Orascom Cement subsidiaries are mostly plants for which a fair value exercise has been carried out (see Note 3 (a)).

The other scope variations relate to the disposal of Lafarge Titan Egypt and of our activities in Italy (see Note 3 (b)).

(b) Depreciation and impairment

Depreciation on property plant and equipment and impairment losses from continuing operations recognized in profit and loss are as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	2008	2007	2006 *
Depreciation	994	877	866
Impairment losses	26	3	8
TOTAL	1,020	880	874

* From continuing operations.

For the years presented, no reversal of impairment charges has been recorded.

(c) Finance leases

The cost of property, plant and equipment includes 124 million euros, 89 million euros and 105 million euros of assets under finance leases at December 31, 2008, 2007 and 2006, respectively. The remaining obligations on such assets total 67 million euros, 46 million euros and 63 million euros at December 31, 2008, 2007 and 2006, respectively.

Note 13 - Investments in associates

(a) Changes in investment in associates

(million euros)	2008	2007	2006
AT JANUARY 1,	331	253	376
Income from associates	(3)	-	30
Dividends received from associates	(26)	(29)	(20)
New investments or share capital increases	63	133 *	10
Change of consolidation method	29	(9)	11
Reclassification to assets held for sale	-	-	(143)
Other changes	169 **	(17)	(11)
AT DECEMBER 31,	563	331	253

* Mainly includes Roofing activity (Monier) accounted for as investment in associates since February 28, 2007.

** Mainly includes in 2008 our 28.1% Unicem investment in Nigeria (167 million euros as at December 31, 2008), over which the Group has significant influence per the shareholders agreements.

Due to the on-going nationalization of the Cement industry in Venezuela, our operations in the country are accounted for under the equity method since October 1st, 2008. This investment amounts to 57 million euros as at December 31, 2008.

The amount of our 35% interest in our associate Monier is nil as at December 31, 2008 (41 million euros as at December 31, 2007)

The Group did not recognize share of further losses in excess of its interest (57 million euros) since the Group has no obligation to pay off such losses.

Information relating to the income statement

The following details the Group's share of the operations of associates:

	YEARS ENDED DECEMBER 31,		
(million euros)	2008	2007	2006 *
Operating income before capital gains, impairment, restructuring and other	78	115	57
Gain on disposals, net	-	-	-
Other operating income (expenses), net	9	(37)	-
Finance (costs) income	(74)	(54)	(7)
Income tax	(16)	(24)	(20)
INCOME FROM ASSOCIATES	(3)	-	30

* From continuing operations.

(b) Summarized combined balance sheet and income statement information of associates

Combined balance sheet information at 100%

	AT DECEMBER 31,		
(million euros)	2008	2007	2006 *
Non-current assets	3,149	3,027	752
Current assets	1,481	1,449	503
TOTAL ASSETS	4,630	4,476	1,255
Total equity	1,225	1,129	537
Non-current liabilities	2,380	2,387	268
Current liabilities	1,025	960	450
TOTAL EQUITY AND LIABILITIES	4,630	4,476	1,255

* From continuing operations.

Combined income statement information at 100%

	YEARS ENDED DECEMBER 31,		
(million euros)	2008	2007	2006 *
Revenue	2,121	2,343	881
Operating income before capital gains, impairment, restructuring and other	210	316	173
Operating income	235	215	175
Net income	(15)	(16)	58

* From continuing operations.

Note 14 - Joint ventures

The Group has several interests in joint ventures (see Note 35) that are consolidated using the proportionate method as described in Note 2.2.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of joint ventures:

IMPACT ON BALANCE SHEET

	AT DECEMBER 31,		
(million euros)	2008	2007	2006 *
Non-current assets	2,473	1,347	1,267
Current assets	596	506	523
Non-current liabilities	326	253	265
Current liabilities	831	533	414

* Only from continuing operations.

As of December 31, 2008, the joint ventures relate to:

- Al Safwa Cement Company, owned at 50% in Saudi Arabia. This joint venture was acquired through the Orascom Cement acquisition;
- Emirats Cement LLC, owned at 50% in United Arab Emirates. This joint venture was acquired through the Orascom Cement acquisition;
- Several joint ventures in China, notably: Lafarge Chongqing Cement Co. Ltd owned at 43.68%, Lafarge Dujiangyan Cement Company Limited owned at 41.25%, Lafarge Shui On (Beijing) Technical Services Co. Ltd owned at 55%, Sichuan ShuangMa Cement Joint Stock Co. owned at 31.25%, Yunnan Shui On Building Materials Investment Co. Ltd owned at 44%;
- and other joint ventures, in Morocco for the Cement division, in the Middle East for the Aggregates & Concrete division and in South Korea for the Gypsum division.

IMPACT ON STATEMENTS OF INCOME

(million euros)	YEARS ENDED DECEMBER 31,		
	2008	2007	2006 *
Revenue	1,196	922	856
Operating income before capital gains, impairment, restructuring and other	230	166	163
Operating income	235	168	166
Net income	171	132	121

* From continuing operations.

Note 15 - Other financial assets

Components of other financial assets are as follows:

(million euros)	AT DECEMBER 31,		
	2008	2007	2006 *
Loans and long-term receivables	440	194	154
Available for sale investments	652	780	628
Prepaid pension assets	8	104	31
Restricted cash	47	18	17
TOTAL	1,147	1,096	830

* Only from continuing operations.

In 2008, the significant increase in loans and long-term receivables mainly relates to the loans granted to entities over which we have a significant influence, notably ex-Orascom Cement subsidiaries. Besides, the "Loans and long-term receivables" includes a 30-million-euro-receivable related to the sale of our Cement and Aggregates & Concrete activities in Italy (see Note 3 (b)).

In April 2006, we sold our 7.27% stake in Materis Holding Luxembourg S.A. for net proceeds of 44 million euros. We no longer have any equity interest in Materis Luxembourg S.A. or in any entity of the Materis group.

The following table provides the summary of information related to the main Group's quoted available-for-sale security, the shares of Cimentos de Portugal (Cimpor):

(million euros)	AT DECEMBER 31,		
	2008	2007	2006
COST	611	611	392
Unrealized gains (losses)	(207)	86	142
MARKET VALUE	404	697	534

The net unrealized gains or losses on shares of Cimentos de Portugal (CIMPOR) was recognized in other reserves for (293) million euros (before taxes) in 2008, (56) million euros in 2007 and 139 million euros in 2006.

In 2000, the Group acquired 9.99% of the common shares of Portuguese cement producer Cimentos de Portugal (Cimpor) for 319 million euros, which represented an average 4.75 euros per share. The market value of the shares then declined and was 214 million euros at December 31, 2002. In December 2003, the

Group purchased an additional 2.65% of the common shares of Cimpor common stock at 4.06 euros per share, increasing its ownership position to 12.64% as of December 31, 2006. In April and May 2007, the Group acquired an additional 4.64% for 219 million euros, which represents an average of 6.99 euros per share, increasing the Group ownership in Cimpor to 17.28%. The market value of all shares at December 31, 2008 was 404 million euros, 207 million euros below the carrying value of the investment of 611 million euros, as disclosed in the table above.

The Group considers this difference as temporary and therefore recognized it as a reduction of equity in compliance with the accounting principles described in Note 2.13. Due to the volatility of financial markets, to the limited time frame during which the stock market value has stood lower than Lafarge investment cost – starting

June 19, 2008 – the spread between the market price and the investment cost has been considered neither significant nor prolonged as at December 31, 2008. In addition, the intrinsic value estimated by Lafarge is higher than its historical cost.

Note 16 - Inventories

Components of inventories are as follows:

	AT DECEMBER 31,		
(million euros)	2008	2007	2006 *
Raw materials	564	374	365
Work-in-progress	15	19	16
Finished and semi-finished goods	848	777	710
Maintenance and operating supplies	909	710	643
INVENTORIES CARRYING VALUE	2,336	1,880	1,734
Depreciation	(141)	(119)	(115)
INVENTORIES	2,195	1,761	1,619

* Only from continuing operations.

The depreciation primarily relates to maintenance and operating supplies for 91 million euros, 92 million euros and 93 million euros at December 31, 2008, 2007 and 2006, respectively.

The change in the inventories is as follows:

(million euros)	2008	2007	2006
AT JANUARY 1,	1,761	1,619	1,857
Movement of the year	373	201	145
Scope effects *	170	2	41
Other changes	(1)	(4)	(1)
Translation adjustments	(109)	(58)	(93)
Reclassification as assets held for sale	-	-	(331)
AT DECEMBER 31,	2,195	1,761	1,619

* Out of which assets held for sale.

Note 17 - Trade receivables

Components of trade receivables are as follows:

	AT DECEMBER 31,		
(million euros)	2008	2007	2006 *
Trade receivables, gross	2,528	2,706	2,868
Valuation allowance	(208)	(191)	(194)
TRADE RECEIVABLES	2,320	2,515	2,674

* Only from continuing operations.

The change in the valuation allowance for doubtful receivables is as follows:

(million euros)	2008	2007	2006
AT JANUARY 1,	(191)	(194)	(203)
Current year addition	(52)	(53)	(51)
Current year release	21	46	31
Cancellation	16	8	7
Other changes	(9)	-	1
Translation adjustments	7	2	8
Reclassification as assets held for sale	-	-	13
AT DECEMBER 31,	(208)	(191)	(194)

Securitization programs

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

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

not qualify for derecognition of receivables, and are therefore accounted for as secured financing.

Trade receivables therefore include sold receivables totalling 261 million euros, 265 million euros and 265 million euros at December 31, 2008, 2007 and 2006, respectively.

The current portion of debt includes 227 million euros, 230 million euros and 230 million euros at December 31, 2008, 2007 and 2006 respectively, related to these programs.

The agreements are guaranteed by subordinated deposits totalling 34 million euros, 35 million euros and 35 million euros at December 31, 2008, 2007 and 2006, respectively.

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

Note 18 - Other receivables

Components of other receivables are as follows:

	AT DECEMBER 31,		
(million euros)	2008	2007	2006 *
Taxes	454	320	303
Prepaid expenses	192	194	126
Interest receivables	31	17	29
Other current receivables	674	530	668
OTHER RECEIVABLES	1,351	1,061	1,126

* Only from continuing operations.

"Other current receivables" include litigation indemnities, insurance indemnities, advances to fixed assets suppliers, receivables on assets sold and short-term deposits.

Note 19 - Cash and cash equivalents

Cash and cash equivalents, amounting to 1,591 million euros, at December 31, 2008, include short-term investments of 78 million euros evaluated at their fair value.

Note 20 - Equity

(a) Common stock

At December 31, 2008, Lafarge common stock consisted of 195,236,534 shares with a nominal value of 4 euros per share.

At December 31, 2008, the total number of theoretical voting rights attributable to the shares is 238,173,884, after inclusion of the double voting rights attached to registered shares held for at least two years in the name of the same shareholders.

(b) Capital decrease

Following the share buy back program of 500 million euros completed on September 14, 2007, the Group processed in 2007 two capital reductions:

- 2,973,073 shares cancelled on August 1, 2007;
- 2,056,332 shares cancelled on December 17, 2007.

There was no capital decrease in 2008.

(c) Capital increase

Lafarge processed a capital increase to finance the acquisition of Orascom Cement. 22,500,000 shares were issued for the major shareholders of OCI. These shares were recognized at the market closing price as at January 23, 2008 (110.76 euros per share), representing a total of 2,492 million euros.

(d) Dividends

The following table indicates the dividend amount per share the Group paid for the years 2007 and 2006 as well as the dividend amount per share for 2008 proposed by our Board of Directors for approval at the Annual General Meeting of shareholders to be held on May 6, 2009. Dividends on fully paid-up shares that have been held by the same shareholders in registered form for at least two years are increased by 10% over dividends paid on other shares. The number of shares eligible for this increased dividend for a shareholder is limited to 0.5% of all outstanding shares at the end of the fiscal year for which dividend is paid.

(euros, except total dividend payment)	2008 *	2007	2006
Total dividend payment (million)	393 **	784	521
Base dividend per share	2.00	4.00	3.00
Increased dividend per share	2.20	4.40	3.30

* Proposed dividend. As this dividend is subject to approval by shareholders at the Annual General Meeting, it has not been included as a liability in these financial statements.

** Based on an estimation of the number of shares eligible for dividends of 194,799,741 shares.

(e) Transactions on treasury shares

The liquidity agreement between Lafarge and Rothschild & Cie Banque, dated March 7, 2006, was terminated on December 31, 2008. As at December 31, 2007, Lafarge held 203,000 treasury shares under the liquidity agreement. The loss on sale of these treasury shares has been recognized in equity, net of tax.

(f) Other reserves

The detailed roll forward of other reserves is as follows:

(million euros)	Cash flow hedge, net of tax	Available for sale securities, net of tax	Equity component of compound instruments, net of tax	Actuarial gains and losses	Total
AT JANUARY 1, 2006	(7)	4	73	(107)	(37)
Transfer to profit and loss	9	-	-	-	9
Change in fair value taken to equity	(47)	145	(73) *	-	25
Income and expenses recognized directly in equity	-	-	-	22	22
Net change in deferred tax	14	2	-	(4)	12
AT DECEMBER 31, 2006	(31)	151	-	(89)	31
Transfer to profit and loss	(1)	-	-	-	(1)
Change in fair value taken to equity	13	(29)	-	-	(16)
Income and expenses recognized directly in equity	-	-	-	34	34
Net change in deferred tax	(6)	9	-	(15)	(12)
AT DECEMBER 31, 2007	(25)	131	-	(70)	36
Transfer to profit and loss	(10)	-	-	-	(10)
Change in fair value taken to equity	(43)	(338)	-	-	(381)
Income and expenses recognized directly in equity	-	-	-	(384)	(384)
Net change in deferred tax	20	(18)	-	124	126
AT DECEMBER 31, 2008	(58)	(225)	-	(330)	(613)

* Reclassification of equity component of OCEANE to retained earnings.

(g) Minority Interests

I 2008

At December 31, 2008, the minority interests amount to 1,725 million euros (1,079 million euros at December 31, 2007). The increase in the minority interests is mainly explained by the minority interests arising from the ex-Orascom Cement subsidiaries located in Egypt, Iraq and Pakistan. On the other side, the acquisition of the minority interests in Romania resulted in a decrease compared to 2007.

The Group's significant minority interests are Lafarge Cement Egypt (Egypt), Bazian Cement Company (Iraq), United Cement Corporation (Iraq), Malayan Cement Berhad (Malaysia), West African Portland Cement Company plc (Nigeria), Ashakacem plc (Nigeria) and Jordan Cement Factories Company PSC (Jordan).

I 2007

At December 31, 2007, the Group's significant minority interests are Malayan Cement Berhad, Lafarge Halla Cement Corporation,

West African Portland Cement Company plc, Ashakacem plc, Jordan Cement Factories Company PSC and Heracles General Cement Company S.A.

In 2007, the complementary acquisition of 33.56% minority interests of Heracles General Cement Company S.A., and the capital decrease of Malayan Cement Berhad, resulted in a reduction of 246 million and of 45 million euros respectively in minority interests in the balance sheet compared to 2006.

I 2006

At December 31, 2006, the Group's significant minority interests are Heracles General Cement Company S.A., Malayan Cement Berhad, Lafarge Halla Cement Corporation, Ashakacem plc, West African Portland Cement Company plc, and Jordan Cement Factories Company PSC.

The buy-out of Lafarge North America Inc. remaining minority interests resulted in a reduction in minority interests in the balance sheet of 1.1 billion euros compared to 2005.

Note 21 - Share based payments

(a) Compensation expense for share based payments

The Group recorded a compensation expense for share based payments that is analyzed as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	2008	2007	2006
Employee stock options	22	26	59
Employee share purchase plans	-	-	-
Performance stock plans	7	3	-
Stock appreciation rights (SAR) plans	-	3	-
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	29	32	59

2008

The compensation cost recognized includes the fair value amortization for all outstanding and non-vested plans, including the plans granted in 2008.

2007

The compensation cost recognized includes the fair value amortization for all outstanding and non-vested plans, for an amount of 28 million euros. An additional expense of 4 million euros has been recorded to reflect 65% (divestiture percentage) of the fair value of options granted to Roofing employees.

The expense related to share based payments is included in the profit and loss as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	2008	2007	2006
Cost of sales	9	8	7
Selling and administrative expenses	20	20	23
Other operating income and expense	-	-	29
Net income (loss) from discontinued operations	-	4	-
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	29	32	59

Total compensation cost related to non-vested and not yet recognized stock options plans, performance stock plans and SAR plans is 49 million euros which will be recognized on a straight-line basis over the vesting period from 2009 to 2012.

(b) Equity settled instruments

Stock option plans

Lafarge S.A. grants stock option plans and employee stock purchase plans. Stock option plans offer options to purchase or subscribe

2006

The compensation cost recognized includes the fair value amortization for all outstanding and non-vested plans, for an amount of 30 million euros. At the time of the buy-out of minority interests in Lafarge North America Inc., the outstanding options on May 12, 2006 (vested and non-vested) have been bought for their intrinsic value (measured as the difference between the exercise price and the offering price by the Group). The remaining fair value not yet amortized has been recognized in the profit and loss for an amount of 29 million euros.

shares of the Group's common stock to executives, senior management and other employees who have contributed significantly to the performance of the Group. The option exercise price approximates market value on the grant date. The options are vested four years and expire ten years from the grant date.

In addition, as already mentioned in (a), the stock-based compensation plans of Lafarge North America Inc. were bought after the buy-out of minority interests on May 12, 2006.

Information relating to the Lafarge S.A. stock options granted is summarized as follows:

	2008		2007		2006	
	Options	Weighted average exercise price (euros)	Options	Weighted average exercise price (euros)	Options	Weighted average exercise price (euros)
OUTSTANDING AT JANUARY 1,	6,811,409	84.77	7,501,294	80.10	7,917,523	76.83
Options granted	708,700	111.27	540,050	128.15	817,075	97.67
Options exercised	(189,399)	74.21	(1,204,540)	75.96	(1,076,977)	69.40
Options cancelled and expired	(41,132)	74.25	(25,395)	45.91	(156,327)	80.03
OUTSTANDING AT DECEMBER 31,	7,289,578	87.68	6,811,409	84.77	7,501,294	80.10
OPTIONS EXERCISABLE AT DECEMBER 31,	4,004,193	80.61	3,533,624	82.12	3,516,479	85.46
Weighted average share price for options exercised during the year		112.15		120.83		101.69
Weighted average share price at option grant date (for options granted during the year)		108.94		131.02		92.80
Weighted average fair value of options granted during the year		21.01		38.93		22.86

Information relating to the Lafarge S.A. stock options outstanding at December 31, 2008 is summarized as follows:

Exercise price (euros)	Number of options outstanding	Weighted average remaining life (months)	Number of options exercisable
82.70	573,685	11	573,685
79.74	243,271	23	243,271
102.12	12,754	28	12,754
96.16	882,558	35	882,558
101.79	362,737	40	362,737
74.48	276,493	47	276,493
65.95	981,695	59	981,695
70.79	671,000	71	671,000
72.63	1,223,410	84	-
97.67	813,225	89	-
128.15	540,050	101	-
111.27	708,700	111	-
	7,289,578		4,004,193

CONSOLIDATED STATEMENTS

Note 21 - Share based payments

LAFARGE NORTH AMERICA INC. AND ITS SUBSIDIARIES STOCK OPTION PLANS

Lafarge North America Inc.'s stock option and employee stock option purchase plans (bought in 2006) are presented hereafter:

	2006	
	Options	Weighted Average exercise price (USD)
OUTSTANDING AT JANUARY 1,	4,102,732	41.26
Options granted	1,105,000	64.00
Options exercised	(1,183,454)	37.32
Cash settlement	(4,013,216)	48.67
Options cancelled	(11,062)	41.73
OUTSTANDING AT DECEMBER 31,	-	-
OPTIONS EXERCISABLE AT DECEMBER 31,	-	-
Weighted average share price for options exercised during the year		61.80
Weighted average share price at option grant date (for options granted during the year)		64.00
Weighted average fair value of options granted during the year		14.69

FAIR VALUE OF OPTIONS GRANTED

As described in Note 2.24, share option fair value is calculated at the grant date using the Black & Scholes option-pricing model. Further changes in the fair value of instruments granted are not considered.

The Group estimated the fair value of the options granted based on the following assumptions:

	LAFARGE S.A. OPTIONS			LAFARGE NORTH AMERICA INC. OPTIONS
Years ended December 31,	2008	2007	2006	2006
Expected dividend yield	4.0%	2.3%	3.1%	1.5%
Expected volatility of stock	24.7%	25.2%	28.3%	24.4%
Risk-free interest rate	4.0%	4.7%	3.8%	4.4%
Expected life of the options (years)	8.0	8.0	8.0	4.2

The expected dividend yield assumption is based on market expectations.

The expected volatility assumption has been determined based on the observation of historical volatility over periods corresponding to the expected average maturity of the options granted, partially smoothed to eliminate extreme deviations and better reflect long-term trends.

The Group assumes that the equivalent risk-free interest rate is the closing market rate, on the last trading day of the year, for treasury bills with maturity similar to the expected life of the options.

The Lafarge S.A. stock incentive plan was introduced on November 29, 1989. The Group assumes the estimated life of the outstanding option agreements based upon the number of options historically exercised and cancelled since the plan inception.

I Performance stock plans

Lafarge set up performance stock plans in 2008 and 2007. The shares are granted to executives and other employees for their contribution to the continuing success of the business. For French resident employees, these shares will be issued following a two-year vesting period after the grant date, but will remain unavailable for an additional two-year period. For non-French resident employees, the shares will be vested for four years.

Information relating to the Lafarge S.A. performance stock plans outstanding at December 31, 2008 is summarized as follows:

(million euros)	2008	2007	2006
Outstanding at January 1,	141,885	-	-
Shares granted	52,250	143,090	-
Shares cancelled	125	1,205	-
Shares definitely allotted	-	-	-
Outstanding at December 31,	194,010	141,885	-
Weighted average share price at option grant date	108.94	131.02	-

The Group estimated the fair value of the performance stock plans granted in 2007 and in 2008 based on the following assumptions:

YEARS ENDED DECEMBER 31,			
	2008	2007	2006
Expected dividend yield	3.9%	2.3%	-
Post vesting transfer restriction discount	4.0%	4.0%	-

The expected dividend yield assumption is based on market expectations.

A discount for post vesting transfer restriction has been applied on shares granted to French resident employees for the two years following the vesting date.

(SAR). SAR give the holder, for a period of 10 years after grant date the right to receive a cash payment based on the increase in the value of the Lafarge share from the time of the grant until the date of exercise. The SAR strike price approximates market value on the grant date. Right grants will vest at a rate of 25% each year starting on the first anniversary of the grant.

(c) Cash-settled instruments

In 2007 and 2008, Lafarge granted certain U.S. employees equity instruments settled in cash, called Stock Appreciation Rights plans

Information relating to the Lafarge North America Inc. Stock Appreciation Rights plan outstanding at December 31, 2008 is summarized as follows:

	2008		2007		2006	
	SAR	Weighted average exercise price (euros)	SAR	Weighted average exercise price (euros)	SAR	Weighted average exercise price (euros)
OUTSTANDING AT JANUARY 1,	260,675	124.50	-	-	-	-
SAR granted	298,650	113.55	260,675	124.50	-	-
SAR exercised	-	-	-	-	-	-
SAR cancelled	(33,165)	121.38	-	-	-	-
OUTSTANDING AT DECEMBER 31,	526,160	118.47	260,675	124.50	-	-
OPTIONS EXERCISABLE AT DECEMBER 31,	42,044	124.50	-	-	-	-
Weighted average share price for SAR exercised during the year		-		-		-
Weighted average share price at SAR grant date		43.35		115.90		-
Weighted average fair value of SAR granted during the year		1.20		32.24		-

As described in Note 2.24, share option fair value is calculated at the grant date using the Black & Scholes option-pricing model. The fair value of the plan is re-estimated at each reporting date and the expense adjusted prorata to vested rights at the relevant reporting date.

The Group estimated the fair value of the Stock Appreciation Rights plans granted in 2007 and 2008 based on the following assumptions:

	YEARS ENDED DECEMBER 31,		
	2008	2007	2006
Expected dividend yield	4.0%	2.3%	-
Expected volatility of stock	24.7%	28.4%	-
Risk-free interest rate	4.0%	4.4%	-
Expected life of the SAR (<i>years</i>)	7.6	7.5	-

The expected dividend yield assumption is based on market expectations.

The expected volatility assumption has been determined based on the observation of historical volatility over periods corresponding to the expected average maturity of the options granted, partially smoothed to eliminate extreme deviations and to better reflect long-term trends.

The Group assumes that the equivalent risk-free interest rate is the closing market rate, on the last trading day of the year, for treasury bills with maturity similar to the expected life of the SAR.

Note 22 - Income taxes

(a) Income tax

The Group computes current and deferred tax as described in Note 2.23.

The income tax expense from continuing operations for the year is detailed as follows:

	YEARS ENDED DECEMBER 31,		
(<i>million euros</i>)	2008	2007	2006
CURRENT INCOME TAX	529	575	467
French companies	56	32	25
Foreign companies	473	543	442
DEFERRED INCOME TAX	(50)	150	163
French companies	(75)	98	104
Foreign companies	25	52	59
INCOME TAX	479	725	630

The components of the income tax expense are as follows:

(million euros)	YEARS ENDED DECEMBER 31,		
	2008	2007	2006
CURRENT INCOME TAX	529	575	467
Corporate income tax for the period	516	546	485
Adjustment recognized in the period for current tax of prior periods	10	15	(33)
Withholding tax on dividends	22	15	17
Other	(20)	(1)	(2)
DEFERRED INCOME TAX	(50)	150	163
Deferred taxes on origination or reversal of temporary differences	(58)	196	220
Effect of changes in tax rates	(66)	(17)	(6)
Deferred taxes assets and tax losses carryforward unrecognized	-	-	-
Reassessment of deferred tax assets	65	(26)	(51)
Other	9	(3)	-
INCOME TAX	479	725	630

In addition to the income tax expense charged to profit and loss:

- a net tax income of 133 million euros (an expense of 10 million euros in 2007 and income of 18 million euros in 2006) has been recognized in equity during the period. This income relates to the deferred tax calculated on actuarial gains and losses recognized through equity (positive for 124 million euros in 2008, negative for 14 million euros in 2007 and negative for 4 million euros in 2006), on the change in fair value of derivative instruments designated as hedging instruments in a cash flow hedge relationship (positive for 20 million euros in 2008, negative for

5 million euros in 2007 and positive for 19 million euros in 2006) on the change in fair value of available-for-sale securities (negative for 18 million euros in 2008, positive for 9 million euros in 2007 and positive for 3 million euros in 2006) and on the sale of the treasury shares (positive for 7 million euros in 2008);

- in 2006, an income tax benefit realized from the exercise of Lafarge North America Inc. stock options was credited to equity for 38 million euros.

An analysis of the deferred tax expense in respect of each temporary difference is presented in Note 22 (c).

Effective tax rate

For the years ended December 31, 2008, 2007 and 2006, the Group's effective tax rate is reconciled to the statutory tax rate applicable in France *i.e.* 34.43%, as follows:

	YEARS ENDED DECEMBER 31,		
(%)	2008	2007	2006
Statutory tax rate	34.4	34.4	34.4
Changes in enacted tax rates *	(2.6)	(0.5)	(0.3)
Restructuring *	-	-	(1.7)
Capital gains taxed at a reduced rate (*)(**)	(3.2)	(1.5)	-
Effect of foreign tax rate differentials ***	(15.0)	(5.9)	(5.1)
Changes in valuation allowance on deferred tax assets	2.9	(1.0)	0.9
Non deductibility of the goodwill impairment loss *	3.5	-	0.1
Share of net income of associates presented net of tax	-	-	(0.4)
Other	(0.2)	0.7	0.4
EFFECTIVE TAX RATE	19.8	26.2	28.3

* These items give rise to a net effect of -2.3 points in 2008 on the statutory tax rate (-2.0 points in 2007 and -1.9 points in 2006). They include non-recurring tax savings of 140 million euros (57 million euros in 2007 and 44 million euros in 2006). These tax savings arose from the enactment of lower tax rates, capital gains taxed at a lower rate and also, for 2006, from tax efficient restructuring. These tax savings are partially compensated in 2008 by the non-deductibility of the goodwill impairment loss (250 million euros) which has a +1.8 points impact on the Group effective tax rate (+3.5 points on the statutory tax rate). Excluding these non-recurring items, the effective tax rate would have been 22.1% in 2008, 28.3% in 2007 and 30.3% in 2006.

** Capital gain taxed at a lower rate mainly corresponds to the disposal in 2008 of Titan (Egypt) and in 2007 of Ybitas (Turkey), which were respectively taxed at 5% and 25% on the gain on disposal.

*** Includes in 2008 the impact of the acquisition of Orascom Cement which benefits from tax exemptions in several countries.

(b) Change in deferred tax assets and liabilities

Certain deferred tax assets and liabilities have been offset in accordance with the principles described in IAS 12. The movements in deferred tax assets and liabilities for the reporting periods are as follows:

(million euros)	2008	2007	2006
NET DEFERRED TAX LIABILITIES AT JANUARY 1,	484	328	195
(Credit) charge to equity (excluding Actuarial gains and losses)	(9)	(4)	(22)
Actuarial gains and losses	(124)	14	4
Expense (income)	(50)	150	163
Translation adjustments	(41)	(35)	(29)
Other changes *	482	31	(4)
Reclassification as assets held for sale	-	-	21
NET DEFERRED TAX LIABILITIES AT DECEMBER 31,	742	484	328
<i>Out of which:</i>			
Deferred tax liabilities	923	695	529
Deferred tax assets	(181)	(211)	(201)

* In 2008, mainly relates to the deferred tax liabilities on the fair value of the tangible assets recognized further to the acquisition of Orascom Cement (see Note 3 (a)).

(c) Deferred tax assets and liabilities

Components of the deferred tax balance are as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	2008	2007	2006 *
Pensions and other post-retirement benefits	141	191	359
Actuarial gains and losses	158	34	48
Property, plant and equipment	280	310	299
Provisions and other current liabilities	251	283	459
Restructuring provisions	9	16	14
Net operating loss and tax credit carry forwards	441	264	345
Net capital loss carry forwards	261	353	471
DEFERRED TAX ASSETS	1,541	1,451	1,995
Valuation allowance	(395)	(388)	(600)
NET DEFERRED TAX ASSETS	1,146	1,063	1,395
Property, plant and equipment	1,699	1,371	1,490
Other, net	189	176	233
DEFERRED TAX LIABILITIES	1,888	1,547	1,723
NET DEFERRED TAX LIABILITIES	742	484	328

* Only from continuing operations.

Components of the deferred tax expense are as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	2008	2007	2006
Pensions and other post-retirement benefits	32	106	9
Property, plant and equipment	(39)	(26)	(12)
Provisions and other current liabilities	24	4	(12)
Restructuring provisions	8	4	(9)
Net operating loss and tax credit and capital loss carry forwards	(92)	78	116
Other, net	17	(16)	71
TOTAL	(50)	150	163

The Group is in a position to control the timing of reversal of the temporary differences arising from investments in subsidiaries, branches, associates and interests in joint-ventures, hence it is not required to recognize a deferred tax liability in this report. In view of the variety of ways in which these temporary differences may reverse, and the complexity of the tax laws, it is not possible to

accurately compute the temporary differences arising from such investments.

The Group provides for deferred taxes liabilities on the undistributed earnings of its subsidiaries only when dividend distributions are planned.

(d) Valuation allowance on deferred tax assets

The change in the valuation allowance is as follows:

(million euros)	2008	2007	2006
AT JANUARY 1,	388	600	554
Addition	59	19	82
Release	(4)	(173)	(43)
Other changes	27	(28)	18
Translation adjustments	(75)	(30)	5
Reclassification as assets held for sale	-	-	(16)
AT DECEMBER 31,	395	388	600

(e) Tax credit and capital loss carry forwards

At December 31, 2008, the Group has net operating losses (NOLs) and tax credit carry forwards and capital losses carry forwards of approximately 1,280 million euros and 932 million euros, respectively, which will expire as follows:

(million euros)	NOLs and tax credits carry forwards	Capital loss carry forwards	Total
2009	44	-	44
2010	26	-	26
2011	9	-	9
2012	14	-	14
2013 and thereafter	1,187	932	2,120
TOTAL	1,280	932	2,213

Deferred tax assets have been recognized on all tax losses and a valuation allowance has been recorded when it is not probable that the deferred tax assets will be recoverable in the future.

Note 23 - Pension plans, end of service benefits and other post retirement benefits

The Group sponsors both defined benefit and defined contribution plans, in accordance with local legal requirements and each specific subsidiary benefit policies.

For defined contribution plans, the Group's obligations are limited to periodic payments to third party organizations, which are responsible for the financial and administrative management of the funds. The pension costs of these plans, corresponding to the contribution paid, are charged in the income statement. The total contribution paid in 2008, 2007 and 2006 (excluding mandatory social security plans organized at state level) for continuing operations is 34 million euros, 25 million euros and 33 million euros respectively.

Only defined benefit plans create future obligations for the Group. Defined benefit pension plans and end of service benefits constitute 95% of the Group's post-retirement obligations. The remaining 5% relates to other post-retirement benefits, mainly post-employment

medical plans. For these plans, the Group's obligations are estimated with the assistance of independent actuaries using assumptions, which may vary over time. The obligations related to these plans are often funded through Group and employee contributions to third party legal entities, which investments are subject to fluctuations in the financial markets. These entities are usually administered by trustees representing both employees and employer.

Based on specific studies conducted by external experts, each Board of Trustees determines an appropriate investment strategy, typically designed to maximize asset and liability matching and limit investment risk by an appropriate diversification. The implementation of this investment strategy is conditioned by market opportunities and is usually conducted by external asset managers selected by trustees. Assets are mostly invested in listed instruments (shares, bonds) with limited use of derivatives or alternative asset classes. These entities do not hold any instrument issued by the Group.

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Note 23 - Pension plans, end of service benefits and other post retirement benefits

The following table shows the asset allocation of the most significant funded plans of the Group located in the United Kingdom and North America:

	NORTH AMERICA		UNITED KINGDOM	
(%)	2008	2007	2008	2007
Equity	66	70	52	53
Bonds	34	30	42	41
Other	-	-	6	6
TOTAL	100	100	100	100

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Note 23 - Pension plans, end of service benefits and other post retirement benefits

The following schedule shows the accounting treatment for defined benefit pension plans and end of service benefits under the column "pension benefits" and the accounting treatment for other post retirement benefits under the column "other benefits". 2006 figures were restated to reflect the new policy for actuarial gains and losses and asset ceiling adopted by the Group (recognition through net equity).

AT DECEMBER 31,									
(million euros)	Pension benefits			Other benefits			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
COMPONENTS OF NET PERIODIC PENSION COST									
Service cost	91	98	121	7	8	7	98	106	128
Interest cost	241	254	254	14	15	14	255	269	268
Expected return on plan assets	(271)	(295)	(276)	-	-	-	(271)	(295)	(276)
Amortization of past service cost	1	(1)	9	6	5	(1)	7	4	8
Special termination benefits	51	25	8	-	-	-	51	25	8
Curtailment (gain)	(1)	(38)	(3)	-	1	-	(1)	(37)	(3)
Settlement loss	-	4	1	-	-	-	-	4	1
NET PERIODIC PENSION COST	112	47	114	27	29	20	139	76	134
<i>Of which net periodic pension cost for discontinued operations</i>	-	-	24	-	-	-	-	-	24
<i>Of which net periodic pension cost for continuing operations</i>	-	-	94	-	-	15	-	-	109
CHANGE IN DEFINED BENEFIT OBLIGATION									
DEFINED BENEFIT OBLIGATION AT JANUARY 1,	4,519	5,315	5,207	251	253	256	4,770	5,568	5,463
Foreign currency translations	(704)	(308)	(57)	(2)	(14)	(27)	(706)	(322)	(84)
Service cost	91	98	121	7	8	7	98	106	128
Interest cost	241	254	254	14	15	14	255	269	268
Employee contributions	9	8	9	2	2	-	11	10	9
Plan amendments	-	(2)	8	12	13	-	12	11	8
Curtailments	(1)	(26)	(4)	-	1	-	(1)	(25)	(4)
Settlements *	-	(123)	-	-	-	-	-	(123)	-
Business combinations/Divestitures	(2)	(308)	1	-	(2)	-	(2)	(310)	1
Special termination benefits	51	25	8	-	-	-	51	25	8
Benefits paid	(317)	(293)	(279)	(17)	(16)	(16)	(334)	(309)	(295)
Actuarial (gain) loss related to change in assumptions	(487)	(240)	7	-	(2)	14	(487)	(242)	21
Actuarial (gain) loss related to experience effect	93	119	40	(10)	(7)	5	83	112	45
DEFINED BENEFIT OBLIGATION AT DECEMBER 31,	3,493	4,519	5,315	257	251	253	3,750	4,770	5,568
<i>Of which defined benefit obligation at December 31 for discontinued operations</i>	-	-	308	-	-	2	-	-	310
<i>Of which defined benefit obligation at December 31 for continuing operations</i>	-	-	5,007	-	-	251	-	-	5,258

* Partial settlement of certain retirees' obligations in France in 2007.

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Note 23 - Pension plans, end of service benefits and other post retirement benefits

AT DECEMBER 31,									
(million euros)	Pension benefits			Other benefits			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
CHANGE IN PLAN ASSETS									
FAIR VALUE OF PLAN ASSETS AT JANUARY 1,	4,148	4,201	3,954	-	-	-	4,148	4,201	3,954
Foreign currency translations	(698)	(308)	(36)	-	-	-	(698)	(308)	(36)
Expected return on plan assets	271	295	276	-	-	-	271	295	276
Actuarial gain/loss related to experience effect	(839)	(26)	76	-	-	-	(839)	(26)	76
Employer contributions *	75	374	139	-	-	-	75	374	139
Employee contributions	9	8	9	-	-	-	9	8	9
Benefits paid	(205)	(224)	(214)	-	-	-	(205)	(224)	(214)
Settlements	-	(126)	(2)	-	-	-	-	(126)	(2)
Business combinations/Divestitures	-	(46)	(1)	-	-	-	-	(46)	(1)
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31,	2,761	4,148	4,201	-	-	-	2,761	4,148	4,201
Actual return on plan assets	(568)	269	352	-	-	-	(568)	269	352
<i>Of which fair value of plan assets at December 31 of discontinued operations</i>	-	-	46	-	-	-	-	-	46
<i>Of which fair value of plan assets at December 31 of continuing operations</i>	-	-	4,155	-	-	-	-	-	4,155
RECONCILIATION OF PREPAID (ACCRUED) BENEFIT COST									
FUNDED STATUS OF THE PLAN	(732)	(371)	(1,114)	(257)	(251)	(253)	(989)	(622)	(1,367)
Unrecognized actuarial past service cost	5	6	8	(4)	(7)	(9)	1	(1)	(1)
Unrecognized asset due to asset ceiling limitations	(15)	(76)	(42)	-	-	-	(15)	(76)	(42)
PREPAID (ACCRUED) PENSION COST AT DECEMBER 31,	(742)	(441)	(1,148)	(261)	(258)	(262)	(1,003)	(699)	(1,410)
<i>Of which prepaid pension cost at December 31 from discontinued operations</i>	-	-	1	-	-	-	-	-	1
<i>Of which accrued pension cost at December 31 from discontinued operations</i>	-	-	(263)	-	-	(2)	-	-	(265)
NET AMOUNT RECOGNIZED AT END PERIOD FROM DISCONTINUED OPERATIONS	-	-	(262)	-	-	(2)	-	-	(264)
<i>Of which prepaid pension cost at December 31 from continuing operations</i>	7	104	31	-	-	-	7	104	31
<i>Of which accrued pension cost at December 31 from continuing operations</i>	(749)	(545)	(917)	(261)	(258)	(260)	(1,010)	(803)	(1,177)
NET AMOUNT RECOGNIZED AT END PERIOD FROM CONTINUING OPERATIONS	(742)	(441)	(886)	(261)	(258)	(260)	(1,003)	(699)	(1,146)

* Including:

- exceptional contributions to North America pension funds for 22 million U.S. dollars and 29 million U.S. dollars in 2007 and 2006 respectively;
- an exceptional contribution to the UK pension plan of 96 million British pounds in 2007 due to Roofing divestiture;
- exceptional contributions to the UK pension plan of 10 million British pounds in 2008 and 18 million British pounds in 2007 and 2006;
- and a contribution of 126 million euros in 2007 for the partial settlement of certain retirees' obligations in France.

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Note 23 - Pension plans, end of service benefits and other post retirement benefits

Amounts recognized through the Statement of Recognized Income and Expense are presented in the table below (before deduction of tax and minority interest):

	PENSION BENEFITS			OTHER BENEFITS			TOTAL		
(million euros)	2008	2007	2006	2008	2007	2006	2008	2007	2006
STOCK OF ACTUARIAL GAINS/(LOSSES) RECOGNIZED AT DECEMBER 31,	(533)	(96)	(178)	25	16	8	(508)	(80)	(170)
AMOUNTS RECOGNIZED IN THE PERIOD	(394)	46	33	10	10	(19)	(384)	56	14
<i>Of which Actuarial gains/(losses)</i>	<i>(445)</i>	<i>87</i>	<i>29</i>	<i>10</i>	<i>10</i>	<i>(19)</i>	<i>(435)</i>	<i>97</i>	<i>10</i>
<i>Of which Asset ceiling impact</i>	<i>51</i>	<i>(41)</i>	<i>4</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>51</i>	<i>(41)</i>	<i>4</i>

The Group did not recognize any reimbursement right as an asset for the years presented.

The defined benefit obligation for continuing activities disclosed in the table above arises from:

	AT DECEMBER 31.		
(million euros)	2008	2007	2006
Plans wholly unfunded	699	630	665
Plans wholly or partially funded	3,051	4,140	4,593
TOTAL DEFINED BENEFIT OBLIGATION	3,750	4,770	5,258

The primary assumptions made to account for pensions and end of service benefits are as follows:

(%)	United States	Canada	United Kingdom	Euro zone
2008				
Discount rate at December 31	6.10	6.60	6.50	5.60
Salary increase at December 31	4.00	4.50	4.30	2.50 to 4.75
Expected return rate on assets at January 1	8.00	8.00	6.90	4.25 to 4.75
2007				
Discount rate at December 31	6.20	5.20	5.80	4.75 to 5.25
Salary increase at December 31	4.00	4.50	4.90	2.50 to 4.00
Expected return rate on assets at January 1	8.00	8.00	6.90	4.50 to 5.00
2006				
Discount rate at December 31	5.85	4.95	5.10	4.25 to 4.50
Salary increase at December 31	4.00	3.50	4.60	2.50 to 4.00
Expected return rate on assets at January 1	8.00	8.00	6.90	3.80 to 4.50

The expected long-term rate of investment return on pension plan assets is based on historical performance, current and long-term outlook and the asset mix in the pension trust funds.

Discount rates reflect the rate of long-term high-grade corporate bonds. They are selected based on external indexes, usually considered as references for discounting pension obligations. In the current market turmoil, the Group was specifically attentive to the relevance of those indexes. For example, in United Kingdom,

the reference index iboxx AA 15+ has been restated of the obligations issued by financial establishments, downgraded in December 2008. The impact of decreasing the discount rate assumption by one percentage point at December 31, 2008 for the valuation of the most significant benefit plans located in the United Kingdom and North America would have been to increase the total benefit obligation by approximately 480 million euros.

For the fiscal year 2009, the expected return rates on assets are as follows:

United States	8.00
Canada	8.00
United Kingdom	6.90
Euro zone	4.25 to 4.75

The expected rates of investment return on pension assets and the discount rates used to calculate the Group's pension related obligations are established in close consultation with independent advisors.

(a) Pension plans

The main defined benefit pension plans provided to employees by the Group in continuing activities are mainly in the United Kingdom and North America (The United States of America and Canada). The related pension obligations represent 55% and 32%, respectively, of the Group's total defined benefit plan obligations.

In the United Kingdom, pension related obligations are principally administered through a unique pension fund, governed by an independent board. Pension entitlements are calculated based on final carried salaries and the number of service years accomplished with the Group according to benefit formulas which are usually linear. This pension fund receives employer and employee contributions, based on rates determined, since 2006 and within the framework of the UK pension regulation every three years, based on plan valuation made by independent actuaries. Funding of the obligation is based upon both local minimum funding requirements as well as long term funding objectives to settle the future statutory pension obligations. The revision of annual contribution performed in 2005 had required us to make additional contributions of 18 million British pounds per year between 2005 and 2007. For the period 2008-2012, and based on the triennial valuation of the plan as at June 30, 2006, additional contributions of 10 million British pounds could be called based on the funding situation of the plan every end of June based on valuation made by the plan actuaries. This additional contribution was called in 2008. Required employer contributions in 2009 are expected to be at around 14 million British pounds (excluding a possible additional contribution). At the end of 2008, approximately 52% of the pension fund assets are invested in equity instruments, which is consistent with the long-term nature of the pension obligations, approximately 42% are invested in bond portfolios and 6% in cash instruments and real estate.

In the United States and Canada, defined pension benefits are granted through various plans. Contributions are based upon required amounts to fund the various plans as well as tax-deductible minimum and maximum amounts. At the end of 2008, 66% of the pension fund assets were invested in equity instruments and 34% in bond portfolios. Required employer contributions in 2009 are expected to be 51 million U.S. dollars. The Group chose for tax and financial purposes to make a discretionary contribution of 22 and

29 million U.S. dollars in 2007 and 2006, respectively, to its North American pension funds.

In conformity with the Group's accounting policies (*see Note 2.20*) the difference between actual and expected returns on fund assets is treated as actuarial gains and losses.

As described in Note 2.20, the adoption of IFRS led to the immediate recognition through equity of all accumulated unrecognized actuarial losses as of January 1, 2004.

(b) End of service benefits

End of service benefits are generally lump sum payments based upon an individual's years of credited service and annual salary at retirement or termination of employment. The primary obligations for end of service benefits are in France, Greece, Korea and Chile.

(c) Other post-retirement benefits

In North America, and to a lesser extent in France and Jordan certain subsidiaries provide healthcare and insurance benefits to retired employees. These obligations are unfunded, but the federal subsidies expected in the coming years in the United States (Medicare Act) have significantly reduced Group obligations.

In North America, the assumed healthcare cost trend rate used in measuring the accumulated postretirement benefit obligation differs between U.S. and Canadian plans. At the end of 2008, the rate used was 8% in the U.S. plan, decreasing to 5% in 2015, and 8.6% in the Canadian plan, decreasing to 5% in 2018.

At the end of 2007, the used rate was 9% in the U.S. plan decreasing to 5% in 2012, and 8.4% in the Canadian plan decreasing to 4.7% in 2012. At the end of 2006, the used rate was 9% in the U.S. plan, decreasing to 5% in 2011, and 8.7% in the Canadian plan, decreasing to 4.7% in 2014.

The assumed rate for Medicare healthcare cost trends was the same for U.S. and Canadian plans.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point increase or decrease in assumed healthcare cost trend rates would have the following effects:

	ONE-PERCENTAGE-POINT	
(million euros)	Increase	Decrease
Increase (decrease) in defined benefit obligation at December 31, 2008	23	(20)
Increase (decrease) in the total of service and interest cost components for 2008	3	(2)

Note 24 - Provisions

(million euros)	Restructuring provisions	Site restoration and environmental provisions	Other provisions	Total
AT JANUARY 1, 2006	38	253	816	1,107
Current year addition	101	58	99	258
Current year release	(35)	(41)	(24)	(100)
Cancellation	(2)	(18)	(66)	(86)
Other changes	6	4	58	68
Translation adjustments	(1)	(9)	(17)	(27)
Reclassification to held for sale	(21)	(7)	(125)	(153)
AT DECEMBER 31, 2006	86	240	741	1,067
Current portion				132
Non-current portion				935
AT JANUARY 1, 2007	86	240	741	1,067
Current year addition	106	51	206	363
Current year release	(89)	(28)	(102)	(219)
Cancellation	(25)	(9)	(29)	(63)
Other changes	-	4	(69)	(65)
Translation adjustments	(5)	(9)	60	46
AT DECEMBER 31, 2007	73	249	807	1,129
Current portion				201
Non-current portion				928
AT JANUARY 1, 2008	73	249	807	1,129
Current year addition	105	29	154	288
Current year release	(106)	(29)	(46)	(181)
Cancellation	(9)	(3)	(70)	(82)
Other changes	(1)	3	36	38
Translation adjustments	(6)	(19)	(26)	(51)
AT DECEMBER 31, 2008	56	230	855	1,141
Current portion				165
Non-current portion				976

The restructuring provisions mainly include the employee termination benefits, the contract termination costs and other restructuring costs.

Other provisions include:

- a provision related to the risk arising from the “competition” litigation risk of 391 million euros at December 31, 2008 (335 million euros at December 31, 2007 and 340 million euros at December 31, 2006), including 71 million euros (51 million euros at December 31, 2007 and 40 million euros at December 31, 2006) of late-payment interest. An additional allowance of 36 million euros was accounted for further to the confirmation of
- the Court of First Instance in Luxemburg of the European Commission decision imposing a fine on Lafarge in the amount of 249.6 million euros. Also see Note 29 Legal and arbitration proceedings;
- provisions related to other litigations for an amount of 110 million euros (105 million euros at December 31, 2007 and 56 million euros at December 31, 2006);
- insurance and re-insurance reserves for an amount of 121 million euros at December 31, 2008 (124 million euros at December 31, 2007, 101 million euros at December 31, 2006).

Note 25 - Debt

The debt split is as follows:

	AT DECEMBER 31,		
(million euros)	2008	2007	2006
Long-term debt excluding put options on shares of subsidiaries	14,003	8,025	9,215
Put options on shares of subsidiaries, long-term	146	322	206
LONG-TERM DEBT	14,149	8,347	9,421
Short-term debt and current portion of long-term debt excluding put options on shares of subsidiaries	4,278	1,614	1,553
Put options on shares of subsidiaries, short-term	194	148	111
SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT	4,472	1,762	1,664
Total debt excluding put options on shares of subsidiaries	18,281	9,639	10,768
Total put options on shares of subsidiaries	340	470	317
TOTAL DEBT	18,621	10,109	11,085

(a) Analysis of debt excluding put options on shares of subsidiaries by type of financing

	AT DECEMBER 31,		
(million euros)	2008	2007	2006
Debenture loans	6,407	5,652	6,138
Bank loans and credit lines	9,428	1,406	1,457
Commercial paper	1,024	1,193	2,188
Other notes	999	985	522
Other	423	403	463
TOTAL DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES	18,281	9,639	10,768

I Debenture loans

At December 31, 2008, debenture loans consist of bonds issued mainly in euros, U.S. dollars and British pounds with a weighted average interest rate of 5.7% (6.2% at December 31, 2007 and 6.7% at December 31, 2006). Their maturities range from 2011 to 2036, with an average maturity of 7 years and 5 months (*i.e.* 2016). In May 2008, the Group issued two debenture loans of 750 million euros each with, respectively, a 5.75% coupon with a 3-year maturity and a 6.125% coupon with a 7-year maturity.

The Group has a Euro Medium-Term Note (EMTN) program, which allows for a maximum issuable amount of 9,000 million euros. At December 31, 2008, 5,123 million euros have been issued under the EMTN program, including 4,189 million euros of debenture loans and 934 million euros of private placements included under "Other notes". The weighted average interest rate of EMTN issues is 5.5% with maturities ranging from 2009 to 2020.

I Bank loans

At December 31, 2008, bank loans total 2,757 million euros and are primarily made of loans to Group subsidiaries in their local currencies.

The weighted average interest rate on these bank loans is approximately 6.5% at December 31, 2008 (6.4% at December 31, 2007 and 6.1% at December 31, 2006).

I Committed long and medium-term credit lines

Drawdowns on long and medium-term committed credit lines amount to 1,004 million euros (excluding the acquisition credit facility) out of a maximum amount available of 3,060 million euros equivalent at December 31, 2008. The average interest rate of these drawdowns, of which 1,000 million euros are denominated in euros, is approximately 5.5% at December 31, 2008.

The credit lines are used primarily as a back-up for the short-term financings of the Group and contribute to the Group's liquidity. The average non-utilization fee of these credit lines stands at 16 basis points at December 31, 2008 (8 basis points at December 31, 2007 and 8 basis points at December 31, 2006).

As part of the acquisition of Orascom Cement, an acquisition credit facility of 7,200 million euros was put in place on December 9, 2007 for the financing of the cash portion of this acquisition and the refinancing of part of its existing indebtedness. This facility is structured in several tranches of different amounts and with maturity dates between one to five years: A1 tranche of 1,800 million euros maturing in one year, A2 tranche of 2,300 million euros maturing in two years and B, C1 and C2 tranches with a total amount of 3,100 million euros maturing in five years. A1 and A2 tranches include a one-year extension option. This credit facility was syndicated in February 2008 with 30 banks participating to the syndicate.

On May 28, 2008, an amount of 1,500 million euros on A1 tranche of 1,800 million was refinanced through the proceeds of a bond issue split into two tranches of 750 million euros each, maturing in three (May 2011) and seven years (May 2015). The total outstanding amount of the acquisition facility was therefore reduced to 5,668 million euros with the outstanding amount on the A1 tranche being reduced to 300 million euros. The maturity of this residual amount has been extended by one year. The average interest rate on these drawdowns is approximately 5.8% at December 31, 2008.

Commercial paper

The Group's euro denominated commercial paper program at December 31, 2008 allows for a maximum issuable amount of 3,000 million euros. Commercial paper can be issued in euros, U.S. dollars, Canadian dollars, Swiss francs or British pounds. At December 31, 2008, commercial paper issued under this program totalled 1,024 million euros. This commercial paper bears an average interest rate close to the European inter-bank offer rate

("Euribor") for maturities generally ranging from 1 to 3 months. As of December 31, 2008, the weighted average interest rate of the euro denominated commercial paper is 4.4% (4.7% at December 31, 2007 and 3.6% at December 31, 2006).

Other notes

Other notes mainly consist of notes denominated in euros and in U.S. dollars with a weighted average interest rate of 4.8% at December 31, 2008 (5.1% at December 31, 2007 and 4.6% at December 31, 2006).

(b) Analysis of debt excluding put options on shares of subsidiaries by maturity

At December 31, 2008, 1,024 million euros of short-term debt have been classified as long-term based upon the Group's ability to refinance these obligations on a medium and long-term basis through its committed credit facilities. In addition, the drawdown for an amount of 1,000 million euros on the 1,825 million euros syndicated credit line of which the final expiration date is July 2012 is classified as a long-term debt.

This short-term debt that the Group can refinance on a medium and long-term basis through its committed credit facilities is classified in the balance sheet under the section "Long-term debt". The net variation of this short-term debt is shown in the cash flow statement in "proceeds from issuance of long-term debt" when it is positive, and in "repayment of long-term debt" when it is negative. At December 31, 2008, the net variation of this debt amounted to an increase of 831 million euros (compared to a decrease 1,161 million euros at December 31, 2007).

	AT DECEMBER 31,
(million euros)	2008
2009 H1	807
2009 H2	3,471
2010	1,093
2011	1,405
2012	5,554
2013	1,380
Beyond 5 years	4,571
TOTAL DEBT EXCLUDING PUT OPTIONS ON SHARE OF SUBSIDIARIES	18,281

This repayment schedule results from the schedules of Group loan contracts, without any discount rate nor netting.

(c) Analysis of debt excluding put options on shares of subsidiaries by currency

AT DECEMBER 31,	2008		2007		2006	
(million euros)	Before swaps	After swaps	Before swaps	After swaps	Before swaps	After swaps
Euro (EUR)	13,483	10,004	5,623	4,010	6,457	3,969
U.S. dollar (USD)	2,303	4,706	1,836	3,542	2,226	3,912
British pound (GBP)	974	1,268	1,280	1,034	1,407	1,963
Malaysian ringgit (MYR)	44	95	131	131	83	83
Canadian dollar (CAD)	41	616	115	84	95	234
Other	1,436	1,592	654	838	500	607
TOTAL	18,281	18,281	9,639	9,639	10,768	10,768

(d) Analysis of debt excluding put options on shares of subsidiaries by category

AT DECEMBER 31,	2008		2007		2006	
(million euros)	Before swaps	After swaps	Before swaps	After swaps	Before swaps	After swaps
Floating rate	11,050	11,604	3,445	4,324	3,942	4,718
Fixed rate below 6%	3,916	3,322	3,454	2,581	3,107	2,213
Fixed rate between 6% and 10%	3,124	3,164	2,503	2,497	3,459	3,577
Fixed rate 10% and over	191	191	237	237	260	260
TOTAL	18,281	18,281	9,639	9,639	10,768	10,768

The average spot interest rate of the debt after swaps, as at December 31, 2008, is 5.7% (5.8% as at December 31, 2007 and 5.8% at December 31, 2006). The average yearly interest rate of debt after swaps in 2008 is 5.5% (5.8% in 2007 and 5.5% in 2006).

(e) Particular clauses in financing contracts

Financial covenants

The Orascom Cement acquisition credit facility (7.2 billion euros), put in place on December 9, 2007, includes a financial covenant imposing to meet a financial ratio computed as the level of Net debt to "operating income before capital gains, impairment, restructuring and other" after adding back the charge for depreciation and amortization of assets. This ratio must be lower than 4 as at December 31, 2008 and June 30, 2009 and lower than 3.75 from December 31, 2009 onwards. At December 31, this financial ratio amounts to 3.6, below the limit set for this period. This covenant ceases to apply as soon as either both A1 and A2 tranches are fully repaid or when the financial ratio is equal or below 2.5 for two consecutive test dates.

Pursuant to "cross acceleration" and "cross default" provisions set out in the main financing contracts of the Group, including the terms and conditions of Lafarge S.A.'s EMTN programme ("Euro Medium

Term Note Programme"), the breach of this covenant could lead to the acceleration of the repayment of a substantial part of the debt of the Group or the cancellation of some unused credit lines.

Loan contracts requiring compliance with certain financial covenants are located in subsidiaries in the following countries: Algeria, Bangladesh, Chile, Ecuador, Egypt, India, Indonesia, Pakistan, Philippines, Spain, South Africa, United Arab Emirates, United Kingdom and Vietnam. Debt with such financial covenants represents approximately 6% of the total Group debt excluding put options on shares of subsidiaries at December 31, 2008. Most of them have a low probability of being triggered. Given the split of these contracts on various subsidiaries, and the quality of the Group liquidity protection through its access to committed credit lines, the existence of such clauses cannot materially affect the Group's financial situation.

Change of control clauses

Change of control clauses are included in the acquisition credit facility contracted for the acquisition of Orascom Cement and in several of the Group's committed credit facilities contracts, which amount to 8,608 million euros, *i.e.* 99% of the total outstanding credit facilities contracted at parent company level. As a consequence, in the event of a change in control, these facilities will be automatically cancelled if undrawn or, if drawn upon, will require

immediate repayment. Change of control clauses are also included in some debenture loans and private placements issued under the EMTN program, which amount to 2,644 million euros. In case of a change in control, the holders of these notes would be entitled, under certain conditions, to request their repayment.

(f) Put options on shares of subsidiaries

As part of the acquisition process of certain entities, the Group has granted third party shareholders the option to require the Group to purchase their shares at predetermined conditions. These shareholders are either international institutions, such as the European Bank for Reconstruction and Development, or private investors, which are essentially financial or industrial investors or former shareholders of the 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 398 million euros, 506 million euros and 354 million euros at December 31, 2008, 2007 and 2006, respectively.

Out of the outstanding put options at year-end 2008, 252 million euros and 30 million euros can be exercised in 2009 and 2010 respectively. The remaining 116 million euros can be exercised starting 2011.

As explained in Note 2.19, put options granted to minority interests of subsidiaries are classified as debt. Out of the total options granted by the Group, the options granted to minority interests amounted to 340 million euros, 470 million euros and 317 million euros at December 31, 2008, 2007 and December 31, 2006, respectively. The remaining options were granted on shares of associates or joint ventures.

This specific debt is recorded by reclassifying the underlying minority interests and recording goodwill in an amount equal to the difference between the carrying value of minority interests and the value of the debt (232 million euros, 306 million euros and 177 million euros at December 31, 2008, 2007 and 2006 respectively).

Put options on shares of associates and joint ventures are presented in Note 28 (c) as "Other commitments".

Note 26 - Financial instruments

(a) Designation of derivative instruments for hedge accounting

The Group uses derivative financial instruments to manage market risk exposures. Such instruments are entered into by the Group solely to hedge such exposures on anticipated transactions or firm commitments. The Group does not enter into derivative contracts for speculative purposes.

Certain derivative instruments are designated as hedging instruments in a cash flow or fair value hedge relationship in accordance with IAS 39 criteria.

Other derivatives, which are not documented under IAS 39 as it would translate into an unfavorable cost-benefit ratio, are not designated as hedges for accounting purposes. Changes in fair value of these derivatives are recorded directly in profit and loss, as required by IAS 39.

CONSOLIDATED STATEMENTS

Note 26 - Financial instruments

(b) Fair values

The following details the cost and fair values of financial instruments:

BALANCE SHEET FINANCIAL INSTRUMENTS

AT DECEMBER 31,		2008		2007		2006 *	
(million euros)	IAS 39 category	Carrying amount	Net Fair value	Carrying amount	Net Fair value	Carrying amount	Net Fair value
ASSETS							
Cash and cash equivalents	Financial assets at fair value recognized in P&L	1,591	1,591	1,429	1,429	1,155	1,155
Trade receivables	Loans and Receivables at amortized cost	2,320	2,320	2,515	2,515	2,674	2,674
Other receivables	Loans and Receivables at amortized cost	1,351	1,351	1,061	1,061	1,126	1,126
Other financial assets		1,147	1,147	1,096	1,096	830	830
Held-to-maturity investments	Held-to-maturity investments at amortized cost	4	4	3	3	1	1
Available for sale investments	Available for sale investments at fair value recognized in equity	652	652	780	780	628	628
Loans and long term receivables	Loans and Receivables at amortized cost	436	436	191	191	153	153
Prepaid pension assets	(excluding of the IAS 39 scope)	8	8	104	104	31	31
Restricted cash	Financial assets at fair value recognized in P&L	47	47	18	18	17	17
Derivative instruments - assets	Refer below	345	345	57	57	130	130
LIABILITIES							
Short-term bank borrowings	Financial liabilities at amortized cost	821	821	483	483	278	278
Trade payables	Financial liabilities at amortized cost	1,864	1,864	1,732	1,732	1,598	1,598
Other payables	Financial liabilities at amortized cost	2,039	2,039	1,553	1,553	1,668	1,668
Debenture loans	Financial liabilities at amortized cost	6,407	4,925	5,652	5,520	6,138	6,303
Other long-term financial debt (including current portion)	Financial liabilities at amortized cost	11,053	9,733	3,504	3,487	4,352	4,339
Put options on shares of subsidiaries	-	340	340	470	470	317	317
Derivative instruments - liabilities	Refer below	199	199	62	62	45	45
DERIVATIVE INSTRUMENTS							
Interest rate derivative instruments		101	101	(22)	(22)	(1)	(1)
designated as hedging instruments in cash flow hedge relationship		15	15	(15)	(15)	(2)	(2)
designated as hedging instruments in fair value hedge relationship		44	44	(8)	(8)	1	1
not designated as hedges for accounting purposes		42	42	1	1	-	-
Foreign exchange derivative instruments		102	102	8	8	35	35
designated as hedging instruments in cash flow hedge relationship		14	14	(2)	(2)	(2)	(2)
not designated as hedges for accounting purposes		88	88	10	10	37	37
Commodities derivative instruments		(57)	(57)	9	9	(18)	(18)
designated as hedging instruments in cash flow hedge relationship		(57)	(57)	9	9	(18)	(18)
Other derivative instruments		-	-	-	-	69	69
equity swaps not designated as hedges for accounting purposes		-	-	-	-	62	62
embedded derivatives not designated as hedges for accounting purposes		-	-	-	-	7	7

* Only for continuing operations.

The fair value of financial instruments has been estimated on the basis of available market quotations or the use of various valuation techniques, such as present value of future cash flows. However, the methods and assumptions followed to disclose fair value are inherently judgmental. Thus, estimated fair value does not necessarily reflect amounts that would be received or paid in case of immediate settlement of these instruments.

The use of different estimations, methodologies and assumptions could have a material effect on the estimated fair value amounts. The methodologies used are as follows:

- **cash and cash equivalents, trade receivables, trade payables, short-term bank borrowings:** due to the short-term nature of these balances, the recorded amounts approximate fair value;
- **other financial assets:** for marketable securities, quoted market prices are used. Other investments, amounting to 35 million euros at December 31, 2008, for which there is no quoted price, are carried at cost because a reasonable estimate of fair value could not be made without incurring excessive costs. The investments in Cimentos de Portugal (Cimpor) and in Baticim (Turkey) are carried at market value with unrealized gains and losses recorded in a separate component of equity;
- **debenture loans:** the fair values of the debenture loans were estimated with internal models that rely on market observable data, at the quoted value for borrowings listed on a sufficiently liquid market;
- **other long-term financial debt:** the fair values of long-term debt were determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using a rate which takes into account the Group's spread for credit risk at year end for similar types of debt arrangements;
- **derivative instruments:** the fair value of foreign exchange, interest rate, commodities and equity derivatives was calculated using

market prices that the Group would pay or receive to settle the related agreements.

(c) Foreign currency risk

In the course of its operations, the Group's policy is to hedge all material foreign currency exposures arising from its transactions using derivative instruments as soon as a firm or highly probable commitment is entered into or known. These derivative instruments are limited to forward contracts, foreign currency swaps and options with a term generally less than one year.

This policy is implemented in all of the Group's subsidiaries, which are required to ensure its monitoring. When allowed by local regulations and when necessary, Group subsidiaries have to hedge their exposures with the corporate treasury department. A follow up of risks related to foreign exchange financial instruments is regularly done through internal reporting provided to management team.

The Group's operating policies tend to reduce potential foreign currency exposures by requiring all liabilities and assets of controlled companies to be denominated in the same currency as the cash flows generated from operating activities, ie the functional currency. The Group may amend this general rule under special circumstances in order to take into account specific economic conditions in a specific country such as, inflation rates, interest rates, and currency related issues such as convertibility and liquidity. When needed currency swaps are used to convert debts most often raised in euros into foreign currencies.

See Section 4.5 (Market risks) for more information on our exposure to foreign currency risk.

Foreign currency hedging activity

At December 31, 2008, most forward contracts have a maturity date of less than one year. The nominal amount of foreign currency hedging instruments outstanding at year-end is as follows:

AT DECEMBER 31,			
(million euros)	2008	2007	2006
FORWARD CONTRACT PURCHASES AND CURRENCY SWAPS			
US dollar (USD)	341	293	298
British pound (GBP)	336	428	766
Other currencies	273	250	235
TOTAL	950	971	1,299
FORWARD CONTRACT SALES AND CURRENCY SWAPS			
US dollar (USD)	2,749	1,991	1,948
British pound (GBP)	678	293	1,061
Other currencies	401	289	417
TOTAL	3,828	2,573	3,426

Details of the balance sheet value of instruments hedging foreign currency risk

At December 31, 2008, 2007 and 2006, most of the Group's foreign currency derivatives were not designated as hedges for accounting purposes (*See Note 26 (a) (Designation of derivative instruments for hedge accounting)*). Changes in fair value were recorded directly in profit and loss. The net impact recognized in financial expenses in 2008 is disclosed in Note 8.

AT DECEMBER 31,	2008			2007			2006		
(million euros)	Derivatives' fair value	Underlying reevaluation	Net impact	Derivatives' fair value	Underlying reevaluation	Net impact	Derivatives' fair value	Underlying reevaluation	Net impact
ASSETS									
Non-current derivative instruments	-	-	-	-	-	-	-	-	-
Current derivatives instruments	218	-	218	43	-	43	49	-	49
Net reevaluation of financial loans and borrowings denominated in foreign currencies	-	-	-	-	-	-	-	-	-
LIABILITIES									
Non-current derivative instruments	-	-	-	-	-	-	-	-	-
Current derivative instruments	116	-	116	35	-	35	14	-	14
Net reevaluation of financial loans and borrowings denominated in foreign currencies	-	87	87	-	16	16	-	46	46
NET IMPACT ON EQUITY	102	(87)	15	8	(16)	(8)	35	(46)	(11)

(d) Interest rate risk

The Group is primarily exposed to fluctuations in interest rates based upon the following:

- price risk with respect to fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of fixed-rate assets and liabilities;
- cash flow risk for floating rate assets and liabilities. Interest rate fluctuations have a direct effect on the financial income or expense of the Group.

In accordance with established policies, the Group seeks to mitigate these risks using, to a certain extent, interest rate swaps and options.

A follow up of risks related to interest rate financial instruments is regularly done through internal reporting provided to management team.

Interest rate risk derivatives held at December 31, 2008 were mainly designated as hedging instruments in:

- cash flow hedge relationship for derivatives used to hedge cash flow risk;
- fair value hedge relationship for derivatives used to hedge price risk.

See Section 4.5 (Market risks) for more information on our interest rate risk policy and procedure.

Interest rate hedging activity

AT DECEMBER 31, 2008	LESS THAN ONE YEAR		1 TO 5 YEARS		MORE THAN 5 YEARS		TOTAL	
(million euros)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Debt *	86	4,192	2,859	6,573	4,286	285	7,231	11,050
Cash and cash equivalents	-	(1,591)	-	-	-	-	-	(1,591)
NET POSITION BEFORE HEDGING	86	2,601	2,859	6,573	4,286	285	7,231	9,459
Hedging instruments	4	(4)	(81)	81	(478)	478	(555)	555
NET POSITION AFTER HEDGING	90	2,597	2,778	6,654	3,808	763	6,676	10,014

* Debt excluding put options on shares of subsidiaries

The notional value of interest rate derivative instruments at year-end is as follows:

MATURITIES OF NOTIONAL CONTRACT VALUES AT DECEMBER 31, 2008 *

(million euros)	Average rate	2009	2010	2011	2012	2013	> 5 years	Total
Pay fixed (designated as cash flow hedge)								
Euro	4.5%	-	-	-	70	58	42	170
Other currencies	6.9%	8	6	32	27	50	113	236
Pay floating (designated as fair value hedge)								
Euro	5.1%	-	-	-	-	-	600	600
Other currencies	3.8%	-	210	-	-	144	-	354
Other interest rate derivatives								
Euro	-	13	6	-	-	-	-	19
Other currencies	3.1%	17	181	177	19	178	-	572
TOTAL		38	403	209	116	430	755	1,951

* The notional amounts of derivatives represent the face value of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.

MATURITIES OF NOTIONAL CONTRACT VALUES AT DECEMBER 31, 2007*

(million euros)	Average rate	2008	2009	2010	2011	2012	> 5 years	Total
Pay fixed (designated as cash flow hedge)								
Euro	6.5%	70	-	-	-	-	-	70
Other currencies	7.9%	-	7	5	13	21	58	104
Pay floating (designated as fair value hedge)								
Euro	4.4%	-	-	-	-	-	600	600
Other currencies	6.5%	-	-	273	-	-	136	409
Other interest rate derivatives								
Euro	-	-	-	-	-	-	-	-
Other currencies	7.0%	34	17	-	-	-	-	51
TOTAL		104	24	278	13	21	794	1,234

MATURITIES OF NOTIONAL CONTRACT VALUES AT DECEMBER 31, 2006 *

(million euros)	Average rate	2007	2008	2009	2010	2011	> 5 years	Total
Pay fixed (designated as cash flow hedge)								
Euro	6.3%	151	70	-	-	-	-	221
Other currencies	5.1%	28	25	8	-	-	-	61
Pay floating (designated as fair value hedge)								
Euro	3.3%	-	-	-	-	-	600	600
Other currencies	6.2%	-	-	-	298	-	152	450
Other interest rate derivatives								
Euro	-	-	-	-	-	-	-	-
Other currencies	9.5%	21	7	-	-	-	-	28
TOTAL		200	102	8	298	-	752	1,360

* The notional amounts of derivatives represent the face value of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.

Details of the balance sheet value of instruments hedging interest rate risk

AT DECEMBER 31,	2008			2007			2006		
(million euros)	Impact on derivatives	Impact on underlying	Net impact	Impact on derivatives	Impact on underlying	Net impact	Impact on derivatives	Impact on underlying	Net impact
ASSETS									
Non-current derivative instruments	120	-	120	2	-	2	7	-	7
Current derivative instruments	4	-	4	-	-	-	-	-	-
LIABILITIES									
Long-term debt	-	44	44	-	(8)	(8)	-	1	1
Non-current derivative instruments	23	-	23	24	-	24	7	-	7
Current derivative instruments	-	-	-	-	-	-	1	-	1
NET IMPACT ON EQUITY	101	(44)	57	(22)	8	(14)	(1)	(1)	(2)

(e) Commodity risk

The Group is subject to commodity risk with respect to price changes mainly in the electricity, natural gas, petcoke, coal, fuel, diesel and sea freight markets.

The Group uses, from time to time, financial instruments to manage its exposure to these risks. At December 31, 2008, 2007 and 2006,

these derivative instruments were mostly limited to swaps and options. A follow up of risks related to commodity financial instruments is regularly done through internal reporting provided to management team.

See Section 4.5 (Market Risks) for more information on our commodity risk hedging policy and procedure.

Commodities hedging activity

The notional value of commodity derivative instruments at year-end is as follows:

MATURITIES OF NOTIONAL CONTRACT RESIDUAL VALUES AT DECEMBER 31, 2008 *

(million euros)	2009	2010	2011	2012	2013	> 5 years	Total
Natural gas (NYMEX)	31	13	4	-	-	-	48
Heating oil (NYMEX)	49	11	-	-	-	-	60
Others	72	8	6	-	-	-	86
TOTAL	152	32	10	-	-	-	194

MATURITIES OF NOTIONAL CONTRACT RESIDUAL VALUES AT DECEMBER 31, 2007 *

(million euros)	2008	2009	2010	2011	2012	> 5 years	Total
Natural gas (NYMEX)	30	18	6	-	-	-	54
Heating oil (NYMEX)	31	5	-	-	-	-	36
Others	22	-	-	-	-	-	22
TOTAL	83	23	6	-	-	-	112

* The notional residual amounts of derivatives represent the residual value at December 31 of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.

MATURITIES OF NOTIONAL CONTRACT RESIDUAL VALUES AT DECEMBER 31, 2006 *

(million euros)	2007	2008	2009	2010	2011	> 5 years	Total
Natural gas (NYMEX)	44	23	8	-	-	-	75
Heating oil (NYMEX)	34	4	-	-	-	-	38
Others	72	12	-	-	-	-	84
TOTAL	150	39	8	-	-	-	197

* The notional residual amounts of derivatives represent the residual value at December 31 of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.

Details of the balance sheet value of instruments hedging commodities risk

Commodities derivative instruments held at December 31, 2008, 2007 and 2006 were all designated as hedging instruments in cash flow hedge relationship.

Balance sheet values of commodity derivative instruments are as follows:

AT DECEMBER 31,			
(million euros)	2008	2007	2006
ASSETS			
Non-current derivative instruments	2	3	1
Current derivative instruments	1	9	4
LIABILITIES			
Non-current derivative instruments	29	2	13
Current derivative instruments	31	1	10
NET IMPACT ON EQUITY	(57)	9	(18)

(f) Counterparty risk for financial operations

The Group is exposed to credit risk in the event of counterparty's default. The Group implemented policies to limit its exposure to counterparty risk by rigorously selecting the counterparties with which it executes financial agreements. These policies take into account several criteria (rating assigned by rating agencies, assets, equity base) as well as transaction maturities.

The Group's exposure to credit risk is limited and the Group believes that there is no material concentration of risk with any single counterparty. The Group does not anticipate any third party default that might have a significant impact on the Group's financial statements.

(g) Liquidity risk

The Group implemented policies to limit its exposure to liquidity risk. As a consequence of this policy, a significant portion of our debt has a long-term maturity. The Group also maintains committed credit lines with various banks which are primarily used as a back-up for the debt maturing within one year as well as for the short-term financings of the Group and which contribute to the Group's liquidity.

See Section 4.4 (Liquidity and capital resources) and Note 28 for more information on our exposure to liquidity risk.

(h) Capital risk management

The Group manages equity from a long-term perspective taking the necessary precautions to ensure its sustainability, while maintaining an optimum financial structure in terms of the cost of capital, the Return On Equity for shareholders and security for all counterparties with which it has ties.

Within this framework, the Group reserves the option, with the approval of shareholders, to issue new shares or to reduce its capital. The Group also has the power to adapt its dividend distribution policy. The Group wishes to adjust its dividend distribution to its financial performances, notably to earnings per share.

In accordance with common market practices, in managing its financial structure, the Group strives to maintain the cash flow from operations to net debt ratio within a predefined range.

Based on the 2008 financial statements, the cash flow from operations to net debt ratio was 18.7%, compared to 32.0% at year-end 2007 and 26.8% at year-end 2006.

In Section 4.1 “Overview” of the present Annual Report, the sub-heading “Reconciliation of our non-GAAP financial measures” presents the Group’s definition of the indicators net debt, equity and cash flow from operations.

In Section 4.4 “Liquidity and capital resources” of the present Annual Report, the sub-heading “Net debt and net debt ratios” presents the net-debt-to-equity ratio and the cash flow from operations to net debt ratio for each of the periods presented.

The Group’s maximum exposure to credit risk as of December 31, 2008 is presented in the following table:

	AT DECEMBER 31,
(million euros)	2008
Trade receivables (see Note 17)	2,320
Other receivables (see Note 18)	1,351
TOTAL	3,671

The Group considers that the credit risk on overdue and not depreciated receivables is not material.

In fact, the Group sells its products to thousands of customers, and customers usually order quantities to meet their short-term needs. Outstanding amounts per customer are, on an individual basis, not significant. The general terms of payment are different across countries however, the Group average days of payment is around 55 to 60 days.

(i) Credit risk

Credit risk is defined as the risk to the counterparty to a contract failing to perform or pay the amounts due.

The Group is exposed to credit risks in its operations.

The Group has implemented procedures for managing and depreciating receivables, which are set by each division. A monthly review of the operating working capital is performed at both division and Group level, aiming to verify that the monitoring of trade receivables through the days’ receivable ratio, is compliant with the Group’s commercial policies.

Note 27 - Other payables

Components of other payables are as follows:

	AT DECEMBER 31,		
(million euros)	2008	2007	2006 *
Accrued payroll expenses	413	402	423
Accrued interest	308	152	178
Other taxes	179	165	181
Payables to suppliers of fixed assets	307	260	99
Other accrued liabilities	832	574	787
OTHER PAYABLES	2,039	1,553	1,668

* Only for continuing operations.

“Other accrued liabilities” include payables to suppliers for non-operating services and goods, payables to associates and payables linked to external developments.

Note 28 - Commitments and contingencies

The procedures implemented by the Group allow all major commitments to be collated and prevent any significant omissions.

(a) Collateral guarantees and other guarantees

The following details collateral guarantees and other guarantees provided by the Group:

(million euros)	AT DECEMBER 31,		
	2008	2007	2006 *
Securities and assets pledged	287	43	6
Property collateralizing debt	367	288	354
Guarantees given	195	215	241
TOTAL	849	546	601

* Only from continuing operations.

The Group has granted indemnification commitments in relation to disposal of assets. Its exposure under these commitments is considered remote. The total amount of capped indemnification commitments still in force at December 31, 2008 is 335 million euros (319 million euros at end of December 2007).

The significant increase in the securities and assets pledged is mainly explained by the ex-subsidiaries of Orascom Cement, notably in Pakistan and Syria.

Further to the Orascom Cement and L&T acquisitions in India, the Group has received indemnification commitments of a maximum amount of 2,240 million euros and 116 million euros respectively. Besides, the Group received an indemnification commitment unlimited in the amount further to the acquisition of 50% of Grupo GLA from the former partners of Orascom Cement.

The principal collateral guarantees and other assets pledged by the Group at December 31, 2008 are as follows:

(million euros)	Amount of assets pledged	Total balance sheet	% pledged
TANGIBLE ASSETS	597	16,927	4%
Less than one year	56		
Between one and five years	396		
More than 5 years	145		
FINANCIAL ASSETS	57	1,710	3%
Less than one year	-		
Between one and five years	57		
More than 5 years	-		
TOTAL	654	18,637	4%

(b) Contractual obligations

The following details the Group's significant contractual obligations:

(million euros)	PAYMENTS DUE PER PERIOD			AT DECEMBER 31,		
	Less than 1 year	1 to 5 years	More than 5 years	2008	2007	2006 ⁽¹⁾
Debt ⁽²⁾	4,278	9,432	4,571	18,281	9,639	10,768
<i>Of which finance lease obligations</i>	12	38	17	67	46	59
Scheduled interest payments ⁽³⁾	922	2,258	1,408	4,588	3,355	3,638
Net scheduled obligation on interest rate swaps ⁽⁴⁾	2	21	7	30	43	(27)
Operating leases	201	465	254	920	942	857
Capital expenditures and other purchase obligations	1,020	936	341	2,297	2,283	1,948
Other commitments	345	51	48	444	166	167
TOTAL	6,768	13,163	6,629	26,560	16,428	17,351

(1) Only from continuing operations.

(2) Debt excluding put options on shares of subsidiaries (see Note 25).

(3) Scheduled interest payments associated with variable rate are computed on the basis of the rates in effect at December 31. Scheduled interest payments include interest payments on foreign exchange derivative instruments, but do not include interests on commercial papers which are paid in advance.

(4) Scheduled interest payments of the variable leg of swaps are computed based on the rates in effect at December 31.

The Group leases land, quarries, building and equipment. Total rental expense under operating leases was 229 million euros, 186 million euros and 187 million euros for the years ended December 31, 2008, 2007 and 2006 respectively for continuing operations.

in the table above because future long-term cash flows in this area are uncertain. Refer to the amount reported under the "current portion" of pension and other employee benefits liabilities in the balance sheets or in Note 23 for further information on these items.

Future expected funding requirements or benefit payments related to our pension and post-retirement benefit plans are not included

(c) Other commitments

The following details the other commitments of the Group:

(million euros)	AT DECEMBER 31,		
	2008	2007	2006 *
<i>Commitments received</i>			
Unused confirmed credit lines and acquisition lines **	2,055	10,269	3,547
<i>Commitments made</i>			
Put options to purchase shares in associates or joint-ventures	58	36	37

* Only for continuing operations.

** Including in 2007 the acquisition facility agreement of 7.2 billion euros set up for the acquisition of Orascom Cement.

Note 29 - Legal and arbitration proceedings

In the ordinary course of 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 business, the most significant of which are summarized below.

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

Europe - Gypsum: On July 8, 2008, the Court of First Instance in Luxembourg confirmed the decision of the European Commission imposing a fine on Lafarge in the amount of 249.6 million euros for having colluded on market shares and prices with competitors between 1992 and 1998 for wallboard, essentially in the United Kingdom and Germany. Lafarge has lodged an appeal against this decision before the Court of Justice of the European Communities. Decision on this appeal should not happen before 2010.

Germany - Cement: Following investigations on the German cement market, the German competition authority, *Bundeskartellamt*, announced on April 14, 2003, that it was imposing fines on German cement companies, including one in the amount of 86 million euros on Lafarge Zement, our German cement subsidiary for its alleged anti-competitive practices in Germany. Lafarge Zement believes that the amount of the fine is disproportionate in light of the actual facts and has brought the case before the Higher Regional Court, *Oberlandesgericht*, in Düsseldorf. On August 15, 2007, Lafarge Zement partially withdrew its appeal and paid an amount of 16 million euros on November 2, 2007. The Court's decision related to the remaining part of the appeal should be given during the second quarter of 2009. No further payment nor any guarantee is required to be made or given prior to the Court's decision. Judgment on the merits of an eventual class-action lodged by third parties to obtain damages may depend on the outcome of this procedure. Such a procedure is pending before the Düsseldorf Court.

A global provision of 300 million euros was recorded in 2002 in connection with these above two litigations. Following the payment of 16 million euros by Lafarge Zement on November 2, 2007, the existing provision has been decreased by this amount, as at December 31, 2007. The provision was increased by 36 million euros as of June 30, 2008 following the decision of the Court of First Instance in Luxembourg on July 8, 2008. As of December 31, 2008, this provision amounted to 320 million euros. Additional provisions have been recorded in each of our annual financial statements since 2003 in relation to the interest on part of these amounts for a total amount of 71 million euros at December 31, 2008.

Germany - Roofing: On December 5, 2007 the *Bundeskartellamt* notified Monier GmbH, previously Lafarge Dachsysteme, of its intention to fine the main companies involved in the roofing business for the infringement of German competition rules. This decision follows the investigations that were carried out by the *Bundeskartellamt* in the premises of such companies in November 2006. Since then, Monier GmbH has been sold to PAI Partners and Lafarge granted a guarantee covering the fines, which Monier GmbH could be exposed to in the context of these proceedings, to the extent that the alleged practices took place before the date of the sale. In December 2008, a settlement between the *Bundeskartellamt* and Monier GmbH was reached for 17.2 million euros, corresponding to our recorded provision. In accordance with the sale agreement, sum was paid by Lafarge to Monier GmbH in January, 2009.

On competition issues, there are two industry-wide inquiries from the authorities which do not constitute legal proceedings and for which no provision has been recorded:

- In November 2008, the major European cement players, including Lafarge, were under investigation by the European Commission for alleged anti-competitive practices. It is not possible at this preliminary stage to draw any conclusions from the investigations, with no defined planning.
- In Greece, an inquiry on the cement industry was opened by the competition authorities in 2007. The level of risk cannot be appreciated at this stage.

United State of America - Hurricane Katrina: In late 2005, several class-action lawsuits were filed in the United States District Court for the Eastern District of Louisiana. In their complaints, plaintiffs allege that our subsidiary, Lafarge North America Inc., and several other defendants are liable for death, bodily and personal injury and property and environmental damage to people and property in and around New Orleans, Louisiana, which they claim resulted from a barge that allegedly breached the Industrial Canal levee in New Orleans during or after Hurricane Katrina. This case has been transferred to the Court where most claims against the United States Government also reside. The Court is expected to rule on whether the case should or should not be a class-action during the second quarter of 2009.

Additionally, one of Lafarge North America Inc.'s insurers, the American Steamship Owners Mutual P&I Association, have filed a suit against in the United States District Court for the Southern District of New York seeking a declaratory judgment to the effect that these claims are not covered under its insurance policy. Lafarge North America Inc. has lodged an appeal against a decision stating that this claim was not covered under their insurance policy.

Lafarge North America Inc. is vigorously defending itself in these actions. Lafarge North America Inc. believes that the claims against it are without merit and that these matters will not have a materially adverse effect on its results of operations, cash flows and financial position.

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

should have any significant effect on the Company's and/or the Group's financial position, results of operations and cash flows. To the Company's knowledge, there are no other governmental, legal or arbitration proceedings which may have or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

Note 30 - Related parties

Lafarge has not entered into any transaction with any related parties as defined under paragraph 9 of IAS 24, except for information described hereafter and in *alinéa b*) disclosed in Note 31.

Transactions with associates and joint ventures that are not eliminated for consolidation purposes were not material for the years presented except for a loan granted to our associate in Nigeria (Unicem) amounting to 106 million euros as at December 31, 2008.

Transactions with other parties or companies related to the Group are as follows:

Mr. Pébereau is Director of Lafarge S.A. and Chairman of BNP Paribas, and Mrs. Ploix is Director of both Lafarge S.A. and BNP Paribas. Lafarge S.A. has and will continue to have an arms length business relationship with BNP Paribas, including for the conclusion of mandates in the context of acquisitions and/or divestments, financings, credit facilities and agreements relating to securities offerings. In compliance with French law on regulated transactions ("*conventions réglementées*"), and when applicable, these agreements are approved by the Board of Directors of Lafarge S.A. and communicated to the auditors and shareholders.

Within the scope of the purchase of Orascom Building Materials Holding SAE (OBMH), the holding company of the cement activities of Orascom Construction Industrie SAE (OCI), Lafarge S.A. has received indemnification guarantee (see Note 28) and entered into a cooperation agreement with OCI. Mr. Nassef Sawiris is Chief Executive Officer of OCI and Director of both OCI and Lafarge S.A. and Mr. Jérôme Guiraud is Director of both OCI and Lafarge S.A. The cooperation agreement dated December 9, 2007 aims to allow OCI to participate in tenders in respect of the construction of new cement plants in countries where OCI has the capability to meet certain of Lafarge's construction needs.

At this stage, the construction agreements entered into with the OC Group are considered to be arms length business transactions intervening within the framework of consortia, OCI being one of the members. There is no conflict of interest between Mr. Sawiris and Lafarge on this subject. Under these agreements, the outstanding balances with OCI Group are not significant as at December 31, 2008.

From time to time Directors of the Group, or their related entities may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

Note 31 - Employees costs and Directors' and Executive Officers' compensation for services

(a) Employees and employee costs

	AT DECEMBER 31,		
	2008	2007	2006
Management staff	12,803	12,122	12,731
Non-management staff	62,381	57,197	70,003
TOTAL NUMBER OF EMPLOYEES *	75,184	69,319	82,734
<i>Of which:</i>			
<i>discontinued operations</i>	-	-	12,058
<i>companies accounted for using the proportionate method</i>	9,291	9,397	10,662

* The headcounts at 100% of our fully consolidated and proportionately consolidated subsidiaries amounted to 83,438 as of December 31, 2008, 77,721 as of December 31, 2007 and 92,466 as of December 31, 2006.

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Note 32 - Supplemental cash flow disclosures

	YEARS ENDED DECEMBER 31,		
(million euros)	2008	2007	2006
TOTAL EMPLOYEES COSTS	2,601	2,388	3,203
<i>Of which:</i>			
<i>discontinued operations</i>	-	-	417
<i>companies accounted for using the proportionate method</i>	83	73	116

(b) Directors' and executive officers' compensation for services

The table below presents the compensation paid by Lafarge S.A. and its subsidiaries to executives who are, at closing date or have been over the period, members of the Board of Directors or of the Group Executive Committee. The Group Executive Committee is composed as defined at Section 5.2—Executive Officers—of the Annual Report:

	YEARS ENDED DECEMBER 31,		
(million euros)	2008	2007	2006
Board of Directors ⁽¹⁾	0.6	0.5	0.5
Senior Executives	18.1	23.2	24.5
<i>Short-term benefits</i>	<i>8.7</i>	<i>10.6</i>	<i>9.0</i>
<i>Post-employment benefits ⁽²⁾</i>	<i>2.7</i>	<i>5.7</i>	<i>8.5</i>
<i>Other long-term benefits</i>	-	-	-
<i>Share-based payments ⁽³⁾</i>	<i>6.7</i>	<i>6.9</i>	<i>7.0</i>
TOTAL	18.7	23.7	25.0

(1) Directors' fees.

(2) Change for the year in post-employment benefit obligation.

(3) Expense of the year estimated in accordance with principles described in Note 2.24.

Note 32 - Supplemental cash flow disclosures

(a) Cash flow information related to investment transactions

	AT DECEMBER 31,		
	2008	2007	2006
CASH FLOWS FROM INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE	(6,309)	(604)	(3,151)
<i>Of which:</i>			
<i>Orascom (see Note 3)</i>	<i>(5,547)</i>		
<i>Others</i>	<i>(762)</i>	<i>(604)</i>	<i>(3,151)</i>
CASH FLOWS FROM DISPOSALS OF ASSETS	615	2,492	180
<i>Of which:</i>			
<i>Disposal of investment in Titan joint venture (see Note 5)</i>	<i>281</i>		
<i>Disposal of our investment in Italy (see Note 5)</i>	<i>238</i>		
<i>Disposal of the Roofing activity</i>		<i>2,087</i>	
<i>Others</i>	<i>96</i>	<i>405</i>	<i>180</i>

I2008

The cash flows from investments in subsidiaries and joint venture include the purchase price consideration paid for the acquisitions less the cash acquired. These acquisitions relate mainly to Orascom Cement for which only the part of the price paid in cash (5,547 million euros) is reflected in the statement of cash flows. The main acquisitions are more fully described in Note 3 (a) and Note 10.

The cash flows from disposal of assets include the selling price less the cash disposed of. The main disposals relate to the disposal of Lafarge Titan Egypt Investments Limited (309 million euros less 28 million euros of cash disposed of) and the disposal of 100% of our Cement and Aggregates & Concrete activities in Italy (238 million euros). The impacts of the disposals in the statement of income are described in Note 5.

I2007

The cash flows from disposal of assets mainly relates to the disposal of the Roofing activity which generated a cash flow of 2,087 million euros.

I2006

The cash flows from investments in subsidiaries and joint venture mainly relate to the acquisition of the minority interests of Lafarge North America Inc. for an amount of 2,758 million euros.

(b) Main transactions with no impact on the Group's statement of cash flows

In 2008, the main transaction with no cash impact relates to the part of the purchase price consideration of Orascom Cement paid in Lafarge shares. The total purchase price consideration amounted to 8,321 million euros of which 2,492 million euros were paid by the issuance of 22,500,000 new shares for the major shareholders of OCI. This reserved increase in capital is not reflected in the statement of cash flows.

Note 33 - Auditors' fees and services

This table sets out the amount of fees billed for each of the last two fiscal years by each of our auditors, Deloitte & Associés and Ernst & Young Audit, in relation to audit services, audit-related services, tax and other services provided to us.

(million euros)	DELOITTE & ASSOCIÉS				ERNST & YOUNG AUDIT			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2008	2007	2008	2007	2008	2007	2008	2007
AUDIT FEES								
Audit, review of financial statements	7.9	8.1	66%	93%	5.7	5.7	60%	80%
<i>Lafarge S.A.</i>	2.0	2.2	17%	25%	1.4	1.6	15%	22%
<i>Subsidiaries</i>	5.9	5.9	49%	68%	4.3	4.1	45%	58%
Audit-related fees ⁽¹⁾	3.2	0.4	27%	5%	3.7	1.2	39%	17%
<i>Lafarge S.A.</i>	-	0.1	-	1%	2.8	0.7	29%	10%
<i>Subsidiaries</i>	3.2	0.3	27%	4%	0.9	0.5	10%	7%
SUB-TOTAL	11.1	8.5	93%	98%	9.4	6.9	99%	97%
OTHER FEES								
Tax fees ⁽²⁾	0.9	0.2	7%	2%	0.1	0.2	1%	3%
Legal and employment fees	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
SUB-TOTAL, OTHER FEES	0.9	0.2	7%	2%	0.1	0.2	1%	3%
TOTAL FEES	12.0	8.7	100%	100%	9.5	7.1	100%	100%

(1) Audit-related fees are generally fees billed for services that are closely related to the performance of the audit or review of financial statements. These include due diligence services related to acquisitions, consultations concerning financial accounting and reporting standards, attestation services not required by statute or regulation, and information system reviews.

(2) Tax fees are fees for services related to international and domestic tax compliance, including the review of tax returns and tax services regarding statutory, regulatory or administrative developments and expatriate tax assistance and compliance.

Note 34 - Subsequent events

The Group announced February 20, 2009 the following:

- its intention to proceed with a fully underwritten 1.5 billion euros rights issue. These guarantees take the form of commitments, subject to certain conditions and limits, by the two major shareholders (Groupe Bruxelles Lambert and NNS Holding Sarl) to subscribe their prorata shares (0.5 billion euros) and by a bank syndicate to underwrite the subscription of the shares that would not have been subscribed by other investors in the course of the transaction.

The rights issue requires a prior authorization of Lafarge's shareholders who are convened at an Extraordinary General Meeting to be held March 31, 2009;

- the signature of a new 1 billion euros banking facility for a period of two years, which will be available after the repayment of 1.6 billion euros over the 2.6 billion euros of the A1/A2 tranches as mentioned above, this facility being repayable on June 30, 2010 depending on a leverage ratio, at the option of each lender ;
- its intention to proceed with the early repayment of the A1/A2 tranches related to the Orascom Cement acquisition totalling 2.6 billion euros by the end of June 2009, therefore removing the related covenant.

Note 35 - List of significant subsidiaries, joint ventures and investments in associates at December 31, 2008

Companies	Countries	Cement	Aggregates & Concrete	Gypsum	Others	Ownership %	Consolidation method
Algerian Cement Company	Algeria	■				99.99	Full
Algerian Concrete Technologies	Algeria		■			99.50	Full
Ciment Blanc d'Algérie	Algeria	■				99.99	Full
Lafarge Plasterboard Pty. Ltd.	Australia			■		100.00	Full
Lafarge Perlmooser GmbH	Austria	■	■			100.00	Full
Lafarge Surma Cement Limited	Bangladesh	■				29.44	Proportionate
Central Beton LTDA	Brazil		■			90.68	Full
Lafarge Brazil S.A.	Brazil	■	■			90.69	Full
Cimenteries du Cameroun	Cameroon	■				54.73	Full
Lafarge Canada Inc.	Canada	■	■	■		100.00	Full
Lafarge Chile	Chile	■	■		Mortars	84.21	Full
Lafarge Hormigones	Chile		■			84.21	Full
Lafarge Chongqing Cement Co., Ltd.	China	■				43.68	Proportionate
Lafarge Dujiangyan Cement Company Limited	China	■				41.25	Proportionate
Lafarge Shui On (Beijing) Technical Services CO. Ltd.	China	■				55.00	Proportionate
Sichuan ShuangMa Cement Join Stock Co.	China	■				31.25	Proportionate
Yunnan Shui On Building Materials Investment CO. Ltd	China	■				44.00	Proportionate
Lafarge Cement AS	Czech Republic	■				97.12	Full
Lafarge Cementos	Ecuador	■				98.57	Full
Lafarge Cement Egypt	Egypt	■				53.70	Full
National Bag Company	Egypt	■				75.00	Full
Ready Mix Egypt	Egypt		■			100.00	Full
Béton Chantiers de Bretagne	France		■			58.28	Full
Granulats Bourgogne Auvergne	France		■			70.00	Full
Lafarge Bétons de l'Ouest	France		■			100.00	Full
Lafarge Bétons Sud-Est	France		■			100.00	Full
Lafarge Bétons Sud-Ouest	France		■			100.00	Full
Lafarge Bétons Vallée de Seine	France		■			100.00	Full
Lafarge Ciments	France	■				100.00	Full
Lafarge CRIC	France	■				82.92	Full
Lafarge Granulats Bétons Réunion	France		■			93.34	Full
Lafarge Granulats Seine Nord	France		■			100.00	Full
Lafarge Granulats Sud	France		■			100.00	Full

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Note 35 - List of significant subsidiaries, joint ventures and investments in associates at December 31, 2008

Companies	Countries	Cement	Aggregates & Concrete	Gypsum	Others	Ownership %	Consolidation method
Lafarge Plâtres	France			■		99.97	Full
Société des Ciments Antillais	France	■	■			69.44	Full
Lafarge Gips GmbH	Germany			■		100.00	Full
Lafarge Zement Karsdorf GmbH	Germany	■				100.00	Full
Lafarge Zement Wössingen GmbH	Germany	■				100.00	Full
Heracles General Cement Company S.A.	Greece	■				88.99	Full
Lafarge Beton Industrial Commercial S.A.	Greece		■			88.99	Full
Lafarge Cementos de CV	Honduras	■				53.00	Full
Lafarge India PVT Limited	India	■				94.38	Full
Lafarge Aggregates and Concrete PVT Ltd. (L&T)	India		■			100.00	Full
PT Semen Andalas Indonesia	Indonesia	■				100.00	Full
Bazian Cement Company	Iraq	■				70.00	Full
United Cement Corporation	Iraq	■				60.00	Full
Lafarge Plasterboard (Ireland) Limited	Ireland			■		100.00	Full
Lafarge Gessi S.P.A.	Italy			■		100.00	Full
Jordan Cement Factories Company PSC	Jordan	■				50.28	Full
Bamburi Cement Ltd.	Kenya	■				58.64	Full
Lafarge Halla Cement Corporation	Korea	■				71.47	Full
Lafarge Plasterboard System Co., Ltd.	Korea			■		50.00	Proportionate
Financière Daunou 11 (Monier parent-company)	Luxemburg				Roofing	35.23	Equity ⁽¹⁾
Associated Pan Malaysia Cement Sdn Bhd	Malaysia	■				62.20	Full
Kedah Cement Holdings Berhad	Malaysia	■				62.20	Full
Lafarge Malayan Cement Berhad	Malaysia	■				62.20	Full
Lafarge Cementos S.A. de C.V.	Mexico	■				90.69	Full
Lafarge Ciment (Moldova) S.A.	Moldavia	■				95.31	Full
Lafarge Ciments	Morocco	■				34.93	Proportionate
Lafarge Gips B.V.	Netherlands			■		100.00	Full
Ashakacem PLC	Nigeria	■				50.16	Full
Atlas Cement Company Ltd	Nigeria	■				100.00	Full
United Cement Company of Nigeria Ltd	Nigeria	■				28.08	Equity
Lafarge cement WAPCO Nigeria Plc.	Nigeria	■				60.00	Full
Pakistan Cement Company	Pakistan	■				73.22	Full
Lafarge Philippines	Philippines	■				100.00	Full
Lafarge Cement S.A.	Poland	■				100.00	Full
Lafarge Gips SP. Z O.O.	Poland			■		100.00	Full
Lafarge Kruszywa i Beton	Poland		■			100.00	Full
Betecna S.G.P.S., S.A.	Portugal		■			100.00	Full

F CONSOLIDATED STATEMENTS

Note 35 - List of significant subsidiaries, joint ventures and investments in associates at December 31, 2008

Companies	Countries	Cement	Aggregates & Concrete	Gypsum	Others	Ownership %	Consolidation method
Lafarge Agregate Betoane	Romania		■			83.42	Full
Lafarge Ciment (Romania)	Romania	■	■			98.56	Full
OAQ Lafarge Cement	Russia	■				90.00	Full
Al Safwa Cement Company	Saudi Arabia	■				50.00	Proportionate
Lafarge Beocinska Fabrika Cementa	Serbia	■				50.00	Full ⁽²⁾
LMCB Holding Pte Ltd.	Singapore	■				62.20	Full
Lafarge Cement D.D.	Slovenia	■				55.92	Full
Lafarge Aggregates South Africa (Pty) Ltd	South Africa		■			100.00	Full
Lafarge Gypsum (Pty) Ltd.	South Africa			■		100.00	Full
Lafarge Industries South Africa (Pty) Ltd	South Africa	■				100.00	Full
Lafarge South Africa (Pty) Ltd	South Africa	■	■			100.00	Full
Grupo G.L.A. Cemtor S.A.	Spain	■	■			100.00	Full
Lafarge Aridos y Hormigones S.A.	Spain		■			100.00	Full
Lafarge Cementos S.A.	Spain	■	■			100.00	Full
Lafarge Mahawelli Cement (Private) Limited	Sri Lanka	■				85.00	Full
Cementia Trading AG	Switzerland	■				100.00	Full
Marine Cement AG/Ltd.	Switzerland	■				100.00	Full
Syrian Cement Company	Syria	■				96.00	Full
Mbeya Cement Company Limited	Tanzania	■				62.76	Full
Lafarge Aslan Cimento A.S.	Turkey	■	■			97.30	Full
Lafarge Beton Anonim Sirketi	Turkey		■			100.00	Full
Lafarge Van Cimento ASI	Turkey	■				99.99	Full
Hima Cement Ltd.	Uganda	■				71.01	Full
OJSC Mykolaivcement	Ukraine	■				79.41	Full
Emirates Cement Company	United Arab Emirates	■				50.00	Proportionate
Blue Circle Ebbsfleet Limited	United Kingdom				Real estate	100.00	Full
Lafarge Aggregates Limited	United Kingdom		■			100.00	Full
Lafarge Cement UK PLC	United Kingdom	■				100.00	Full
Lafarge Plasterboard Limited	United Kingdom			■		100.00	Full
Redland Readymix Holding Limited	United Kingdom		■			100.00	Full
Blue Circle North America Inc.	USA	■				100.00	Full
Lafarge North America Inc.	USA	■	■	■		100.00	Full
Lafarge Cement Zambia PLC	Zambia	■				84.00	Full

(1) Although the Group sold the Roofing activity as of February 28, 2007 to the investments fund managed by PAI Partners, a minority share of 35.23% in the Roofing Holding was kept (Monier).

(2) Although the Group does not own more than half of the equity shares, Beocinska is a majority-owned subsidiary of Lafarge BFC Investment GmbH, which is in turn a majority-owned subsidiary of the Group. As a result, Beocinska is included within the Group's scope of consolidation.

Lafarge S.A. statutory accounts

Statutory auditors' report

I Statutory Auditors' Report on the annual financial statements - Year ended December 31, 2008

This is a free translation into English of the statutory auditors' report issued in French language and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside the annual financial statements. This report also includes information relating to the specific verification of information in the management report. This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying annual financial statements of Lafarge;
- the justification of our assessments;
- the specific verifications and information required by French law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes verifying, by audit sampling and other selective testing procedures, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by management and the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2008 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

Without qualifying our opinion, we draw your attention to the Note "Accounting Principles" to the annual financial statements which sets out changes in accounting method in accordance with Notice 08-17 ("Avis") issued on November 6, 2008 by the French National Accounting Council ("Conseil national de la comptabilité") and CRC regulation 2008-15 issued on December 30, 2008 by the French Accounting Regulation Committee ("Comité de la réglementation comptable"), related to the accounting treatment to be adopted regarding the share purchase or subscription option plans and employee bonus share allotment plans. While previously recorded entirely as expenses at inception of the share plans, plan costs are now amortized over the vesting period of the share plans, in accordance with the above-mentioned regulations.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Note "Accounting Principles c) Investments" to the financial statements details the accounting principles and methods applied to investments and mentions that the earnings outlooks are established based on currently available information and are in keeping with the current economic and financial crisis, the magnitude and duration of which cannot be anticipated with accuracy.

As part of our assessments of accounting principles and methods applied by your company, we have reviewed the reasonable nature of the above-mentioned accounting methods and information provided in the notes to the financial statements.

The assessments were made in the context of our audit of the annual financial statements taken as a whole and, therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed the specific verifications required by French law.

We have no matters to report regarding the following:

- the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the annual financial statements;
- the fair presentation of the information given in the management report of the Board of Directors in respect of remuneration and benefits granted to the relevant directors and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ensured that the required information concerning the identity of the shareholders and holders of voting rights has been properly disclosed in the management report of the Board of Directors.

Neuilly-sur-Seine and Paris-La Défense, February 20, 2009

The Statutory Auditors

DELOITTE & ASSOCIES

French original signed by

Arnaud de Planta

Jean-Paul Picard

ERNST & YOUNG Audit

French original signed by

Christian Mouillon

Alain Perroux

Statements of income

YEARS ENDED DECEMBER 31,				
(million euros)	Notes	2008	2007	2006
Operating Revenue				
Production sold (services)		428	309	280
Reversal of provisions	1	14	41	-
Operating expenses				
Other purchases and external charges		(344)	(451)	(283)
Employee expenses		(120)	(129)	(122)
Duties and taxes		(5)	(5)	(6)
Depreciation, amortization and allowance to provisions	1	(27)	(25)	(31)
OPERATING INCOME		(54)	(260)	(162)
Financial Income				
Dividends	2	879	864	425
Other income from investments	3	258	461	502
Other financial income	4	59	47	31
Financial Expenses				
Other expenses on investments	3	(92)	(75)	(77)
Other financial expenses	4	(844)	(512)	(479)
NET FINANCIAL INCOME (COST)		260	785	402
CURRENT OPERATING INCOME BEFORE TAX		206	525	240
EXCEPTIONAL INCOME (LOSS)	5	422	(16)	1,737
INCOME TAX	6	152	160	153
NET INCOME		780	669	2,130

Balance sheets

AT DECEMBER 31,		2008			2007	2006
(million euros)	Notes	Gross amount	Depreciation, amortization, impairment and provisions	Net amount	Net amount	Net amount
ASSETS						
Intangible assets and Property, plant and equipment	7	191	86	105	82	77
Financial assets *	8	27,792	5	27,787	17,309	13,405
Investments		26,207	1	26,206	14,339	9,348
Long-term receivables from investments		1,570	4	1,566	2,943	4,012
Other financial assets		15	-	15	27	45
NON-CURRENT ASSETS		27,983	91	27,892	17,391	13,482
Trade receivables	15	2,851	2	2,849	2,685	6,567
Marketable securities	9	36	-	36	55	82
Cash		264	-	264	206	37
CURRENT ASSETS		3,151	2	3,149	2,946	6,686
Loan redemption premiums	10	60	-	60	66	73
Translation adjustments	10	602	-	602	203	206
TOTAL ASSETS		31,796	93	31,703	20,606	20,447
* Of which less than one year				667	1,307	153

AT DECEMBER 31,

(million euros)	Notes	2008	2007	2006
EQUITY AND LIABILITIES (BEFORE APPROPRIATION)				
Common stock		781	690	707
Additional paid-in capital		8,696	5,962	6,392
Revaluation reserves		88	88	88
Legal reserve		71	71	70
Other reserves		649	649	649
Retained earnings		1,896	1,998	389
Net income for the year		780	669	2,130
Tax-driven provisions		2	2	2
NET EQUITY	12	12,963	10,129	10,427
PROVISIONS FOR LOSSES AND CONTINGENCIES	13	389	351	386
Debentures loans		6,294	5,371	5,785
Bank borrowings *		7,167	289	480
Other loans and commercial papers		2,301	2,479	2,987
FINANCIAL DEBT	14	15,762	8,139	9,252
Tax and employee-related liabilities		51	53	48
Other liabilities	15	1,862	1,510	111
LIABILITIES **		17,675	9,702	9,411
Translation adjustments	10	676	424	223
TOTAL EQUITY AND LIABILITIES		31,703	20,606	20,447
* Of which current bank overdrafts		68	138	9
** Of which less than one year		5,166	2,429	979

Statements of cash flows

	YEARS ENDED DECEMBER 31,		
(million euros)	2008	2007	2006
CASH FLOW FROM OPERATIONS *	448	652	511
Change in working capital	32	5,487	(2,627)
NET CASH PROVIDED BY OPERATING ACTIVITIES (I)	480	6,139	(2,116)
Capital expenditure	(43)	(25)	(31)
Investments	(8,991)	(5,009)	(252)
Net decrease in loans and miscellaneous	1,289	1,048	108
Disposals of assets	453	31	7
NET CASH FROM INVESTING ACTIVITIES (II)	(7,292)	(3,955)	(168)
Proceeds from issuance of commons stock **	12	76	49
Repurchase of treasury shares for cancellation	-	(484)	-
Dividends paid	(784)	(521)	(447)
NET CASH FROM OPERATIONS ON CAPITAL (III)	(772)	(929)	(398)
CHANGE IN NET DEBT (I+II+III)	7,584	(1,255)	2,682
Net debt at year end	15,462	7,878	9,133
* Cash flow from operations mainly comprises net income (780 million euros) before depreciation and amortization (30 million euros), provisions (64 million euros) and gain on investment disposal (-426 million euros).			
** The share issuance related to OBMHE acquisition (2,813 million euros), realized on March 27, 2008, is considered as a non-cash transaction and reduces the line "Investments".			
Analysis of Net Debt at year end	15,462	7,878	9,133
Debt	15,762	8,139	9,252
Marketable securities	(36)	(55)	(82)
Cash	(264)	(206)	(37)

Significant event of the period

On January 23, 2008, Lafarge S.A. acquired the whole share capital and voting rights of Orascom Building Materials Holding S.A.E (OBMHE) for a purchase price of 8,450 million euros including the effect of contractual price adjustments. This acquisition was financed:

- for 2,813 million euros by a share issuance realized on March 27, 2008: 22,500,000 shares were issued for the major shareholders of Orascom Cement Industries;

- for 5,637 million euros by the drawdowns on the syndicated acquisition credit facility of 7,200 million euros put in place on December 9, 2007.

Notes to the statutory accounts

Accounting policies

The financial statements have been prepared in accordance with the provisions set forth in the French General Chart of Accounts ("*Plan Comptable Général*" – CRC regulation 99-03).

As of January 1, 2008, Lafarge S.A. has prepared its financial statements in accordance with Notice 08-17 ("*Avis*") issued on November 6, 2008 by the French National Accounting Council ("*Conseil National de la Comptabilité*") and CRC regulation 2008-15 issued on December 30, 2008 by the French Accounting Regulation Committee ("*Comité de la Réglementation Comptable*"). These regulations define the accounting treatment to be adopted regarding share purchase or subscription option plans and employee bonus share allotment plans (named hereafter performance shares).

While previously recorded at inception of the share plans, plan costs are now amortized over the vesting period of the share plans, in accordance with the above-mentioned regulations. This change in accounting policy impacts the 2008 financial statements as follows:

- the provisions related to costs for the existing share plans, recorded as of December 31, 2007, have been reduced by 13 million euros, and offset by an increase in retained earnings;
- plan costs for 2008 were increased by 6 million euros and are included in the "Employee expenses" line item in the income statement.

The calculation of plan costs is described in d) "Treasury shares", below.

The accounting policies applied by the Company are described below:

Ia) Intangible assets

Intangible assets are recorded at their acquisition cost and mainly include software purchases and related development costs.

Intangible assets are amortized over a five-year period.

Ib) Property, plant and equipment

Property plant and equipment are recorded at historical cost, except for those purchased before December 31, 1976 which are recorded based on their revalued amounts (legal revaluation).

Depreciation is recorded using the straight-line method over the estimated useful life of items of property, plant and equipment as follows:

- Buildings: 25 years;
- Equipment: 3 to 10 years;
- Vehicles: 4 years.

Ic) Financial assets

INVESTMENTS

The gross value of investments comprises the purchase price excluding acquisition expenses, after the 1976 revaluation adjustment for investments purchased before this date.

When the balance sheet value is lower than gross value, a provision for impairment is recognized for the difference. The balance sheet value is determined by taking into account the share of net equity, earnings outlook and quoted market price, if relevant. Earnings outlook is established based on currently available information and is in keeping with the current economic and financial crisis, the magnitude and duration of which cannot be anticipated with accuracy. When the Company's share in the net equity of investment is negative, a provision for contingencies is recorded, if justified.

Id) Treasury shares

Lafarge S.A. treasury shares are recorded on delivery date at their purchase price excluding acquisition expenses.

Lafarge S.A. treasury shares are classified as "Marketable securities" in the balance sheet when they are intended to cover purchase option plans and performance share allotments, and as "Other financial assets" in other cases.

When plans are likely to be exercised (share market price higher than the option exercise price) and a cash outflow is probable, the corresponding shares are classified under a specific account in "Marketable securities".

When the market price of the shares is lower than the book value, an impairment loss amounting to the difference is recorded. No impairment has been recorded for the shares held for cancellation classified as "Other financial assets", nor for the shares classified under the aforementioned specific account in "Marketable securities" (plans likely to be exercised). The latter contribute to the calculation of a liability, as described below.

COSTS RELATING TO PURCHASE OR SUBSCRIPTION OPTION PLANS AND PERFORMANCE SHARE ALLOTMENTS

Costs relating to purchase or subscription option plans and performance share allotments covering Lafarge S.A. shares are amortized on a straight-line basis over the vesting period. These costs are debited in the income statement under "Employee expenses" and are credited to a provision for losses in the balance sheet.

These costs correspond to:

- the difference between the net book value of shares allocated to the plans and the exercise price when lower, as far as purchase option plans are concerned;
- the book value of shares allocated to the plans, as far as performance share allotment plans are concerned.

No costs are recorded on subscription option plans.

SALE OF TREASURY SHARES

When treasury shares are sold, their cost price is calculated using the "first-in-first-out" method for each allocation category, except for the shares intended to cover option plans, for which the cost price is calculated on a plan-by-plan basis using the weighted average cost method.

Ie) Foreign currency – denominated transactions

Payables and receivables denominated in foreign currencies are translated into euros using the period end closing exchange rate. The resulting unrealized exchange gains or losses are recorded in the translation adjustment accounts in the balance sheets.

Unrealized exchange losses are accrued, except when offset by unrealized foreign exchange gains on payables and receivables or on off-balance sheet commitments expressed in the same currency and with adequately near-term maturities.

If) Interest rate derivatives

Gains and losses on these contracts are calculated and recognized on a symmetrical basis in line with the recognition of income and expenses on the hedged debt.

Ig) Debt issuance premiums and redemption

Debenture loans that are to be redeemed with a premium are recognized as liabilities on the balance sheet for their total amount, including redemption premiums. An offsetting entry is then made for redemption premiums which are recognized as assets and systematically amortized in equal installments over the term of the debenture loan. Nonetheless, premiums attached to the portion of debenture loans that have been repaid are not recorded on the balance sheet.

Ih) Net equity

Expenses relating to capital increases are deducted from additional paid-in capital.

Ii. Provisions for contingencies and losses

A provision is recognized when an obligation which is probable or certain will result in an outflow of resources with no offsetting entry.

Ij) Income tax

Lafarge S.A. together with its French subsidiaries held directly or indirectly at more than 95%, has elected to report income tax under the tax group regime as defined in Article 223A of the CGI.

The profits and losses of all consolidated companies are taken into account in the computation of Lafarge's income tax owed to the French Tax Administration.

Tax savings resulting from the difference between the tax expense of the tax group and the tax expense of consolidated companies reporting a profit are recorded under income for the year.

Ik) Pension commitments

Provisions are recognized to cover end-of-service benefits and other post-retirement benefits. These provisions are based on periodic actuarial evaluations using the projected unit credit method.

This method takes into account seniority, life expectancy and turnover rate of Company employees, as well as revaluation and discounting assumptions.

Actuarial gains and losses resulting from a change in actuarial assumptions or seniority are reported when they exceed a corridor corresponding to 10% of the value of obligations. They are amortized over the average expected remaining service lives of the plan's beneficiaries.

Actuarial gains and losses related to non active employees are expensed.

All figures are expressed in million euros unless mentioned otherwise.

Note 1 - Depreciation, amortization and release (allowance) to provisions

(million euros)	2008	2007	2006
Pensions obligations and termination benefits	12	41	-
Others	2	-	-
RELEASE OF OPERATING PROVISIONS	14	41	-
Amortization expenses	(20)	(18)	(17)
<i>Intangible assets</i>	(16)	(14)	(12)
<i>Property, plant and equipment</i>	(4)	(4)	(5)
Provision allowance	(7)	(7)	(14)
<i>Pensions obligations and termination benefits</i>	(5)	(4)	(14)
<i>Other</i>	(2)	(3)	-
DEPRECIATION, AMORTIZATION AND ALLOWANCE TO PROVISIONS	(27)	(25)	(31)

Note 2 - Dividends

(million euros)	2008	2007	2006
France	505	801	404
Rest of the world	374	63	21
TOTAL	879	864	425

Note 3 - Other income from investments, net

(million euros)	2008	2007	2006
Income on long-term receivables from Group companies	109	200	272
Income on advances and loans to Group companies	149	250	230
Release of provisions related to investments	-	11	-
TOTAL OTHER INCOME FROM INVESTMENTS	258	461	502
Expenses on long-term payables from Group companies	(20)	(25)	(35)
Expenses on advances and loans from Group companies	(72)	(50)	(37)
Provision allowance related to investments	-	-	(5)
TOTAL OTHER EXPENSES ON INVESTMENTS	(92)	(75)	(77)

Note 4 - Other financial income and expenses

(million euros)	2008	2007	2006
Other interests and equivalents	39	8	20
Foreign exchange gain	17	24	11
Release of financial provisions	3	15	-
TOTAL OTHER FINANCIAL INCOME	59	47	31
Expenses relating to debenture loans	(348)	(325)	(296)
Other expenses and equivalents	(460)	(135)	(151)
Foreign exchange loss	(15)	(40)	(3)
Allowance to financial provisions	(21)	(12)	(29)
TOTAL OTHER FINANCIAL EXPENSES	(844)	(512)	(479)

Note 5 - Exceptional income (loss)

(million euros)	2008	2007	2006
Gain (loss) from the disposal of investments	426	-	1,697
Termination of the share liquidity agreement	(21)	-	-
Additional allowance on the competition litigation	(36)	-	-
Insurance indemnities (Indonesia, Kenya, Russia)	55	-	-
Other net exceptional items	(2)	(16)	40
TOTAL	422	(16)	1,737

In 2008, the 426 million euros are comprised mainly of the capital gain on the sale of Lafarge Maroc investment to our subsidiary Lafarge Cementos SAU (Spain).

In 2006, the 1,697 million euros are comprised mainly of the capital gain on the transfer of Lafarge North America Inc shares to Efalar Inc as part of the buyout of minority interests launched on February 21, 2006.

In compliance with the Contribution Agreement of May 16, 2006, Lafarge S.A. transferred its Lafarge North America Inc shares with a total book value of 425 million euros to Efalar Inc. In exchange, Lafarge S.A. received Efalar shares for a total amount of 2,120 million euros. The value of the share exchange corresponds to the offer price of \$85.5 per share. On October 16, 2006, the 1,695 million euros capital gain benefited from the favorable tax regime provided by article 210A of the French General Tax Code that allows tax losses carry forward.

Note 6 - Income tax

(million euros)	2008	2007	2006
Income from consolidated tax group	165	170	163
Company income tax, withholding tax, others	(13)	(10)	(10)
TOTAL	152	160	153

Tax loss carry forwards attributable to the Group amount to 460 million euros.

Note 7 - Intangible assets and property, plant & equipment

(million euros)	December 31, 2007	Increase	Decrease	December 31, 2008
Intangible assets	95	31	4	122
Amortization	(45)	(16)	(4)	(57)
Property, plant & equipment	59	12	2	69
Amortization	(27)	(4)	(2)	(29)
TOTAL	82	23	0	105

Note 8 - Financial assets

(million euros)	December 31, 2007	Increase	Decrease	December 31, 2008
Investments *	14,339	11,904	37	26,206
Long-term receivables from investments	2,943	78	1,455	1,566
Other financial assets	27	12	24	15
TOTAL	17,309	11,994	1,516	27,787

* The breakdown is presented in Note 11 Investments.

The increase in investments is mainly due to the Sabelfi snc's capital increase for 3,553 million euros and the acquisition of Lafarge Building Material Holding Egypt (ex-OBMHE) for 8,450 million euros.

Long-term receivables from investments comprise long-term loans to affiliates, subsidiaries held directly or indirectly. The net decrease of 1,377 million euros is mainly due to the reimbursement of

588 million euros by Lafarge Cementos SAU and 502 million euros by Lafarge Perlmooser AG.

The decrease of "Other financial assets" relates to the sale of treasury shares following the termination of the share liquidity agreement between Lafarge S.A. and Rothschild & Cie Banque originally signed in 2006.

Note 9 - Marketable securities

(million euros)	December 31, 2007	Increase	Decrease	December 31, 2008
Lafarge S.A. treasury shares	37	-	1	36
SICAV	18	-	18	-
TOTAL	55	-	19	36

436,793 Lafarge S.A. treasury shares had a market value of 18 million euros as of December 31, 2008.

Note 10 - Loans redemption premiums and translation adjustments

(million euros)	2008	2007	2006
Loan redemption premiums*	60	66	73
Translation adjustments	602	203	206
ASSETS	662	269	279
Translation adjustments	676	424	223
LIABILITIES	676	424	223

* In 2008, a 4 million euros premium related to a new debenture loan and a 10 million euros amortization expense were recognized in this account.

Note 11 - Investments

This section includes all information concerning investments.

I Subsidiaries and investments

(million euros)	Common stock **	Net equity **	Share of capital held %	Gross book value of shares held 2008	Net book value of shares held 2008	Net book value of shares held 2007	Loans and advances granted and not repaid	Amount of guarantees & endorsements given by the Company	Net revenues ** excluding tax at closing	Net income (profit or loss) ** at closing	Dividends received by the Company over the year
A. DETAILED INFORMATION ON SUBSIDIARIES AND INVESTMENTS											
1) FRENCH SUBSIDIARIES (OVER 50% OF CAPITAL HELD BY THE COMPANY)											
Sofimo	5,769	7,664	99.99	5,812	5,812	5,812	294	-	-	1,605	325
Lafarge Ciments *	134	346	99.99	162	162	207	198	-	624	76	73
Lafarge Ciments Distribution *	17	73	99.99	45	45	-	-	-	993	151	95
Lafarge Gypsum International *	522	644	99.99	594	594	594	245	-	-	82	3
INTERNATIONAL SUBSIDIARIES											
Lafarge Building Material Holdings Egypte (ex-OBMHE)	16	231	100	8,450	8,450	-	38	-	-	104	-
Sabelfi	8,428	8,460	99.99	8,435	8,435	5,082	117	-	-	348	340
Companhia Nacional de Cimento Portland	100	108	99.86	241	241	241	-	-	-	(1)	-
Lafarge Brasil SA	192	249	46.00	100	100	-	75	-	185	11	-
Lafarge North America Inc.	-	2,634	80.43	2,310	2,310	2,310	345	-	4,473	121	-
Lafarge Zement GmbH	26	6	10	29	29	29	-	-	-	22	-
2) INTERNATIONAL INVESTMENTS (10% TO 50% OF CAPITAL HELD BY THE COMPANY)											
Lafarge Maroc	-	-	-	-	-	27	-	-	-	-	31
Ciments du Cameroun	9	36	43.65	15	15	15	-	-	131	8	2
3) OTHER INVESTMENTS											
Sté Nationale d'Investissement	-	-	-	-	-	10	-	-	-	-	-
B. GENERAL INFORMATION CONCERNING OTHER SUBSIDIARIES AND INVESTMENTS											
1) SUBSIDIARIES NOT INCLUDED UNDER A.1)											
French (total)				9	9	9	-	-	-	-	9
International (total)				-	-	-	-	-	-	-	-
2) INVESTMENTS NOT INCLUDED UNDER A.2) AND A.3)											
French (total)				-	-	-	-	-	-	-	-
International (total)				5	4	3	-	-	-	-	1
TOTAL				26,207	26,206	14,339	1,312	-	-	-	879

* The value of these investments includes the 1976 revaluation of Lafarge Ciments for 67 million euros, of Lafarge Ciments Distribution for 18 million euros and of Lafarge Gypsum for 2 million euros.

** For foreign subsidiaries and investments, columns denominated "Common stock" and "Net equity" are translated at closing rate, those denominated "Net revenues" and "Net income" are translated at average rate.

Note 12 - Net equity

(million euros)	Common stock	Additional paid-in capital	Other reserves	Retained earnings	Net income	Total
Net equity as of December 31, 2007	690	5,962	810	1,998	669	10,129
Appropriation of 2007 income	-	-	-	(115)	(669)	(784)
Capital increase	91	2,734	-	-	-	2,825
Change in accounting policy *	-	-	-	13	-	13
2008 Net income	-	-	-	-	780	780
NET EQUITY AS OF DECEMBER 31, 2008	781	8,696	810	1,896	780	12,963

* See Note 13 (2) below.

The Company's common stock comprises 195,236,534 shares with a par value of 4 euros as of December 31, 2008, out of which 22,671,959 shares created in 2008.

Note 13 - Provisions for losses and contingencies

(million euros)	Current year					Change in accounting policy	2008
	2006	2007	Addition	Release	Cancellation		
Provision related to Competition litigation *	254	264	56	-	-	-	320
Provisions for pension commitments	88	51	5	12	-	-	44
Provision for share-based payment **	-	16	6	-	-	(13)	9
Other provisions	44	20	-	4	-	-	16
TOTAL	386	351	67	16	-	(13)	389
<i>Out of which:</i>							
Employee expenses	-	-	6	-	-	-	
Operating	-	-	5	14	-	-	
Financial	-	-	21	2	-	-	
Exceptional	-	-	36	-	-	-	
Retained earnings	-	-	-	-	-	13	

* On December 3, 2002, the European Commission fined Lafarge in the amount of 249.6 million euros on the grounds that some of our subsidiaries had allegedly colluded on wallboard market shares and prices with their competitors between 1992 and 1998, mainly in the United Kingdom and Germany. Lafarge vigorously challenges this decision and has brought the case before the Court of First Instance (CFI) in Luxembourg on February 14, 2003.

On July 8, 2008, the Court of First Instance in Luxembourg confirmed the decision of the European Commission imposing a fine on Lafarge. Lafarge has lodged an appeal against this decision before the Court of Justice of the European Communities.

As a bank guarantee was given on our behalf, no payment will have to be made before the decision of the Court.

As of December 31, 2008, the provision recorded for this litigation amounts to 320.3 million euros and takes into account the 249.6 million euros fine and 70.7 million euros provision to cover interest since 2003.

** Pursuant to CRC regulation 2008-15, "regarding the accounting treatment of share option and bonus share allotment plans", we have credited retained earnings for the provisions previously recognized as of December 31, 2007, i.e. 16 million euros, less the provision that would have been recognized pursuant to the new method, i.e. 3 million euros. The cost for the year is presented in "Employee expenses".

Note 14 - Maturities of debt

	Currency	Initial amount (million euros)	Rate	Maturity	Amount outstanding at December 31, 2007	Amount outstanding at December 31, 2008
1998 bond	Euro	152	5.400%	10 years	89	-
2001 bond	British pound	538	6.875%	11 years	477	367
2002 bond	British pound	307	6.625%	15 years	273	210
2003 bond	Euro	500	5.448%	10 years	500	500
2001 bond	Euro	1,000	5.875%	8 years	440	-
2004 bond	Euro	612	5.000%	10 years	612	612
2005 bond	Euro	500	4.250%	11 years	500	500
2005 bond	Euro	500	4.750%	15 years	500	500
2006 bond	US dollar	444	6.150%	5 years	408	431
2006 bond	US dollar	444	7.125%	30 years	408	431
2006 bond	US dollar	592	6.500%	10 years	543	575
2007 bond	Euro	500	5.375%	10 years	500	500
2008 bond	Euro	750	5.750%	3 years	-	750
2008 bond	Euro	750	6.125%	7 years	-	750
Accrued interest on debenture loans					121	168
SUB-TOTAL					5,371	6,294
Bank borrowings*					289	7,167
Other loans and commercial papers					2,479	2,301
TOTAL					8,139	15,762

* In 2008, the 7,167 million euros include 5,668 million euros related to the credit facility put in place to finance the OBMHE acquisition. This credit facility includes a financial covenant imposing to meet a Group financial ratio computed as the level of Net debt to operating income before depreciation and amortization. At December 31, 2008, this financial ratio amounts to 3.6, below the limit of 4 set for this period. This covenant ceases to apply as soon as both tranche A1 (300 million euros) and tranche A2 (2,300 million euros) are fully repaid or when the financial ratio is equal or below 2.5 during two consecutive test dates.

Note 15 - Maturity of long-term receivables, receivables and liabilities at balance sheet date

(million euros)	Net amount at December 31, 2008	Less than one year	Between 1 and 5 years	Over 5 years
RECEIVABLES				
Long-term receivables from investments	1,566	667	858	41
Other financial assets	15	-	-	15
SUB-TOTAL, LONG-TERM RECEIVABLES	1,581	667	858	56
Receivables *	2,849	2,849	-	-
TOTAL	4,430	3,516	858	56

* Of which Loans and current accounts granted to subsidiaries for 2,738 million euros.

(million euros)	Net Amount at December 31, 2008	Less than one year	Between 1 and 5 years	Over 5 years
LIABILITIES				
Debenture loans	6,294	167	2,049	4,078
Bank borrowings	7,167	2,772 *	4,353	42
Other loans and commercial papers	1,965	296	1,669	-
Long-term payables from investments	336	18	318	-
SUB-TOTAL, FINANCIAL DEBT	15,762	3,253	8,389	4,120
Tax and employee-related liabilities	51	51	-	-
Other liabilities **	1,862	1,862	-	-
TOTAL	17,675	5,166	8,389	4,120

* Out of which 2,300 million euros for which Lafarge S.A. benefits from a one-year extension option.

** Of which borrowings and current accounts received from subsidiaries for 1,762 million euros.

Note 16 - Related parties

	Net Amount	Out of which	
(million euros)		Related parties	Other investments
FINANCIAL ASSETS			
Investments	26,206	26,206	-
Long-term receivables from investments	1,566	1,566	-
FINANCIAL DEBT			
Other loans and commercial papers	2,301	336	-
RECEIVABLES			
Loans and current accounts	2,738	2,730	8
Other receivables	111	23	-
OTHER LIABILITIES			
Borrowings and current accounts	1,762	1,761	1
Other	100	23	-
NET INCOME FROM INVESTMENTS	1,045	1,045	-
OTHER NET FINANCE INCOME (COSTS)	(785)	-	-

Note 17 - Financial commitments

Commitments given for 801 million euros mainly include representations and warranties granted to third-parties in connection with disposals and financial guarantees given. At December 31, 2008, there are no securities or assets pledged.

Note 18 - Derivatives

Currency risk

Lafarge S.A. uses forward purchases and sales of currencies and currency swaps to:

- refinance loans and borrowings granted to subsidiaries in a currency other than the euro,
- hedge the currency risk incurred by the Group's subsidiaries (firm commitments and highly probable transactions), bearing in mind

that contracts negotiated with subsidiaries are hedged in exactly the same manner in the interbank market and do not give rise to a currency position for Lafarge S.A.

At December 31, 2008, most forward exchange contracts had a maturity date of less than one year.

The nominal and fair value of derivatives at the balance sheet date were as follows:

(million euros)	AT DECEMBER 31, 2008		AT DECEMBER 31, 2007	
	Notional	Fair value *	Notional	Fair value *
FORWARD PURCHASES AND CURRENCY SWAPS				
US dollar (USD)	139	(1)	94	(2)
Pound sterling (GBP)	327	(22)	428	(8)
Other currencies	106	-	120	-
TOTAL	572	(23)	642	(10)
FORWARD SALES AND CURRENCY SWAPS				
US dollar (USD)	1,086	82	1,576	17
Pound sterling (GBP)	27	-	240	3
Other currencies	326	4	199	3
TOTAL	1,439	86	2,015	23

* The fair value of currency derivatives was calculated using market prices that Lafarge S.A. would pay or receive to unwind these positions.

Interest-rate risk

Lafarge S.A.'s exposure to interest rate fluctuations comprises two types of risk:

- a fair value risk arising from fixed-rate financial assets and liabilities: interest-rate fluctuations have an influence on their market value;

- a cash flow risk arising from floating-rate financial assets and liabilities: fluctuations in interest rates have a direct impact on the Company's future earnings.

As part of its general policy, Lafarge S.A. manages these two risk categories using interest-rate swaps.

The notional and fair value of interest rate derivatives at the balance sheet date were as follows:

AT DECEMBER 31, 2008			NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE*						
(million euros)	Average interest rate	2009	2010	2011	2012	2013	> 5 years	Total	Fair value **
INTEREST RATE SWAPS									
Fixed-rate payer	4.5%	7	-	-	70	58	42	177	(8)
Fixed-rate receiver	5.1%	-	-	-	-	-	600	600	30
Other interest-rate derivatives	10.3%	18	10	-	-	-	-	28	6
AT DECEMBER 31, 2007									
(million euros)	Average interest rate	2008	2009	2010	2011	2012	> 5 years	Total	Fair value **
INTEREST RATE SWAPS									
Fixed-rate payer	6.3%	70	7	-	-	-	-	77	-
Fixed-rate receiver	4.4%	-	-	-	-	-	600	600	(9)
Other interest-rate derivatives	7.2%	-	18	-	-	-	-	18	1

* The notional value of derivatives represents the nominal value of financial instruments traded with counterparties.

** The fair value of interest-rate swaps was calculated using market prices that Lafarge S.A. would have to pay or receive to unwind the positions.

Note 19 - Retirement benefit obligations

Lafarge S.A.'s pension obligation comprises complementary pension regimes and end-of-service benefits. In 2007, the Company transferred its obligation related to the supplementary defined benefit pension scheme toward actual retirees through an insurance contract with Cardif Assurance Vie. The premium paid amounted to 22 million euros in 2008 against 99 million euros in 2007. According to French Regulations, the insurer guarantees pension

indexation in the limit of technical gains dedicated to the contract potential residual cost for pension indexation remains to the Company.

Commitments for the complementary pension regime and end-of-service benefits were evaluated using the projected unit credit method.

The main assumptions used in these valuations are outlined below:

(million euros, unless otherwise indicated)	2008	2007	2006
Discount rate	5.60 - 6.00%	4.75 - 5.25%	4.50%
Wage increase	2 - 5.5%	2 - 5.5%	2 - 3.5%
Long-term return expected on pension fund assets	-	-	4.20%
Discounted value of the obligation	102	102	191
Fair value of pension fund assets	-	-	(11)
Actuarial spread and impact of unexpected modifications to the plan	(58)	(51)	(92)
PROVISION FOR PENSION FUND OBLIGATIONS	44	51	88

Calculation of provisions for pension fund obligations as of December 31, 2008 does not abide by the union agreement dated January 11, 2008, called "Accord national interprofessionnel sur la modernisation du marché du travail".

Note 20 - Compensation for the Board of Directors and executive management

(million euros)	2008	2007	2006
Board of directors	0.61	0.46	0.46
Executive management *	10.58	9.91	7.68

* The Executive officers consists of eleven members, including the Chief Executive Officer.

Note 21 - Average number of employees over the year

	2008	2007	2006
Management	312	306	334
Supervisors and technicians	119	114	121
Other employees	7	15	19
TOTAL EMPLOYEES	438	435	474

Note 22 - Individual right to training

In compliance with recommendation 2004F issued by the Urgent Issues Task Force of the French National Accounting Council (CNC) concerning the accounting of individual rights to training, Lafarge did not record any provisions for training rights in the financial statements for the year ended December 31, 2008.

Rights acquired at year-end 2008 are estimated at 27,165 hours.

Note 23 - Tax position stated in tax base

HOLDING COMPANY ONLY

(million euros)	2008	2007	2006
I. POTENTIAL TAX LIABILITIES			
Tax-driven provisions	2	2	2
Capital gains carry forwards *	1,764	1,764	1,764
II. LATENT TAX CREDITS			
Provision for pensions	44	51	88
Other provisions	-	12	10
Temporarily non-deductible expenses	58	62	17
III. TAX LOSSES CARRY FORWARD			
Consolidated tax group deficit	460	132	186
No taxes on 1976 revaluation, revaluation account	88	88	88

* See Note 5.

Note 24 - Subsequent events

The Group announced February 20, 2009 the following:

- its intention to proceed with a fully underwritten 1.5 billion euros rights issue. These guarantees take the form of commitments, subject to certain conditions and limits, by the two major shareholders (Groupe Bruxelles Lambert and NNS Holding Sarl) to subscribe their prorata shares (0.5 billion euros) and by a bank syndicate to underwrite the subscription of the shares that would not have been subscribed by other investors in the course of the transaction.
The rights issue requires prior authorization by Lafarge shareholders who are convened at an Extraordinary General Meeting to be held on March 31, 2009;
- the signature of a new 1 billion euros banking facility for a period of two years, which will be available after the repayment of 1.6 billion euros over the 2.6 billion euros of the A1/A2 tranches as mentioned above, this facility being repayable on June 30, 2010 depending on a leverage ratio, at the option of each lender;
- its intention to proceed with the early repayment of the A1/A2 tranches related to the Orascom Cement acquisition totalling 2.6 billion euros by the end of June 2009, therefore removing the related covenant.

AMF Cross-Reference table

In order to facilitate the reading of the present document as the form of the *Document de Référence*, the cross-reference table below is used to identify the corresponding Sections.

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The table below identifies the Sections of the annual financial report (Article 451-1-2 of the Monetary and Financial Code and article 222-3 of the General Regulations of the AMF) incorporated in the present Annual Report.

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The introduction of Chapter 5 and Sections 2.2, 5.1, 5.3, 5.4, 8.3.5 and 9.1 of this Annual Report constitute the Chairman's report provided for by article L. 225-37 of the Commercial Code regarding the terms of preparation and organization of the Board of Directors, the rules set for remuneration and benefits granted to senior management and the internal control procedures implemented by the Company.

The Group management report for the purposes of the Commercial Code is comprised of (i) the information presented in this Annual Report under Chapters 1 to 6 and 8, (ii) the facts on employees and the environment contained in Section 3.5 and in our Sustainable Development Report and (iii) comments on the statutory accounts of

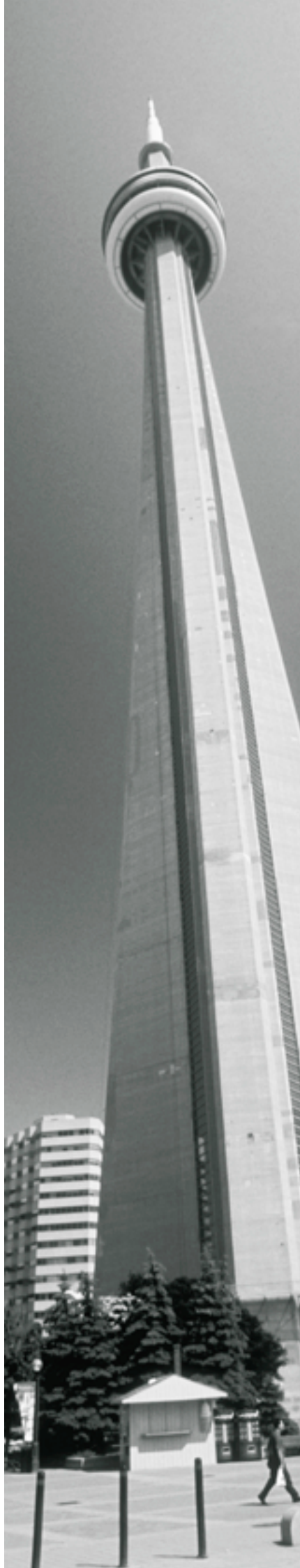
Lafarge S.A. set out in the notice of the General Meeting called to approve the 2008 accounts.

In accordance with article 28 of Commission rule (EC) n° 809/2004, the following information has been incorporated for reference in this Document de Référence:

- consolidated financial statements for the financial year ending December 31, 2007, including the notes to the financial statements and the reports of the statutory auditors, set out on pages F-1 to F-83 of the 2007 *Document de Référence* filed with the *Autorité des marchés financiers* on March 28, 2008 under number D.08.0169;
- consolidated financial statements for the financial year ending December 31, 2006,

including the notes to the financial statements and the reports of the statutory auditors, set out on pages F-1 to F-89 and F-2 of the 2006 *Document de Référence* filed with the *Autorité des marchés financiers* on March 23, 2007 under number D.07-0219.

The sections of the *Document de Référence 2007 et 2006* which have not been incorporated by reference are either not significant for the investor or already covered in another section of the present *Document de Référence*.



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On the front cover: Tamarins road construction site, the Three Basins civil engineering project, Reunion Island. This viaduct is made using Lafarge cement.

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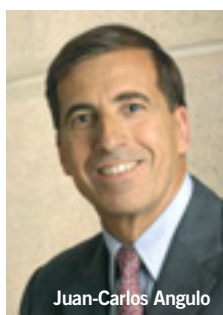


LAFARGE BOARD OF DIRECTORS

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Bruno Lafont



Juan-Carlos Angulo



Isodoro Miranda



Guillaume Roux



Thomas Farrell



Gérard Kuperfarb



Christian Herrault



Jean-Jacques Gauthier



Eric Olsen



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