2009 ANNUAL REPORT

Document de Référence

PAVILLON FRANCE

PARTNER OF THE FRANCE PAVILION
FOR THE SHANGHAI 2010 EXPO

LAFARGE

bringing materials to *life* ™

AGGREGATES & CONCRETE
China. Beijing South Railway Station using cement and concrete, Beijing.

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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Annual Report was filed in the French language with the *Autorité des marchés financiers* on March 11, 2010 in accordance with article 212-13 of its General Regulations. It may be used to support a financial transaction if accompanied by an information memorandum (*note d'opération*) approved by the AMF.

This document is a translation of the original French document and is provided for information purposes only. In all matters of interpretation of information, views or opinions expressed therein, the original French version takes precedence over this translation.

2009 Annual Report
(Document de Référence)

In 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

World leader in construction materials, Lafarge holds world top-ranking positions in Cement, Aggregates & Concrete and Gypsum, with 78,000 employees in 78 countries. As the inventor of materials essential to economic and social development, Lafarge is committed to sustainable construction.

Key Figures *at December 31, 2009*

SALES *in million euros*
15,884

EMPLOYEES
78,000

PRESENT IN
78 countries

NUMBER OF PRODUCTION SITES
2,013

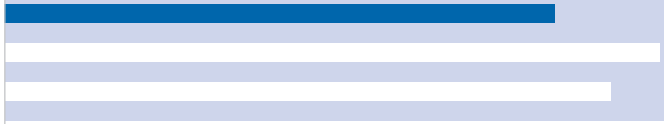
despite a year marked by the economic slowdown and volume decreases in developed countries, the Group generated a very strong level of free cash flow, up 34% in 2009 compared to 2008, and surpassed its cost reduction objective with 230 million euros in structural savings. This performance allowed the Group to reduce its net debt by 18% and limit the impact of volume declines on its operational margin which held up very well.

These results reflect the Group's strengths. First, a geographically well-positioned portfolio, which made the most of the strong growth in emerging markets, for which the current operating income is gaining ground at constant scope and exchange rates (excluding Central and Eastern Europe). Second, strong operational work in generating cash flow and protecting margins.

The Group is well-poised to fulfill the growing needs of emerging markets. Its innovation potential is geared towards concrete solutions for sustainable construction in both mature and emerging countries. Improved energy efficiency in buildings is a key axis of the Group's research.

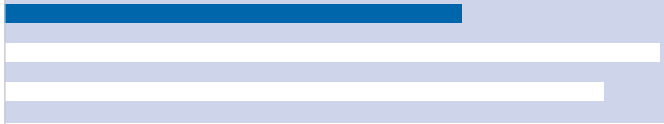
In 2010, for the sixth consecutive year, Lafarge is listed as one of the 100 most sustainable companies in the world.

SALES *in million euros*



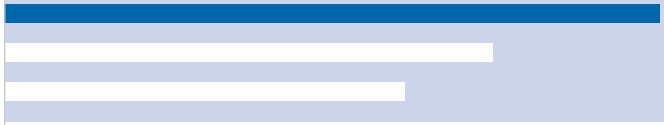
2009	**15,884**	**Sales impacted by lower volumes, foreign exchange and the scope of operations divested.**
2008	19,033	
2007	17,614	

OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER (1) *in million euros*



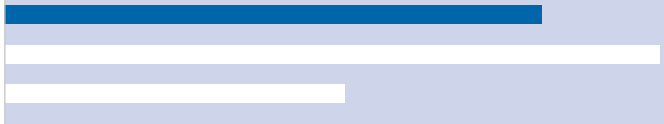
2009	**2,477**	**Current operating income impacted by lower volumes but partially compensated by an increase in emerging markets contribution excluding Central & Eastern Europe.**
2008	3,542	
2007	3,242	

FREE CASH FLOW (1) *in million euros*



2009	**2,834**	**Free cash flow up 34% thanks to strong mobilization of our teams on cash flow generation.**
2008	2,113	
2007	1,726	

GROUP NET DEBT (1) *in million euros*



2009	**13,795**	**Net debt reduced by 3.1 billion euros.**
2008	16,884	
2007	8,685	

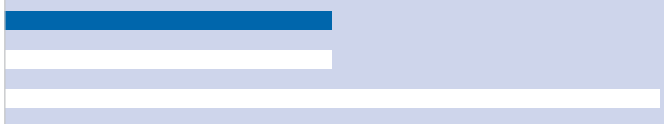
NET INCOME GROUP SHARE *in million euros*

2009	**736**	**Net income Group share declined by 54%.**
2008	1,598	
2007	1,909	

NET EARNINGS PER SHARE *in euros*

2009	**2.77**	**Net earnings per share declined to 2.77 euros.**
2008	7.19 (2)	
2007	9.60 (2)	

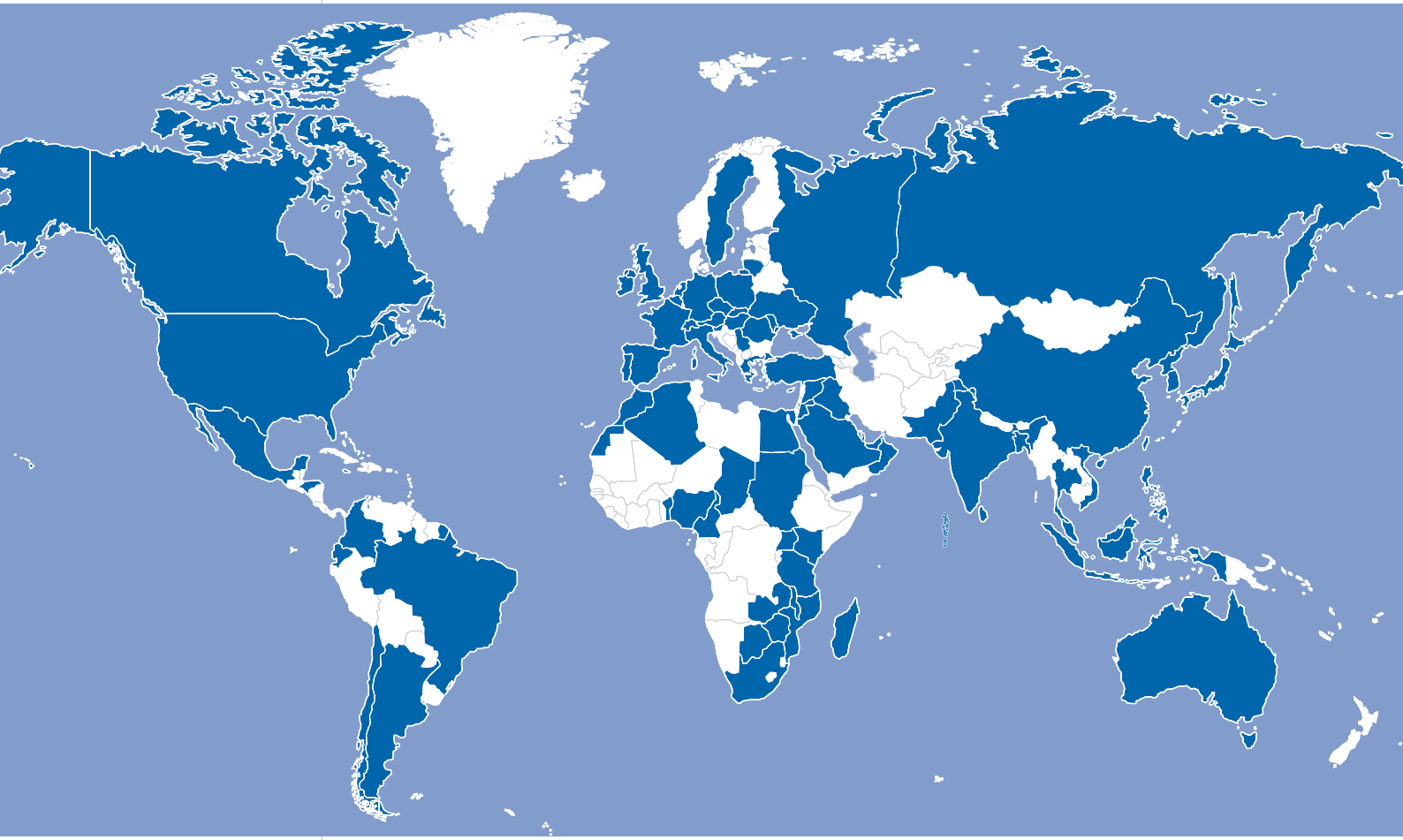
DIVIDEND PER SHARE *in euros*



2009	**2.00** (3)	**A proposed dividend of 2 euros per share.**
2008	2.00	
2007	4.00	

The selected financial information is derived from our consolidated financial statements for the year ended Decernber 31, 2009.
(1) See section 4.2 (Accounting Policies and Definitions).
(2) 2007 and 2008 periods have been restated further to the April 2009 capital increase since it includes bonus elements for existing shareholders.
(3) Proposed dividend to be decided at the General Meeting of shareholders on May 6, 2010.

Lafarge worldwide

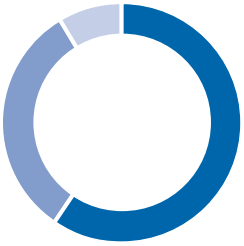


World map of Lafarge's presence as at December 31, 2009 (plants and sales offices).

Key figures by Division and by geographic area at December 31, 2009

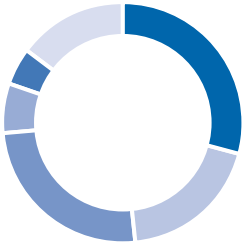
Employee, site and country information is posted on the basis of 100%, excluding companies held in equity at December 31, 2009.

GROUP SALES BY DIVISION



	%
Cement	59.7
Aggregates & Concrete	31.9
Gypsum	8.4

GROUP SALES BY GEOGRAPHIC AREA OF DESTINATION



	%
Western Europe	29.3
North America	19.1
Africa & Middle East	25.3
Central & Eastern Europe	6.6
Latin America	5.0
Asia	14.7

Cement | World leader

SALES *in million euros*
9,477

NUMBER OF EMPLOYEES
46,468

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

NUMBER OF PLANTS
160

PRESENT IN
48 countries

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

SALES *in million euros*
5,064

NUMBER OF EMPLOYEES
23,552

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

NUMBER OF PLANTS
1,773

PRESENT IN
36 countries

Gypsum | No. 3 worldwide

SALES *in million euros*
1,334

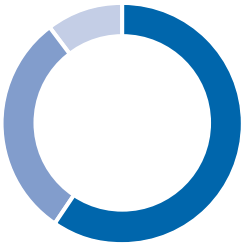
NUMBER OF EMPLOYEES
7,974

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

NUMBER OF PLANTS
80

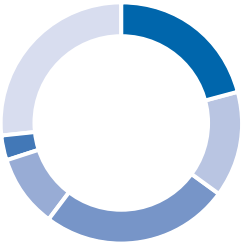
PRESENT IN
30 countries

GROUP EMPLOYEES BY DIVISION



	%
Cement	59.6
Aggregates & Concrete	30.2
Gypsum	10.2

GROUP EMPLOYEES BY GEOGRAPHIC AREA OF DESTINATION



	%
Western Europe	21.0
North America	14.0
Africa & Middle East	25.3
Central & Eastern Europe	9.9
Latin America	3.3
Asia	26.5

GYPSUM
Australia. Reception hall
of the Hilton Hotel, Sydney.

1 Selected Financial Data

© DR Médiathèque Lafarge -
Johnson Pitton Walker (architecture)

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, 2009 in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union at December 31, 2009.

The first table below shows selected consolidated financial data under IFRS at and for the years ended December 31, 2009, 2008 and 2007. 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, 2009, 2008 and 2007 appear in part F at the end of this report.

KEY FIGURES FOR THE GROUP

(million euros, unless otherwise indicated)	2009	2008	2007
CONSOLIDATED STATEMENT OF INCOME			
Revenue	15,884	19,033	17,614
Operating income before capital gains, impairment, restructuring and other	2,477	3,542	3,242
Operating income	2,250	3,362	3,289
Net income from continuing operations	1,046	1,939	2,038
Net income from discontinued operations	-	-	118
Net income	1,046	1,939	2,156
Out of which part attributable to:			
Owners of the parent Company	736	1,598	1,909
Non-controlling interests	310	341	247
Earnings per share - attributable to the owners of the parent company*:			
Basic earnings per share *(euros)*	2.77	7.19	9.60
Diluted earnings per share *(euros)*	2.77	7.16	9.48
Average number of shares outstanding *(thousands)*	265,547	222,350	198,806

** The comparative periods have been restated further to the April 2009 capital increase since it included bonus elements for existing shareholders.*

(million euros)	2009	2008	2007
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS			
Non-current assets	32,857	32,928	21,490
Current assets	6,640	7,680	6,818
TOTAL ASSETS	**39,497**	**40,608**	**28,308**
LIABILITIES			
Equity attributable to owners of the parent company	14,977	12,910	10,998
Non-controlling interests	1,823	1,725	1,079
Non-current liabilities	16,652	17,043	10,720
Current liabilities	6,045	8,930	5,511
TOTAL EQUITY AND LIABILITIES	**39,497**	**40,608**	**28,308**

(million euros)	2009	2008	2007
CONSOLIDATED STATEMENT OF CASH FLOWS			
Net cash provided by operating activities	3,206	3,001	2,676
Net cash/(used in) investing activities	(1,074)	(8,771)	(703)
Net cash provided by/(used in) financing activities	(1,489)	6,030	(1,664)
Increase in cash and cash equivalents	643	260	309

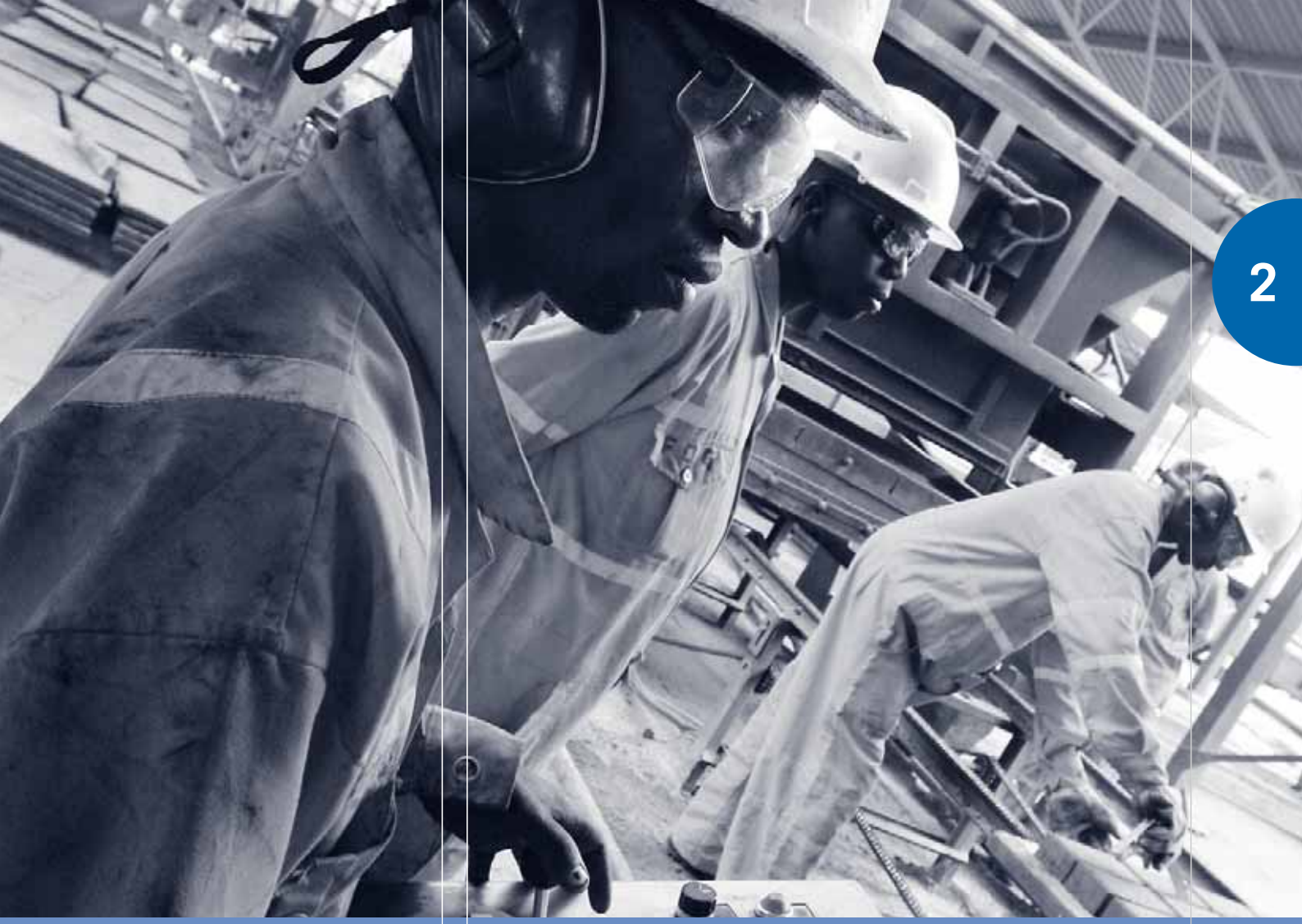
	2009	2008	2007
ADDITIONAL FINANCIAL INDICATORS *			
Free cash-flow *(million euros)*	2,834	2,113	1,726
Return on capital employed *(%)*	6.0	8.8	11.0
Group net debt *(million euros)*	13,795	16,884	8,685

** See Section 4.2.4 (Reconciliation of our non GAAP financial measures) for the definition of these indicators.*

(euros, unless indicated otherwise)	2009 (1)	2008	2007
DIVIDENDS			
Total dividend *(million euros)*	575 (3)	393	784
Dividend per share	2.00	2.00	4.00
Loyalty dividend per share (2)	2.20	2.20	4.40

(1) Proposed dividend.
(2) See Section 8.5 (Articles of Association (Statuts) – Rights, preferences and restrictions attached to shares) for an explanation of our "Loyalty dividend".
(3) Based on an estimation of the number of shares eligible for dividends of 286,073,168 shares.

1 SELECTED **FINANCIAL DATA**



CEMENT
Kenya. Employees of the BSP plant (Bamburi Special Products Ltd), Nairobi.

2 Risk Factors

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2.1 Presentation of the material risks

Lafarge operates in a constantly evolving environment, which exposes the Group to risk factors and uncertainties in addition to the risk factors related to its operations. 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 or whose occurrence is not considered likely to have such a material adverse effect as of the date hereof. The information given below is based on certain assumptions and hypothese, which could, by their nature, prove to be inaccurate.

2.1.1 Risks related to our business

Risks 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 cyclicality of the construction sector together with its dependence on economic activity could have a negative impact on our financial results and the profitability of our operations. We manage this risk by operating in geographically diverse markets, with a portfolio of operations both in developped 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 2009, we derived approximately 52% 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, 69% of the 2009 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 currency fluctuations, political, financial and social uncertainties and turmoil, high rates of inflation, exchange control systems, 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 attempt to manage these risks by spreading emerging markets operations among a large number of countries, our diversification efforts will not enable us to avoid risks that affect multiple emerging markets at the same time. No individual country represents over 6% of our sales or our current operating income (excluding Algeria and Egypt for the 2009 current operating income).

As an example, in April 2008, Venezuelan authorities announced plans to nationalize Venezuela's cement industry, which resulted in 2009 in the signature of an agreement with *Corporacion Socialista del Cemento* for the sale of our shares in our Venezuelan subsidiaries.

See Section 3.2.2 (Significant recent divestitures) on page 24 for further information on this transaction.

CLIMATE AND NATURAL DISASTERS

Our presence in 78 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, China, Egypt, Greece, Indonesia, Jordan, Morocco, the Philippines and Syria. These countries represent approximately 19% 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) on page 17 and Section 2.3 (Insurance and risk coverage) on page 19 for more information on risk management by the Group.

Risks relating to the global economic conditions

Our results depend mainly on residential, commercial and infrastructure construction activity and spending levels. The economic crisis which started in the second half of 2008 and continued in 2009, sparked by uncertainty in credit markets and deteriorating consumer confidence, has significantly impacted 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 crisis will last. Although we believe the progressive improvement of the economic environment along with government stimulus plans, with their announced large focus on infrastructure spending, are expected to have a positive impact on our markets from the second half of 2010 and that the fundamental need for cement should continue in developing economies due to the long-term trends of urbanization, demographic growth and infrastructure requirements, we cannot predict exactly when, in which markets and how fast, growth will resume.

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 Sections 3 – Our Strategy on page 22 and 4.1.2 – Trend information & 2010 perspectives on page 50. For 2010, we assume that cement volumes in emerging markets will continue to drive demand, while for developed markets demand will start to recover slowly during the second half of the year. Overall, we expect cement volumes in our markets to increase between 0 and 5% in 2010. Pricing is expected to remain solid for the year in most of our markets. However, if economic conditions worsen or market recovery is postponed or slower than expected, it might continue to negatively affect our business operations and financial results.

We have taken in 2009 a number of measures to reinforce our financial structure in the context of the economic crisis and slowdown in construction activity. The implementation of this action plan resulted in a 3.1 billion euro reduction in net debt in 2009. In 2010, we will continue to implement actions including cost cutting initiatives, a reduction in capital expenditures and further targeted divestments. These main measures are described in Section 4.1.2 – Trend information and 2010 perspectives on page 50. While we are confident that these measures will allow us to improve our financial structure and performance, they might not prove sufficient to offset the impact of the global crisis, particularly if it proves to be more severe or to last longer than currently anticipated.

Energy costs

Our operations consume significant amounts of energy, 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.

We take a number of steps to manage our energy and fuel costs.

We sometimes enter into medium-term supply contracts. In addition, our centralized purchasing organization at Group 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 commodity 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 are useful, they may not fully protect us from exposure to energy price volatility. As a result, in spite of these measures, material increases or changes in energy and fuel costs have affected, and may continue to affect, our results of operations and profitability.

See Sections 2.1.2 (Financial and market risks) on page 15 and 3.3 (Business Description) on page 26 for further information and Section 2.2.2 (Risk management systems) on page 17 and 4.6 (Market Risks) on page 85 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 raw materials that we use to manufacture our products. Access to the raw materials necessary for our operations is a key consideration in our investments. 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.

Consequently, we actively manage the quarries 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.

For an illustration of this risk in relation to our operations in Bangladesh, see Note 34 (Subsequent events) to our consolidated financial statements on page F75.

In addition, we increasingly 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.

See Section 3.3 (Business Description) on page 26 and Section 2.2.2 (Risk management systems) on page 17 for more information on how the Group manages this risk.

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 expenditure 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 environment include barriers to entering our markets (including investment costs and local regulations), price adjustments to the costs variation, 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, 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, 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 (Risk management systems) of the present Chapter. Nonetheless, these procedures cannot provide absolute assurance against the risks relating to these issues.

See Section 3.3 (Business Description) on page 26 for a description of our competitors in each of our markets. See Note 29 (Legal and arbitration proceedings) to our consolidated financial statements on page F71 for further information on material legal and arbitration proceedings. See Section 2.2.2 (Risk management systems) on page 17 for more information on our competition policy and 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, plasterboard, 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 protective measures 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, in particular as a result of new or more stringent regulations or change in their interpretation or implementation. In addition, non compliance with these regulations could result in sanctions, including monetary fines, against our Group.

The risks faced by the Group relating to the environment can be illustrated by the following examples relating to our operations in the United States.

The cement industry air emissions regulation in the United States is under review by the US Environmental Protection Agency ("EPA"). This new set of rules primarily relates to the content of such air emissions, including fine particulates, mercury and chlorine. These regulations are still under discussion at the federal level, but stricter limits are expected industry-wide. This is part of a global trend in different countries as part of the United Nations Environment Programme to strictly limit mercury emissions and the impact of industry on the environment. We are active in developing solutions in anticipation of such changes. At this stage however, it is still difficult to foresee the impact of such potential changes on our results.

On January 21, 2010, our subsidiary Lafarge North America Inc. and certain of its subsidiaries ("LNA") entered into a settlement of certain alleged violations of the US Clean Air Act with the EPA and a number of US States. Under this settlement, LNA is required to decrease emissions of sulfur dioxide (SO_2) and nitrogen oxide (NOx) emanating from its US cement manufacturing plants by making the necessary investments over a period of five years. LNA has also agreed to pay a civil penalty of five million dollars. The settlement is still subject to Court approval.

See Section 3.6 (Environment) on page 40 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) on page 17 for more information on how the Group manages these risks.

See also Notes 2.3 (Use of estimates and judgments) on page F12 and 24 (Provisions) to our consolidated financial statements on page F57.

Risks related to our financial organization

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

See Section 2.2.2 (Risk management systems) on page 17 for more information on how the Group manages these risks.

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, and legal , administrative and arbitration proceedings. New proceedings may be initiated against the Group's entities in the future.

See Note 29 (Legal and arbitration proceedings) to the consolidated financial statements on page F71 for more information on material legal and arbitration proceedings.

Risks related to minority shareholders

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 as it may result in partnership or investment agreements, 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.

See Section 3.4 (Organizational Structure) on page 38 for further information on our relationship with minority shareholders within our subsidiaries and Section 2.2.2 (Risk management systems) on page 17 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 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 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 or low temperatures 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 Cement 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 13.2 billion euros of goodwill in our consolidated balance sheet as of December 31, 2009, including 6.4 billion euros relating to the Orascom Cement acquisition).

In accordance with IFRS, we are required to test goodwill for impairment, as described in more detail in Note 10 to our consolidated financial statements on page F32. An impairment test of goodwill is performed at least annually and a specific analysis is performed at the end of each quarter in case of impairment indications. Depending on the evolution of the recoverable value of cash generating units (CGU) / groups of CGUs, which is mostly related to future market conditions, further impairment charges might be necessary and could have a significant impact on our 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, 2009, our net debt (which includes put options on shares of subsidiaries and derivative instruments) amounted to 13,795 million euros, and our gross debt to 16,082 million euros. 2,325 million euros of our gross debt as of December 31, 2009 was due in one year or less. Although we are implementing various actions to improve our financial structure, 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 our subsidiaries to comply with certain financial ratios. At end 2009, these agreements represented approximatly 8% of the Group's consolidated financial liabilities. Our principal covenants are described in Note 25(e) to our consolidated financial statements on page F60. Our agreements and those of our subsidiaries also include cross-acceleration clauses.

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 economically deteriorates further, the reduction of our operating cash flows could make it necessary to obtain additional financing. Changing conditions in the credit markets and the level of our outstanding debt could impair our ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes, or make access to this financing more expensive than anticipated. This could result in greater vulnerability, in particular by limiting our flexibility to adjust to changing market conditions or withstand competitive pressures.

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- (negative outlook) according to the rating agency Standard & Poor's, and Baa3 (negative outlook) according to Moody's. The ratings agencies could downgrade our ratings either due to factors specific to us or due to a prolonged cyclical downturn in the construction sector. Any decline in our credit rating below the current level at the date of publication of this Annual Report would increase the cost of some of our borrowings and could significantly harm our financial condition, results and profitability, including our ability to refinance our existing indebtedness.

See Section 4.5 (Liquidity and Capital Resources) on page 81 for more information.

Interest rate risks

Interest rates 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, 2009, 5,049 million euros of our gross debt of 15,667 million euros (excluding put options relating to shares of subsidiaries and derivative instruments) bore interest at floating rates after swap. An increase of 1% in average of market interest rates would have had a negative impact of 50 million euros on our financing costs in 2009.

See Section 4.6 (Market risks) on page 85 and Notes 25 (Debt) on page F58 and 26 (Financial instruments) to our consolidated financial statements on page F61 for more information.

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 the Group's financial statements, we must translate our assets, liabilities, income and expenses in other currencies into euros at then-applicable exchange rates.

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 2009, we generated approximately 75% of our sales in currencies other than the euro, with approximately 21% denominated 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 sales of approximately 335 million euros.

In addition, a +/-5% fluctuation in the US dollar/euro and in the British pound/euro exchange rate would have an estimated maximum impact of +/-280 million euros on our debt exposed to these two foreign currencies as of December 31, 2009.

At year-end 2009, 83% of our capital employed was located outside euro zone countries, with approximately 20% denominated in US or Canadian dollars.

See Section 4.6 (Market risks) on page 85 and Note 26 (Financial instruments) to our consolidated financial statements on page F61 for further information.

Other financial risks

For further information on our exposure to credit and counterparty risks and our management thereof, see Note 26 (Financial instruments) to our consolidated financial statements on page F61 as well as Sections 2.3 (Insurance and risk coverage) on page 19 and 4.6 (Market risks - Counterparty risk for financial operations) on page 85.

For further information on other market risks to which the Group is exposed, such as equity risk, liquidity risk or commodity price sensitivity, see Section 4.6 (Market risks) on page 85 and Notes 15 (Other financial assets) on page F40 and 26 (Financial instruments) to our consolidated financial statements on page F61. See Section 2.2.2 (Risk management systems) on page 17 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 measure 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 4.2 (Accounting policies and definitions) on page 51 and Note 23 (Pension plans, end of service benefits and other post retirement benefits) to our consolidated financial statements on page F52 for more information on pension plans. See Section 2.2.2 (Risk management systems) on page 17 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 detailed update of the Group risk mapping was carried out in 2009 and submitted to the Audit Committee. An in-depth analysis has been performed on the main risk areas identified and action plans have been developped and are progressively implemented.

As part of the Group's management cycle, strategic reviews of all Group operational units are conducted periodically by the heads of the operationnal 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 business units, the Divisions and within the Group's functional departments.

The annual audit plan drawn up by 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

An 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, business 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 (business 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 OF LAFARGE'S EMPLOYEES

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 the main risks faced by the Group, 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.

The action to strengthen the dissemination of the Business Code of Conduct and its appropriation by all Group employees, which was initiated in 2008, has been largely completed in 2009. This training programme, which is based on concrete case studies drawn from business examples was reviewed by Transparency International and the International Chamber of Commerce in 2008, as well as a complete presentation to the Group Stakeholders' Panel. Its deployment will continue in 2010, and will be sustained later on by the implementation of awareness and training tools, such as "e-learning", accessible through the Group intranet from all countries where the Group operates.

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 safeguarding 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, Internal Audit and Internal Control departments), 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 anonymously 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, including the most recent evolutions related to the decision of the Cassation Court, in order to ensure strict adherence with specific rules to which such reporting mechanisms put in place in France must comply with;
- 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 modelling of natural disaster risks;
- a structured decision-making process for investments and divestments;
- a system to optimise 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 sales and current operating income.

The Group's Insurance department has developed a process for modelling 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 PROGRAM

The Group antitrust compliance programme ("Compliance Program"), which has been in place since 2007, is aiming at ensuring that Group employees strictly abide by antitrust rules and regulations. It is applicable in all countries where the Group has operations and covers all of its activities, including those conducted jointly with third parties in the context of partnerships. The Compliance Program is being deployed steadily and continuously worldwide through a number of awareness-building and training actions for the Group's employees, as well as verifications that the rules of the Compliance Program are being followed at business unit level and information reporting through a dedicated network of antitrust coordinators based in every country where the Group operates.

In general, in the event of allegations of breach of compliance with antitrust rules and regulations made against the Group or one of its subsidiaries, the Group's policy is to fully collaborate with the local antitrust authorities.

In 2009, the Group developed new training tools based on the analysis of various operational situations that could trigger difficulties in interpreting antitrust regulations, with the objective to increase the awareness of Group employees towards such risks and to support them to manage them effectively in conformity with the Compliance Program. These tools, which are supplementing the ones already developed (i.e. antitrust e-learning modules and general training on competition) will be largely deployed in the Group in the current year and will be systematized moving forward.

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 Group Finance, which works jointly with the Group Purchasing department for energy source issues. The Group's Executive Committee determines a set of policies to cover these risks and defines the responsibilities of the different parties involved.

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

Lafarge participates in the selection and monitoring of financial assets covering pension benefit obligations in conjunction with 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 leading insurers and reinsurers. 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.

In 2009, the total cost of the Group's insurance programs, including the risks self-insured via the captives, amounted to about 3 per thousand of the revenues of the insured perimeter.

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 24,700 million euros. Potential fire loss scenarii for the largest sites are regulary evaluated with specialized engineers from an external consulting firm.

The fire highest "Maximum Foreseeable Loss" per site remains lower than 200 million euros apart from 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 of coverage has been taken for this plant in 2009. The Group "Property Damage and Business Interruption" program limit remains at 200 million euros per claim, with sub-limits usually set by insurance companies.

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, hurricane, cyclone) based on hypothese 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.

In accordance with the plan decided by the Group, fire risk protection standards are progressively implemented in all cement plants with the support of prevention engineers from an external consulting firm.

Liability insurance

Public liability, product 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 our 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 one 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 2 million euros per casualty claim and 5 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 2 million to 5 million dollars per loss, depending on the type of coverage.

2 RISK FACTORS

SUSTAINABLE DEVELOPMENT
Ecuador. Tangali villagers who receive aid from Lafarge to grow blackberries.

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General presentation

Lafarge S.A. is a limited liability company incorporated in France and governed by French law (*société anonyme*). We produce and sell building materials – cement, aggregates, ready mix, concrete, gypsum wallboard, and related products – worldwide, primarily under the "Lafarge" brand. Based on sales, we are 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 seconrgest aggregates producer, the third largest concrete producer and the third largest gypsum wallboard manufacturer worldwide.

Our reporting currency is the euro (€). In 2009, the Group generated 15,884 million euros in sales, and posted a current operating income (as defined in *Section 4.2 (Accounting policies and definitions)*) of 2,477 million euros and net income, Group share of 736 million euros. At year-end 2009, its assets totaled 39,497 million euros and the Group employed approximately 78,000 people in the 78 countries in which it operates. Its shares have been traded on the Paris Stock Exchange NYSE Euronext since 1923. They are a component of the French CAC 40 market index (and have been since its inception). Its market capitalization totaled 15.0 billion euros at the March 9, 2010 market close.

Our strategy

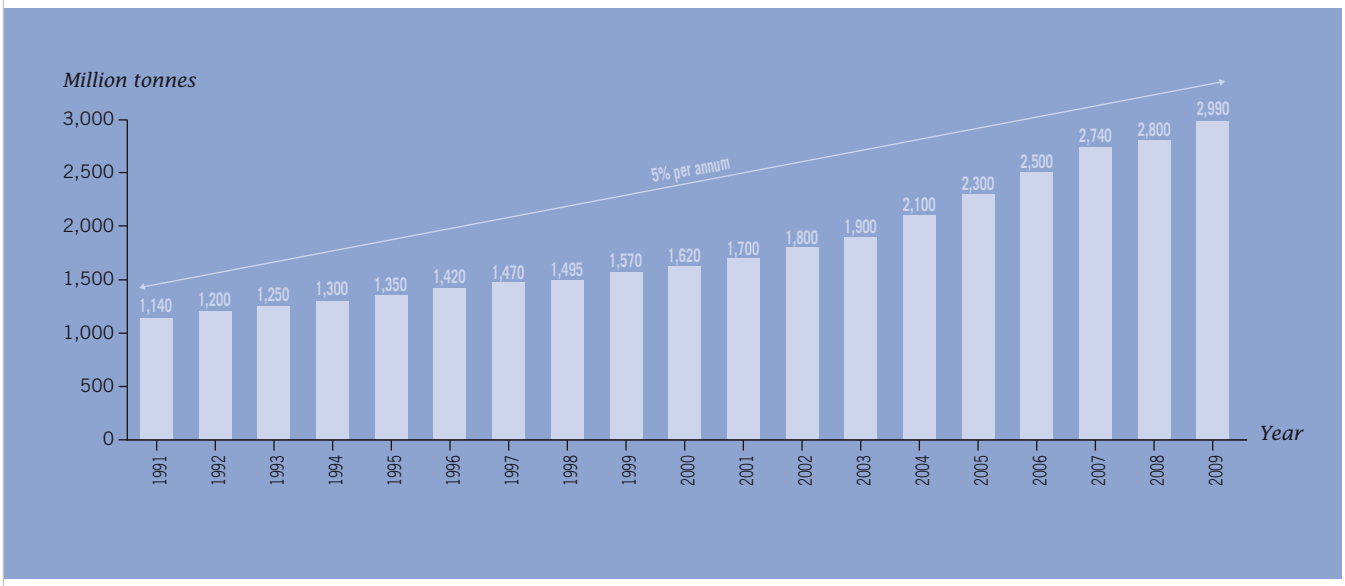
The Group's strategy aims at strengthening our position as world leader in building materials, in terms of market share, corporate image, geographic reach, innovation and profitability.

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

Over the past ten years, world cement consumption has significantly increased with an average rate of growth of 5% per annum. Despite the current economic and financial crisis, global cement demand grew by approximately 7% in 2009, supported by the dynamism of the Chinese market. Mid and long term prospects remain favourable, especially in emerging markets, where the demography, urbanization,and the needs in accomodation (housing) and in infrastructure are powerful. Emerging markets now account for 78% of Group earnings (77% for the Cement Division). We believe we are in a very good position to benefit from this long term fundamental growth thanks to our cement capacity increase program and the acquisition of Orascom Cement in January 2008. Most of our new production capacity projects are located in emerging markets and we are particularly determined to accelerate the pace of our development in China and in the Africa and Middle East region.

The Group will seize the opportunities to participate in the consolidation of the cement market and will drive this action, if necessary, by intensification of the aggregates and concrete vertical integration.

EVOLUTION OF THE CEMENT WORLD MARKET



Our second strategic priority is innovation, especially in concrete through our brands Agilia®, Chronolia®, Extensia® and Artevia®. In 2009, together with French contractor Bouygues Construction, we have launched Thermedia®, a new range of insulating ready-mix concretes. Value-added products, which have weathered the crisis better than standrad products, should account for a significant portion of Lafarge's ready-mix concrete production in terms of volume by 2012.

We believe growth and innovation must add value, not only for the Group, but also for our customers, who we serve through modern and well-located production facilities as well as innovative products that provide them with greater satisfaction.

Lafarge has three operational priorities:

- the first is the day-to-day safety of the women and men who work for the Group, be they on the payroll or with sub-contractors, on site or on the road. Between 2009 and 2008 (based on our 2007 business perimeter), we managed to reduce by 36% the number of workplace accidents resulting in sick leave, demonstrating our commitment to deliver in this area ;

See Section 3.5 (Health and Safety) for more information.

- the Group's second operating objective is cost cutting. This was reflected again in our 2009 results and in the resilience of our operating margin against a backdrop of global economic crisis. We have also continued to simplify and streamline our organization, thus enhancing the Group's ability to plan ahead and work efficiently;
- the third priority is sustainable development. It encompasses:
  - preservation of the environment and combatting climate change (limited raw materials extraction, emissions reduction - notably CO_2 - and biodiversity promotion);
  - health protection and medical care for our employees and neighbouring communities; and
  - more generally the Group' social involvement, as illustrated by the Group's actions following natural disasters.

We estimate that the Group's strategy strongly supports our goal 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 the regions where we operate.

3

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).*

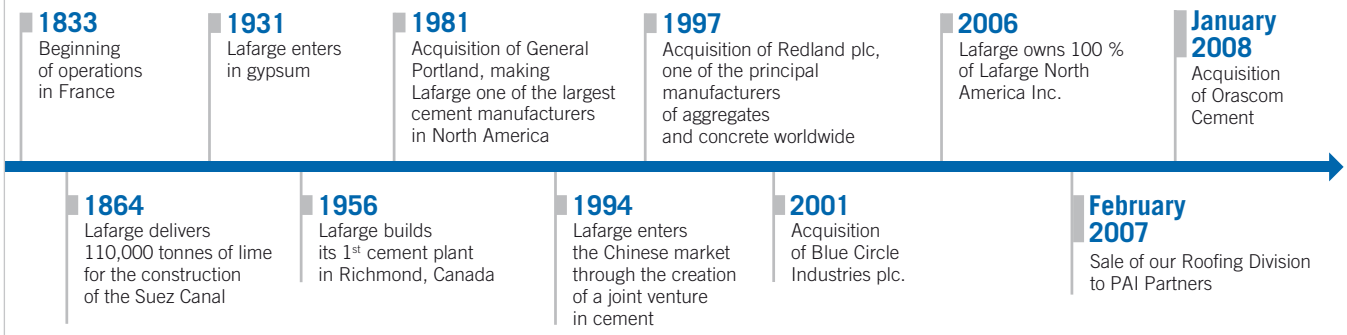
We began operating around 1833 when Auguste Pavin de Lafarge set up a lime operation in France. Through numerous acquisitions of lime and cement companies throughout France, we became France's largest cement producer by the late 1930s. Our first foray outside France took place in 1864 when we supplied 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 in May 2006 of the interests previously held by minority shareholders. We further expanded internationally through the purchase of the British cement company Blue Circle Industries plc ("Blue Circle") in 2001 and further acquisitions, mainly around the Mediterranean Basin, in Central 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 Africa. This transaction represented a decisive step in the Group's Cement strategy and accelerate our growth in emerging markets.

We are the world leader in the cement industry, with production facilities in 48 countries.

We have also broadened our other product lines of aggregates, concrete and gypsum plasterboard. Our aggregates and concrete business, now operating in 36 countries, developed progressively over the years and 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 30 countries. In February 2007, we sold our Roofing Division, which came on board through our 1997 acquisition of Redland plc.

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. We also draw on a shared culture and shared ambitions with all our employees, as expressed in our Principles of Action

KEY DATES



3.2 Investments

3.2.1 Significant recent acquisitions

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

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

Middle East and Africa. On January 23, 2008, we acquired 100% of the company holding the cement activities of Orascom Construction Industries S.A.E ("OCI"). Orascom Cement was a cement leader in the Middle East and North Africa (Egypt, Algeria, Iraq and the United Arab Emirates), and had strategic positions in other growing markets in the region (notably in Saudi Arabia and Syria). 50% of Grupo GLA (Spain) was part of the Orascom Cement acquisition. In April 2008, Lafarge acquired the remaining 50%.

Greece. 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. On December 31, 2009 the Group's equity interest in Heracles is 88.89%. Heracles is Greece's largest cement manufacturer and also has aggregates and concrete operations.

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 96 million euros in 2009 compared with 2008 and 227 million euros in 2008 compared with 2007.

3.2.2 Significant recent divestitures

See Note 5 to the consolidated financial statements for more information on these transactions.

Portugal. On February 3, 2010, Lafarge sold its 17.28% minority interest in the Portuguese company Cimpor to the Brazilian company Votorantim. This transaction is an exchange of Cimpor shares held by Lafarge for certain Votorantim's assets in Brazil. Those assets are located in the North-east and Mid-west of the country and around Rio de Janeiro.

See Note 34 to the consolidated financial statements for more information on this transaction.

Turkey. On December 30, 2009 we sold our Turkish subsidiaries, Lafarge Aslan Cimento and Lafarge Beton to Oyak Cement group, the leading Turkish company in the cement sector. Following this divestment the Group will continue to own a grinding station in Karadeniz Eregli-Zonguldak and also remains present with its Gypsum activities through a joint venture with Dalsan and with a minority shareholding in Baticim in the Aegean region. The cement plant located in the east of the country was sold on September 7, 2009 to Askale Cimento.

Venezuela. Following the announcement in April 2008 by the Venezuelan government of the nationalization of CA Fabrica Nacional de Cementos SACA and CA de Cementos Tachira, the Group sold on September 23, 2009 all its shares in these two Venezuelan companies to the Corporacion Socialista del Cemento. The assets sold included 2 cement plants and 13 concrete plants.

Chile. On August 28, 2009 Lafarge sold its 84% shareholding in its Chilean Cement and Aggregates & Concrete business to the Peruvian Brescia group. These assets include a cement plant located around 100km from Santiago, a grinding station in southern Chile and a second one currently being built in Ventanas, 54 ready-mix concrete units, five aggregates quarries as well as an import terminal and a mortar production unit. The Group retains its minority participation in its Chilean Gypsum activities.

In addition, during 2009, we have carried out several small-to-medium sized divestments, such as the divestment of part of our Aggregates & Concrete activities in Switzerland, of our Asphalt and Paving activities in East Canada and some Concrete assets in North America.

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.

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 very strong 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.

Roofing. On February 28, 2007, we sold our Roofing Division (Monier group) to an investment fund managed by PAI Partners. Following Monier's financial restructuring, the 35% participating interest that we had in the group's mother company has been transferred to PAI Partners on November 27, 2009. As of today, we do not have any shareholding in this entity or in the Monier group.

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

In total, divestitures during the last three years reduced the Group's sales by 612 million euros in 2009 compared with 2008 and 91 million euros in 2008 compared with 2007.

3.2.3 Summary of our Capital Expenditures in 2009, 2008 and 2007

The following table presents the Group's capital expenditures for each of the three years ended December 31, 2009, 2008 and 2007. 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 euro)	2009	2008	2007	2009	2008 *	2007
Western Europe	341	611	568	46	1 058	973
North America	253	441	409	8	89	181
Middle East & Africa	551	911	338	25	6 754	8
Central & Eastern Europe	139	319	257	7	503	18
Latin America	42	132	117	3	15	-
Asia	280	371	278	24	557	23
TOTAL	**1,606**	**2,785**	**1,967**	**113**	**8,976**	**1,203**

** On the basis of the provisional allocation of the purchase price of Orascom Cement (8,321 million euros), includes the portion of the purchase price paid with Lafarge S.A. shares (2,492 million euros).*

See Section 4.5 (Liquidity and Capital Ressources) for more information on 2009 investments.

The Group generally owns its plants and equipment. 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 2010

Capital expenditures for 2010 are expected to be approximately:

- 0.5 billion euros for sustaining capital expenditure;
- 0.8 billion euros for development capital expenditure, mainly related to the building of new capacities in Cement in emerging markets.

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 2009 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 2008 and 2007:

SALES BY DIVISION

	2009		2008		2007	
	(million euros)	*(%)*	*(million euros)*	*(%)*	*(million euros)*	*(%)*
Cement	9,477	59.7	10,911	57.3	9,456	53.7
Aggregates & Concrete	5,064	31.9	6,573	34.5	6,586	37.4
Gypsum	1,334	8.4	1,521	8.0	1,556	8.8
Other	9	NS	28	0.2	16	0.1
TOTAL	**15,884**	**100.0**	**19,033**	**100.0**	**17,614**	**100.0**

SALES BY GEOGRAPHIC AREA

	2009		2008		2007	
	(million euros)	*(%)*	*(million euros)*	*(%)*	*(million euros)*	*(%)*
Western Europe	4,657	29.3	6,021	31.6	6,285	35.7
North America	3,028	19.1	4,270	22.4	4,780	27.1
Middle East & Africa	4,018	25.3	3,984	20.9	2,438	13.9
Central & Eastern Europe	1,053	6.6	1,761	9.3	1,467	8.3
Latin America	791	5.0	968	5.1	876	5.0
Asia	2,337	14.7	2,029	10.7	1,768	10.0
TOTAL	**15,884**	**100.0**	**19,033**	**100.0**	**17,614**	**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, 2009:

in %	CONTRIBUTION TO CONSOLIDATED SALES	CONTRIBUTION TO CURRENT OPERATING INCOME *
Cement	59.7	94.6
Aggregates & Concrete	31.9	7.8
Gypsum	8.4	1.5
Other	NS	(3.9)
TOTAL	**100.0**	**100.0**

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

The acquisition of Orascom in January 2008, had led the Group to revise the presentation of its geographic information for all periods presented.

This presentation was finalized in 2009 for the regions Middle East and Africa, these two regions are henceforth grouped together in one region. Others regions within the Group remain unchanged : Western Europe, North America, Eastern and Central Europe, Latin America and Asia.

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 our 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.

When operating our business we may face risks presented in Section 2 (Risks Factors).

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 48 countries in which our Cement Division has production facilities in 2009. Based on both internal and external research, Lafarge believes that we are the world's leading producer of cement taking into account sales, production capacity, geographical positions, technological development and quality of service. At year-end 2009, the Group's consolidated businesses operated 120 cement, 32 clinker grinding and 8 slag grinding plants, with an annual production capacity of 203 million tonnes (total capacity of entities controlled by Lafarge). Consolidated sales for 2009 reached approximately 141 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 88% 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 31%, raw materials and consumables 29%, labor, maintenance and other production costs 28%, and depreciation 12%.

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 2009, the cement over clinker ratio reached 1.29 compared to 1.28 in 2008 and 1.27 in 2007.

ENERGY OPTIMIZATION

Energy is the largest expense item among the Group's production costs (31% 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 waste materials (e.g. tires, used oils) to curb the use of fossil fuels. In 2009, fuel waste materials accounted for close to 12% 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 markets (where they are more abundant) and emerging markets (where they are at an early stage of development). 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 170 years. This expertise has been formally documented and is passed on via our 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: residential, non residential construction and infrastructure projects.

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. Construction of a new dry process cement line producing 1 million tonnes annually represents a significant amount of investment, depending on the location.

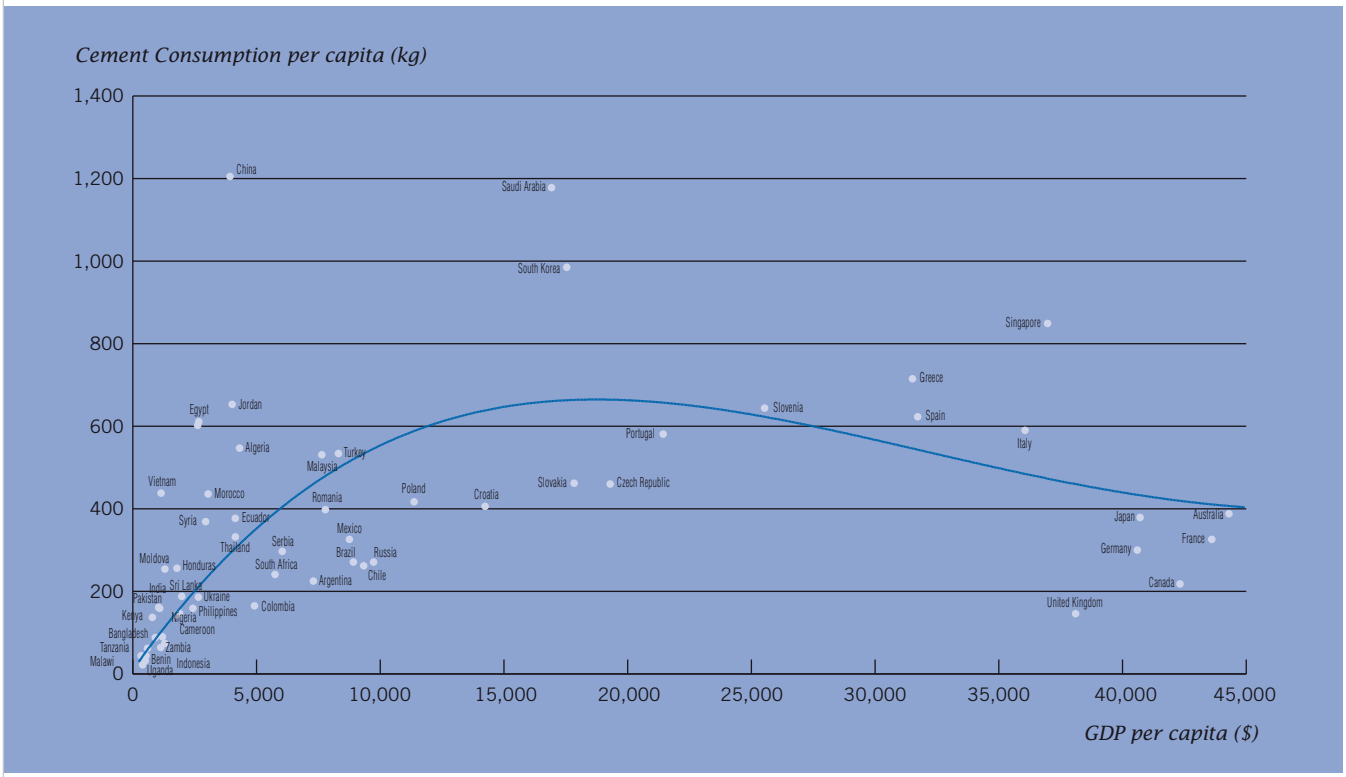
The cement industry is highly competitive in our major markets. Some countries or regions are more exposed during certain periods than others owing to factors such as the strength of demand, market access and raw materials reserves.

CEMENT MARKETS

Emerging markets (notably China, India, Latin America, Central and Eastern Europe, Middle East and Africa) represent 77% 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.

The cement demand in a country is generally driven by the growth in per capita income. Demographic growth, industrialization and urbanization progress tend to trigger a rapid growth in housing and infrastructure needs, leading to increased cement consumption.

CEMENT CONSUMPTION PER CAPITA IN 2009



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

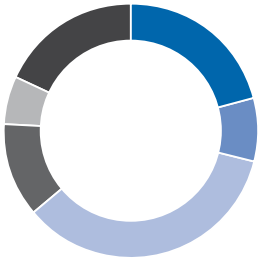
The reliability of a producer's deliveries and the quality of our cement and our support services are also factors influencing a cement producer's competitiveness. Accordingly, the Group strives to deliver consistent cement quality over time, to maintain a high standard and quality of support service 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 2009 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, 2009.

SALES BY DESTINATION 2009



	%
Western Europe	21
Central Europe	8
Middle East & Africa	35
North America	12
Latin America	6
Asia	18
TOTAL BY DESTINATION	**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, volume sold are reported on a stand alone basis before elimination of intra-group sales..

Our approximate market share has been calculated per country based on information contained in the Construction & Building Materials Sector report published by JP Morgan in September 2009 (the "JP Morgan Report")and internal estimates.

Comparable information for the year 2008 is available in the Annual Report 2008.

WESTERN EUROPE (21% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF CEMENT PLANTS	NUMBER OF GRINDING PLANTS	CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
			(million tonnes)	*(%)*
France	10	4	9.5	34
United Kingdom	6	-	5.9	40
Greece	3	-	9.8	50
Spain	3	3	7.3	10
Germany	3	-	3.4	10
Austria	2	-	2.0	32

In 2009, all the countries of the region registered double-digit volume declines, reflecting depressed markets caused by the economic crisis. The region as a whole consumed close to 163 million tonnes of cement in 2009, according to the JP Morgan Report. We sold 22.6 million tonnes of cement in Western Europe in 2009, 32.0 million tonnes in 2008 and 34.3 million tonnes in 2007.

NORTH AMERICA (12% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
	CEMENT PLANTS	GRINDING PLANTS	*(million tonnes)*	*(%)*
United States	12	3	14.8	13
Canada	7	2	6.4	33

The continuing softness in the North American markets led to declines in volumes, both in the United States and in Canada. The progressive improvement of the economic situation, related to the governments' stimulus packages and their eventual impacts on infrastructure spendings, could have a positive impact on our markets from the second half of 2010.

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 83 million tonnes of cement in 2009, according to the JP Morgan Report. We sold 12.7 million tonnes of cement in North America in 2009, 17.2 million tonnes in 2008 and 19.3 million tonnes in 2007.

CENTRAL AND EASTERN EUROPE (8% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF		CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
	CEMENT PLANTS	GRINDING PLANTS	*(million tonnes)*	*(%)*
Poland	2	-	4.8	20
Romania	2	1	4.9	31
Russia	2	-	4.1	7
Moldavia	1	-	1.4	62
Ukraine	1	-	1.3	12
Serbia	1	-	2.0	45
Slovenia	1	-	0.6	38
Czech Republic	1	-	1.2	9

After two record growth years, Central and Eastern Europe has been severely impacted in 2009 by the residential market contraction due to the economic crisis. The region as a whole consumed 96 million tonnes of cement in 2009, according to the JP Morgan Report. We sold 11.9 million tonnes of cement in Central and Eastern Europe in 2009, 16.2 million tonnes in 2008 and 15.5 million tonnes in 2007.

MIDDLE EAST AND AFRICA (35% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF CEMENT PLANTS	NUMBER OF GRINDING PLANTS	CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
			(million tonnes)	*(%)*
Morocco	3	1	6.8	43
Nigeria	3	-	3.5	32
Algeria	2	-	8.6	36
Iraq	2	-	4.8	21
Jordan	2	-	4.8	94
Zambia	2	-	1.3	75
Egypt	1	-	10.0	20
United Arab Emirates	1	-	3.0	6
South Africa	1	2	3.6	17
Tanzania	1	-	0.3	22
Kenya	1	1	2.0	48
Uganda	1	-	0.4	62
Cameroon	1	1	1.7	92
Benin	1	-	0.7	37
Malawi	-	1	0.2	76

In this region, which consumed close to 350 million tonnes of cement in 2009 (according to the JP Morgan Report), we have sold 44.1 million tonnes of cement in 2009 compared to 42.4 million tonnes in 2008 and 24.0 million tonnes in 2007. Sustained demographic growth and significant needs for housing and infrastructures support the strong potential of this region.

In Morocco, the Group develops its cement business through a joint-venture with *Société Nationale d'Investissement*.

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

In 2009, we sold our cement operations in Turkey.

See Section 3.2.2 (Significant recent divestitures) for more information.

LATIN AMERICA (6% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF CEMENT PLANTS	NUMBER OF GRINDING PLANTS	CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
			(million tonnes)	*(%)*
Brazil	4	1	4.0	7
Mexico	2	-	0.8	NS
Ecuador	1	-	1.4	20
Honduras	1	1	1.3	55
French West Indies/Guyana	-	3	1.0	100

Latin America as a whole consumed 135 million tonnes of cement in 2009, according to the JP Morgan Report. We sold 7.6 million tonnes of cement in Latin America in 2009, 8.6 million tonnes in 2008 and 8.5 million tonnes in 2007.

In 2009, we sold our cement operations in Chile and Venezuela.

See Section 2.1.1 (Risks related to our business - Risks related to our worldwide presence) and Section 3.2.2 (Significant recent divestitures) for more information.

ASIA (18% OF THE DIVISION'S 2009 SALES)

COUNTRIES	NUMBER OF CEMENT PLANTS	NUMBER OF GRINDING PLANTS	CEMENT PRODUCTION CAPACITY	APPROXIMATE MARKET SHARE
			(million tonnes)	*(%)*
China	18	10	24.3	6 – 22[2]
Philippines	6	1	6.5	33
Malaysia	3	1	12.5	37
South Korea	2	1	9.6	13
India	2	2	6.5	24[3]
Pakistan	1	-	2.1	6
Indonesia	1	-	0.0[1]	4
Bangladesh	-	1	0.5	1
Vietnam	1	-	1.6	15

(1) The Banda Aceh plant in Indonesia was severely damaged during the 2004 tsunami and is under reconstruction.
(2) Depending on regions.
(3) 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 2,000 million tonnes of cement in 2009, according to the JP Morgan Report. We sold 42.3 million tonnes of cement in the region in 2009, 38.3 million tonnes in 2008 and 34.8 million tonnes in 2007.

In China, the Group operates a joint venture with Hong Kong based company Shui On. This joint venture is currently the market leader in southwest China (Sichuan, Chongqinq, Guizhou and Yunnan) and also operates in Beijing.

Our cement business in Bangladesh is held through a joint-venture with Cementos Molins. *See Note 34 of our consolidated financial statements.*

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.

CEMENT TRADING ACTIVITIES

The Group also manages worldwide cement trading activities, which help 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 subsidiary. In addition, our Marine Cement subsidiary acts mainly as an importer and distributor of cement in the Indian Ocean and the Red Sea countries.

Aggregates & Concrete

Aggregates and concrete, like cement, are key components of the building industry. Based on internal and external analyses, in 2009 Lafarge is the second world producer of aggregates and the third world producer of ready-mix concrete. At December 31, 2009, we have production facilities and sales offices in 36 countries. In the year ended December 31, 2009, our consolidated businesses operated 597 aggregates quarries, which sold approximately 196 million tonnes of aggregates, and 1,176 concrete plants, which sold approximately 37 million m^3 of concrete. We also produce asphalt and pre-cast concrete products and provide road contracting and surfacing services.

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.

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 3.9 (Innovation, Research & Development) for more information on the R&D in the Group.

CONCRETE

Concrete is a mixes 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. In association with a leading partner, Bouygues Construction, we have launched in 2009 a new generation of concrete to boost buildings' energy performance: the Thermedia® range. We believe our strong research and development program gives us a distinct advantage over our competitors.

See Section 3.9 (Innovation, Research & Development) for more information on the R&D in the Group.

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, 2009, we estimate that we had in excess of 40 years of permitted reserves at current levels of production. We control significant additional aggregates deposits, for which we have either not yet received or requested extraction permits.

CONCRETE

Ready mixed concrete is produced by mixing aggregates, cement, chemical admixtures and water in varying proportions at concrete production plants and placing the resulting mixture in concrete trucks where it is usually mixed further and delivered to our customers. We obtain most of our concrete raw materials (e.g. cement and aggregates) from internal sources. Concrete with equipment for combining raw materials in desired ratios, checking the quality of the product obtained, 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 mixes 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 PIPES, 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 usualy 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, asphalt producers, road contractors 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. 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 Martin Marietta Materials and Vulcan 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 land 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.

An essential element of our strategy is innovation. 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®, Extensia® and the new Thermedia® range. 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. Shipping aggregates over long distances is costly, and 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.

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, because 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.

PORTFOLIO MANAGEMENT

In line with the Group's strategic priorities, we continue our growth in emerging markets: with the acquisition of L&T Concrete in October 2008, we become the leader In the Indian ready mix concrete market. Main divestments done in 2009 are mainly made in matured market: Canada (Asphalt and Paving, Pre-cast, Concrete Products), Chile (Ready-Mix and Aggregates), Italy (Ready-Mix) and Switzerland (Aggregates).

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, 2009 and the volume of aggregates and concrete our consolidated operations sold in 2009.

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	CONCRETE
			(million tonnes)	*(million m³)*
WESTERN EUROPE				
France	138	269	38.7	7.0
United Kingdom	52	119	12.8	1.6
Spain	15	125	7.1	2.9
Greece	10	23	3.5	1.0
Portugal	4	30	2.1	1.1
Other	1	17	1.3	0.5
NORTH AMERICA				
Canada	233	136	48.8	3.8
United States	70	115	45.0	2.9
CENTRAL & EASTERN EUROPE				
Poland	14	23	8.0	0.5
Romania	13	14	2.0	0.4
Ukraine	3	-	0.4	-
MIDDLE EAST & AFRICA				
South Africa	23	53	7.4	1.6
Egypt	5	21	2.9	1.6
Algeria	3	6	0.6	0.5
Qatar	1	16	2.0	1.0
Oman	-	11	-	0.3
Saudi Arabia	-	3	-	0.2
United Arab Emirates	-	3	-	0.3
Jordan	-	8	-	0.6
OTHER				
Brazil	3	41	2.3	0.8
Malaysia/Singapore	4	34	2.0	1.4
India	-	68	0.1	3.4
Others	5	41	9.0	3.8
TOTAL	**597**	**1,176**	**196.0**	**37.2**

In 2009, our asphalt operations produced and sold a total of 4.7 million tonnes in the United States, Canada and the United Kingdom.

Gypsum

Gypsum wallboard (also known as "plasterboard") 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), medical plasters, and self-leveling floor-screeds.

We believe that we are among the four largest manufacturers of gypsum wallboard worldwide. At the end of 2009, we had production facilities in 30 countries. Our consolidated businesses operated 41 wallboard plants (with an annual production capacity of over 1 billion m²) and 36 other plants which produced primarily plaster, plaster blocks, joint compounds or metal studs as well as 3 wallboard paper plants.

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. 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 which considerably facilitates the work of installers in many areas leading to high quality applications in 2008, we launched an exclusive and very high performance wet area board (WAB) which had an outstanding success in 2009 with distributors and installers. Many countries will launch this exclusive product in 2010.

In 2009, almost 15% of our sales were from new products.

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 one third of our Gypsum Division sales in 2009.

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 2009, our consolidated businesses operate and own 21 gypsum quarries worldwide, including 15 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 20% and 15% respectively, of our wallboard production costs. We produce about half of our wallboard paper requirements at our own mills in France and Sweden and at one mill in the United States operated through a joint venture. All of our paper production is based on recycled waste paper.

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.

Markets

DESCRIPTION OF MARKETS AND OF OUR POSITION IN THESE MARKETS

We believe we share approximately 75% 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 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 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 2009 Gypsum Division sales in euros.

SALES BY DESTINATION 2009

	%
Western Europe	50
North America	15
Asia	11
Other	24
TOTAL	**100**

Western Europe

Western Europe is the world's third largest regional wallboard market. The technical performance of products and systems plays a critical role in this market. The region as a whole consumed over one billion m² of wallboard in 2008, based on our estimates. We sold over 250 million m² of wallboard in Western Europe in 2009. Additionaly, we have a minority interest in a wallboard plant and three plaster plants in Spain.

In 2007, we started operating a new wallboard plant in the United Kingdom. Since end-2008, our wallboard plant in Lübbenau, Germany has been mothballed. In 2009, we closed our Frampton (UK) facility and a new metal studs facility was opened in Cavaillon (France).

North America

North America is the world's largest regional wallboard market. The region as a whole consumed close to 2.6 billion m² of wallboard in 2008, based on our estimates. We sold over 150 million m² of wallboard in North America in 2009.

In 2007, we expanded the capacity of our wallboard plant in Silver Grove, Kentucky. In July 2007, we closed our wallboard plant in Cornerbrook, Canada. In July 2008, we mothballed our wallboard plant in Newark, New Jersey. At the beginning of 2009, we opened a new compounds facility at Silver Grove.

Asia

In Asia, the world's second largest regional wallboard market, 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, two in Indonesia, one in Vietnam and one in India. It also has several plaster and metal stud plants in these countries. In 2007, the capacity of the joint-venture's Dangjin plant in South Korea was doubled. The joint venture completed the construction of a wallboard plant in Rajasthan (India) which began production early 2008. In 2008, the joint venture built a new wallboard plant in Central Western China and closed one of its two plants in Chongqing. In 2009, the joint venture purchased a new metal studs facilities in Huaxi (China). Early in 2010, the joint venture will start a new wallboard plant in Shanghai, a new metal studs facility will be opened in Saraburi (Thailand) and a new wallboard line will double the capacity of Saraburi. The ceiling tiles capacity will be doubled in South Korea. Also, a new metal stud facility will start in the Philippines, and Vietnam's metal studs capacity will be doubled.

Other countries

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 plasterboard plant 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 in 2007, complementing its existing manufacturing line for gypsum components.

In Algeria, Lafarge built a plaster plant in 2007.

In Saudi Arabia, together with local players, Lafarge built a new plaster plant that became operational in 2007.

In Morocco, we operate a plaster plant.

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 three wallboard plants (Argentina, Brazil and Chile) and two plaster plants (Brazil and Chile). A new wallboard plant in Colombia started its operations in 2009. 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.

Our wallboard and related products sales in emerging markets, including Asia and excluding Australia, are over 350 million euros in 2009. These sales accounted for approximately 30% of our total wallboard and related product sales.

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 1,000 subsidiaries, out of which 82% are consolidated. 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 78 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, 2009, Lafarge S.A. held approximately 79% of the Group's debt excluding put options on shares of subsidiaries. Lafarge S.A. is subject to a quotation by Standard & 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. As an example, 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, Atlanta, 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 Health and Safety

From a safety perspective, Lafarge has one very clear goal: reach zero accidents and rank among the safest companies in the world.

Our objective is to have a low total injury frequency rate over the long term across all our units, with contractors working to the same standards as employees, leading to a low level of occupational health incidents. Ultimately, we want to be recognized by NGOs and the business community as a world leader in safety.

Since late 2005, Lafarge has greatly improved its safety performance, with over half its business units not having recorded any employee LTIs (Lost Time Injury) for over a year.

EMPLOYEE LOST TIME INJURY FREQUENCY RATE (GROUP)

** Incidents with lost time of more than one day per million hours of work.*

This improvement was achieved by having management teams at all levels focus on safety and implement clear worldwide standards and advisories throughout the Group.

We still have one area of concern, which is the level of fatalities, and cannot be satisfied until we have eliminated all such incidents. During 2009, the Group recorded 31 fatalities in our industrial areas and during the transport of our products (employees & contractors), representing a 20% decrease on 2008.

To bring about lasting change and to make sure that we can track our improvements, a Health and Safety Management System (HSMS) is being developed and will be implemented in 2010. This HSMS will have an internal audit process and will drive continuous improvement in health and safety.

Senior management has emphasized the fact that safety is a top priority for the Group. All Lafarge managers, including the Group Executive Committee, have approximately 30% of their personal bonus linked to health and safety objectives.

The Group also has made several clear commitments to improving health by: 1) establishing a comprehensive Group-wide occupational health program by 2010, including a minimum regular medical examination, and 2) extending to other developing countries the best practices in HIV/AIDS and malaria we have already implemented in Africa.

Lafarge has developed a health strategy supporting its goal of providing a healthy work environment and preventing occupational illness.

Our approach is to consider not only the effects of work on health but also the effects of health on work. This holistic approach is illustrated by our health strategy predicated on the three pillars of Prevention, Reintegration and Promotion.

We are making progress towards meeting our commitments and 1) a protocol for health assessment has been developed for implementation across the Group to ensure that all employees have a standardized approach to risk-based medicals. This protocol will ensure that the appropriate occupational and public health risks are identified and managed, 2) a health survey is currently being conducted to identify BUs at which the health assessment process needs to be improved in order to meet our targets, and 3) some BUs have been identified as targets and Lafarge will extend its HIV prevention program to them. We are in the process of identifying local partners to ensure the effectiveness and sustainability of our public health initiatives.

Main key factors identified by the Group to achieve its health and safety goals are the strong and continued commitment of all employees, including management, as well as implementation and compliance with related Group' standards and policies.

HEALTH AND SAFETY INFORMATION

HEALTH & SAFETY	2009	2008	2007
Number of lost-time injuries among Lafarge employees	142	234	247
Number of lost-time injuries among contractors' employees	119	173	231
Lafarge employee fatalities on site	6	2	7
Lafarge employee fatalities - transport	1	3	2
Contractor employee fatalities on site	14	21	14
Contractor employee fatalities - transport	11	14	3
Lafarge employee fatality rate (number of fatal accidents per 10,000 employees)	0.90	0.60	1.30

Additionnally, the Group releases every year a sustainable development report.

3.6 Environment

Risks and compliance

Our operations involve the use, release, discharge, disposal, and clean up of substances which are subject to regulations. The extraction of minerals is ruled by national regulation both for land use and for rehabilitation of quarries. Laws and regulations impose standards for environmental protection which are increasingly stringent. These regulations can expose our activities to potential risk of liabilities; they also constitute a strategic factor of our competitiveness as they allow us to secure the long term reserves of our operations. We progressively develop internal standards on environmental issues then we ask our subsidiaries to apply them. We observe changes in regulatory constraints in all countries, the challenge is to be prepared to implement them in due time. Group standard implementation contributes to mitigate our exposure to environmental requirements.

For instance, since 2008, our European operations have started to implement the REACH (Registration, Evaluation and Authorisation of Chemicals) regulation, with the pre-registration of substances. It will be fully implemented at December 1, 2010.

We develop a unified and consistent reporting system in each Division, in order to measure and control our environmental performances, with a particular focus on compliance to laws and regulations. Each Division has fixed objectives on key indicators, in a continuous improvement process.

Multi-annual programs: Sustainability Ambitions 2012

In May 2007, the Group announced a series of targets in the fields of management, social and environmental performance. These objectives cover a period of several years and many of them are verified by our external auditors. The targets deal mainly with industrial emissions, CO_2, biodiversity and quarries.

The Sustainability Ambitions 2012 concentrate on our main sustainability issues and were developed by taking into account the priorities of our stakeholders and of the Lafarge Stakeholder Panel, which meets three times a year, including a full day meeting with the Group's CEO and the Group Executive Committee members.

The main Sustainability Ambitions 2012 in terms of environment are as follows:

Stack emissions

Within the framework of our Ambitions 2012, the Cement Division has developed, since 2005 a voluntary effort to reduce the global emissions of cement production. In particular, the quantities of dust, sulphur dioxyde and nitrogen dioxyde have been reduced respectively by 29.3%, 44.9% and 22.2% by tons of clinker produced. This is a result of the permanent efforts to invest in state-of-the-art technologies both in existing plants as well as in new production lines.

Energy and climate change

In 2003, the European Union adopted a Directive implementing the Kyoto protocol on climate change. This Directive established a greenhouse 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 greenhouse gas allowances. Industrial operators who keep their greenhouse gas emissions below the level of allowances they were granted can sell their excess allowances to operators who have emitted more greenhouse gas than initially allocated to their facilities. Another provision (Clean Development Mechanism) 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) for the period 2008-2012, 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 implanted 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 greenhouse gas per year.

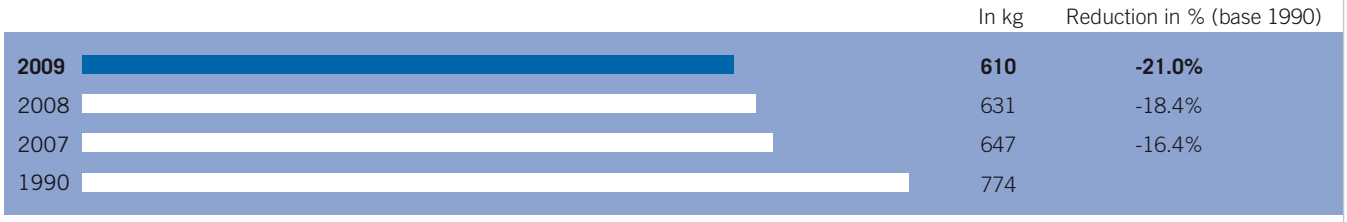
At the end of 2009, Lafarge had an excess (around 36% of the total allocated quotas) that was sold to the greenhouse gas market. This excess results from a lower level of demand in our European markets in 2009 and from the continuous performance improvement of our industrial processes.

Early 2008, the EU Commission published a proposal amending the Directive with regard to the framework for greenhouse gas allowances for the 2013-2020 period. The revised Directive, adopted in 2009, will ensure that EU industry reduces its emissions by 21% by 2020 compared to 2005. The text 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 non-European actors. This Directive enables allowances to be allocated for free to the activities meeting these criteria under a mechanism to be specified and which includes among others a benchmarking adjustment: the cement sector is on the list of sectors deemed to be exposed to the carbon leakage risk that was adopted at the end of 2009. The level of allowances, the value of benchmark used in the allocation calculation mechanism, the auctioning rules and regulation were partly discussed in 2009 between the European Commission and the industrial activities concerned and will be decided upon in the course of 2010. Lafarge, directly and with Cembureau (The European Cement Association), actively contributes to these discussions.

Outside Europe, in the context of the UN negotiations on a post-Kyoto agreement, many national carbon mitigation initiatives are under development that may impact Lafarge activities in the coming years (carbon cap & trade markets in Canada, United States, South Korea, Japan, carbon tax in France, etc.). The Group is organised to follow up and contribute to the development of these new regulations. Within the framework of the Cement Sustainability Initiative (CSI) which now has 23 members, a sectoral approach has been developed and presented to experts, *think tanks*, industrial organisations and governments. This sectoral approach would be part of an international climate agreement and would allow the cement industry to reduce its greenhouse gas emissions.

Moreover, regarding our WWF voluntary commitment to cut by 20% our global greenhouse gas emissions per tonne of cement produced between 1990 and 2010, the target was reached in 2009, one year ahead of schedule. Between 1990 and 2009, we have reduced our greenhouse gas net emissions per tonne of cement by 21%.

CO_2 NET EMISSIONS PER TONNE OF CEMENT



Biodiversity

Since the early days of its worldwide partnership with WWF, Lafarge has formalised and implemented a biodiversity management system which includes an evaluation of the sensitivity of the areas we work in and proposes best practices and guidelines to develop a concerted biodiversity management program on quarries located near vulnerable habitats. The framework and progress is regularly monitored with the help of the international advisory panel on biodiversity created in 2007, which includes experts and personalities representing the conservation community, from both the world of science and NGOs. In 2009, the Group has brought together the key aspects of its relationship with biodiversity to develop a strategy of enhancing biodiversity whenever it is possible. This commitment was made feasible by the strong commitment from the Group's employees who are concerned about managing habitats and species at quarries.

LAFARGE QUARRIES ACCORDING TO THE ECOLOGICAL SENSITIVITY OF THE ENVIRONMENT

Checklist	
Sites having been checked for the value of their natural environment	626
Protected areas or protected species	
Quarries which operate within a protected area or where a redlisted species has been identified	23%
Quarries close to or within areas of high biodivesity value or even protected	51%
Opportunities and partnerships	
Active quarries having undertaken ecological surveys	23%
Quarries engaged in formalised partnerships with NGOs for nature conservation	14%

Stakeholder relationship management

For many years, Lafarge has recognised that its operations have a role to play in the communities where the Group is based, and has developed a framework to support BU and local site engagement with its stakeholders. This approach was originally focused on cement plants, but in 2008, pilot sessions were undertaken to allow the process to be formally deployed across all Lafarge operations – even when the sites are small. As well as making methodologies, tools and best practices widely available, there is a dedicated team on this topic who deliver action-orientated workshops to BU teams. Key Performance Indicators (KPIs) are in place to measure progress.

Natural resources saving and quarry reserves

Access to resources is the key to the sustainability of our operations and their profitability. In 2009 Lafarge launched a systematic review of its mining plans so as to take into account potential optimisation of deposits to increase the life of its aggregates quarries.

The Aggregates & Concrete Division takes part in demolition waste recycling in several countries across its operations. A strategic review of this activity has been launched and will be carried out in 2010.

Water management

WWF International strongly encouraged us to integrate our water management and measurement according to the «water footprint» concept, which enables us to assess the challenges for our industrial sites according to the local freshwater availability.

In 2009 we launch a detailed study in our three activities (Cement, Aggregates & Concrete and Gypsum). We have now selected pilot sites, located in areas of water scarcity, in order to identify and implement good practices to reduce water footprint and connect with local communities.

Partnerships and industry leadership

During the last 10 years Lafarge has put a lot of effort into improving the participation of external stakeholders in its management of operations. The 2000 partnership with WWF International was renewed in March 2009. Global NGO/Business partnerships usually have 3 dimensions: working together on major sustainability issues, proposing publicly proclaimed targets to progress on key topics and communicating together on these issues. A new openly communicated aspect of these partnerships is the commitment to help push the whole industry to consider progress. The renewal of this partnership in 2009 was based on two main aims. The first was to choose the topics we wanted to work on: climate change, water, biodiversity, persistent pollutants, sustainable construction and communication. The second was to agree on targets and action plans to reach them.

Another major public involvement of the Group is its co-chairmanship of the Cement Sustainability Initiative of the WBCSD (World Business Council for Sustainable Development), which develops industry standards and best management practices. Another initiative called “Energy Efficiency in Buildings”, is jointly chaired by Lafarge and United Technologies and aims at promoting zero net energy consumption in buildings.

Additionnally, the Group releases every year a sustainable development report.

3.7 Social information

Headcount

The Group had 77,994 employees at the end of 2009, which represents, like for like, a reduction of 3,938 employees compared to December 2008. This reduction mainly reflects the economic downturn in North America and in Western and Central and Eastern Europe.

Divestments of our Cement and Aggregates & Concrete activities in Chile and Turkey, and part of Asphalt & Paving and pre-con activities in North America settled in 2009 resulted in a headcount reduction (3,970 employees).

Following the change of the consolidation method for our Aggregates & Concrete operations in Qatar, Oman, Saudi Arabia and the United Arab Emirate, 2,464 employees are included in Group headcount for 2009.

The following tables set forth our headcount by Division and by region at December 31, 2009, 2008 and 2007.

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

EMPLOYEES BY DIVISION - EMPLOYEES BY GEOGRAPHICAL AREA

EMPLOYEES BY DIVISION

	2009			2008			2007	
ACTIVITIES	HEADCOUNT	%	09 VS 08 %	HEADCOUNT	%	08 VS 07 %	HEADCOUNT	%
CEMENT	46,468	59.6	(6.5)	49,673	59.5	9.2	45,481	58.5
AGGREGATES & CONCRETE	23,552	30.2	(8.1)	25,633	30.7	6.1	24,167	31.1
GYPSUM	7,974	10.2	(1.9)	8,132	9.7	0.7	8,073	10.4
TOTAL	**77,994**	**100.0**	**(6.5)**	**83,438**	**100.0**	**7.4**	**77,721**	**100.0**

EMPLOYEES BY GEOGRAPHICAL AREA

	2009			2008			2007	
GEOGRAPHICAL AREA	HEADCOUNT	%	09 VS 08 %	HEADCOUNT	%	08 VS 07 %	HEADCOUNT	%
Asia	20,655	26.5	(1.0)	20,855	25.0	6.0	19,679	25.3
Africa and Middle East	19,695	25.3	12.3	17,545	21.0	58.28	11,085	14.3
Western Europe	16,410	21.0	(8.4)	17,918	21.5	-1.1	18,124	23.3
North America	10,883	14.0	(23.1)	14,161	17.0	-8.1	15,417	19.8
Central & Eastern Europe	7,740	9.9	(9.9)	8,595	10.3	0.3	8,569	11.0
Latin America	2,610	3.3	(40.2)	4,364	5.2	-10.0	4,847	6.3
TOTAL	**77,994**	**100.0**	**(6.5)**	**83,438**	**100.0**	**7.4**	**77,721**	**100.0**

Group Employment Policy

The Group Employment Policy is guided by three core principles: the need to structure businesses for efficiency and excellence, the importance of finding solutions to restructuring problems and solidarity with employees, who should not be left alone to deal with employment issues.

Participation in the Group's performance

Employees are associated with the Group's performance both through our employee ownership policy and our performance shares and stock options grant policy, as well as through the various profit-sharing mechanisms which exist in countries where we operate, such as incentive and profit-sharing schemes in France.

See Section 5.6 (Share ownership) for more information on employee share plans and Section 5.5 (Stock options and performance share plans) for the description of our stock options and performance shares grant policy.

Working with Unions

The emphasis on Social dialogue within Lafarge is believed to be fundamental at all levels. In 2008, 65% of Group employees were represented by elected representatives or unions. At the end of 2009 the figure stands at 67%.

The European Works Council meets at least 7 times a year in various workshops and the plenary Meeting. When faced with reorganizations in the Aggregates & Concrete Division, a Sub-Group Committee was set up in France to pursue local social dialogue. Meanwhile, in Lafarge Cement UK, the "Way Ahead" Agreement implemented with social partners ensured the flow of critical information.

Diversity

Diversity is a key concern for the Group. A diversity roadmap is being closely monitored by the Group Executive Committee.

Social data

	2009	2008	2007
Employment			
Percentage of full-time	98.7%	98.5%	98%
Percentage of part-time	1.3%	1.6%	2%
Percentage of permanent employees	91%	91%	91%
Percentage of fixed-term contracts	4%	2%	3%
Percentage of temporary employees	5%	7%	6%
Number of hirings	5 385	8 481	5 535
Number of resignations	2 813	4 148	4 430
Number of retirements	947	958	879
Number of redundancies	5 625	5 009	4 846
Number of deaths	119	143	175
Diversity			
Percentage of employees under the age of 30	15.7%	18.7%	NA
Percentage of employees between 30 and 50	64.2%	60.5%	NA
Percentage of employees above 50	20.1%	20.8%	NA
Training			
Average number of hours of training for manager staff	63	44	41
Average number of hours of training for non manager staff	25	29	25
People development			
Percentage of manager staff having an annual performance review	93%	96%	90%
Percentage of non manager staff having an annual performance review	70%	55%	57%
Industrial relations			
Percentage of Lafarge employees represented by elected staff representatives and/or trade union organizations	67%	65%	67%
Percentage of business units where employees are covered by collective agreements	72.5%	76%	78%
Number of business units with strike actions	11	7	8
Percentage of total workforce represented in Health & Safety committees	96%	92%	73%

NA: not available

Additionnally, the Group releases every year a sustainable development report.

3.8 Intellectual Property

Lafarge has a substantial portfolio of Intellectual Property rights including patents, trademarks, domain names and registered designs, 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 increased during 2009, with new civil and criminal actions launched against local counterfeiters in respect of cement and gypsum products. Protection of the company signature "Bringing Materials to Life™" as a trademark, was continued during 2009, in particular protection has been extended to include Central and Eastern European countries including Serbia, Russia and Ukraine as well as the submission of signature of the Arabic version of the new signature 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 Aggregates and concrete Division with the launch of Thermedia®, MEGA SERIES® and ENVIROAD® products.

The use of, and access to, Lafarge's Intellectual Property rights are governed by the terms of industrial franchise agreements. The industrial franchise agreements, granted by Lafarge S.A. to its subsidiaries, provide for a series of licenses, permitting the use of the intangible assets developed by the Group (such as know-how, trademark, trade name, patents and best practices). The agreements continue to be implemented, where appropriate, for existing and new business units and for joint ventures, in particular in the major middle Eastern countries.

The Lafarge patent portfolio continues to grow considerably, with a further increase in the submission of patent applications, during 2009, arising notably from the Group research, thereby reflecting Lafarge's comitment to innovation; in particular, the patent portfolio relating to the cement, aggregates and concrete businesses has grown steadily in the last five years as presented in the figuchartow.

TOTAL NUMBER OF PATIENT

3.9 Innovation, Research and Development (R&D)

Innovation is one of the Group' strategic priorities. The Group's R&D activities focus on three main objectives: research for new products offering value-added solutions to our customers, developing our product ranges to respect our commitments in terms of sustainable construction, and implementing processes and products reducing emissions of CO_2.

In 2009, the overall Group spendings for product innovation and industrial process improvement was 152 million euros, compared to 160 million euros in 2008 and 141 million euros in 2007.

High level research teams

The Group's R&D investments are mainly based at the Lafarge Research Center (LCR), located near Lyon in France. Today, this research center is made up of approximately 240 talented men and women: engineers and technicians, (approximately 70 have a PhD degree) who come from various scientific and international backgrounds. LCR is an acknowledged leader and continues to attract researchers from all over the world.

LCR's research activity is organized in a strict project management system.

In terms of scientific skills, 2009 was the year when operational teams were set up in the fields of building energy and material durability. The team working on the cement process was strengthened, providing complementary skills in the field of numerical simulations of industrial processes.

2009 was also the year when LCR's expertise and scientific management team was reinforced, notably in view of developing our collaborations.

The international scope of our R&D was further reinforced by the launch of certain research programs looking at the subject of reducing construction costs in emerging countries.

After MIT in 2007 and Berkeley in 2008, the Lafarge Chair took its 2009 students in its Master program to Georgia Tech, thus confirming the interest of foreign universities in a doctorate program, which, for the time being, does not exist elsewhere.

Well-established innovation dynamics

Members of the Group's Executive Committee come to LCR regularly to air their expectations and challenge LCR's researchers in terms of "the field of possibilities and the results" obtained within the research project programs undertaken and financed by the Divisions.

LCR's 2nd Innovation prize rewarded more than a dozen researchers at the beginning of the year. This dynamism is now sustained by the impetus of a Creativity team, made up of volunteer engineers and technicians. They have the "green light" to stimulate the emergence of new ideas.

Innovating research axes

As our commitment to researching sustainable construction increased in 2009, so did the budget developed to it, now significantly more than 50%.

Our research work for the Divisions in 2009 was directed as follows:

Cement

We pursued our programs aiming at differentiating our products for certain segments of construction clientele. Priority was given to the pre-cast segment as well as that of cement in bags for masonry.

A major priority for the Cement research program remains the development of knowledge on product formulations that substantially reduce the CO_2 footprint in cement applications.

Amid the challenging economic conditions currently prevailing, cutting production costs and raising operational performance represent major priorities for the Cement Division more than ever before. To this end, the Division is backed up by a network of four Technical Centers providing plants with the permanent support of their high-caliber experts in all the key areas of the cement industry, i.e. Safety, Environment, Geology, Processes, Products and Equipment.

Aside from providing strong support to operations with the deployment of a genuinely safety-oriented culture and a reduction in the environmental footprint of our plants, the technical centers notably oversee the rapid deployment of the performance programs launched by the Division, such as Excellence 2010. By focusing on the principal levers of industrial performance, including reducing consumption of power and heat, increasing the use of low-quality and alternative fuels and cement additives, and cutting fixed costs, this program focuses the Cement Division's attention on objectives that will pave the way for cost reductions in the short to medium term.

Likewise, the continuous improvement programs to enhance the reliability of plants, the installation of automatic control systems for kilns and grinding plants, assistance with the development of new products and the industrialization of the R&D's results also form part of the technical centers' role.

They are also responsible for integrating the recently built plants and newly acquired units, which can thus adopt the Group's standard practices and rapidly deliver high performance.

Generally speaking, the technical centers continuously analyze and benchmark the results of the plants and are able to respond very rapidly to the slightest dip in performance, sending in their experts promptly in the event of a serious incident in order to analyze and resolve the corresponding problems. Lastly, the technical centers are responsible for capitalizing, sharing and implementing best practices and technical standards, which aim to sustain the benefits of the short-term initiatives over time.

Aggregates & Concrete

Research on aggregates was pursued in 2009: product performances were optimized according to their destination and certain by-products were upgraded, thus contributing to the preservation of this natural resource.

The "road" program, launched at the end of 2008 focused its efforts on road material recycling. The aim is to reduce energy production costs and the carbon footprint of bituminous aggregates.

2009 was the culminating year for research on structural insulating concrete and the launching of Thermedia®. Research work on concretes with original thermal characteristics

is being pursued and should broaden this range of products. We also advanced on control of surface aesthetics and on concretes with environmental characteristics such as draining concretes. Research on concrete mixing optimization and controlled concrete rheology was also continued.

World-scale transfers of recent concrete innovations (Extensia® large slabs without joints, Chronolia® the rapid concrete, Agilia® the self-leveling concrete, the Artevia® architectonic concretes) were pursued at a rapid pace thanks to dedicated engineers and technicians and sustained by the equipment in the technological building built in 2007.

Gypsum

LCR's Gypsum specialists worked more particularly on improving fundamental knowledge of water and humidity resistance of gypsum board systems. They also worked on reinforcing our system offer in terms of acoustic comfort and thermal insulation in buildings.

Thanks to the improved performances of our products and systems we can here and now make a contribution to the major stakes of sustainable construction.

We have pursued the development of new finishing coatings to meet local market requirements and also anticipate user expectations in terms of new functionalities. Finally, our research work continues to find ways to continuously improve gypsum production processes, thus respecting our commitments to industrial performance and reduction of the environmental impact in gypsum board production.

3 INFORMATION ON **LAFARGE**

AGGREGATES AND CONCRETE
France. Louis Armand Junior High School built using Agilia®, Marseille.

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4.1 Overview

4.1.1 Summary of our 2009 results

In a challenging year, the Group has successfully completed the action plan designed to strengthen its financial structure announced in February 2009. We have achieved solid cash generation and significant cost savings that lowered debt and supported operating margins.

- Our Free cash flow, at 2,834 million euros, showed a 34% improvement.
- Sales were down 17%, due to lower volumes in Europe and North America, foreign exchange, and the scope impact of operations divested.
- Volume declines slowed in the fourth quarter on a like-for-like basis, despite the impact of adverse weather conditions.
- In emerging markets, current operating income rose on a like-for-like basis, excluding Central & Eastern Europe.
- Our Cement EBITDA margin remained resilient at over 30% for the year.
- We exceeded the action plan to strengthen our financial structure:
  - We achieved cost reduction above commitment, with 230 million euros in structural savings,
  - Capital expenditure was reduced by over 1 billion to 1.6 billion euros,
  - Proceeds from divestments reached 919 million euros,
  - Working capital was reduced by more than 1 billion euros.

4.1.2 Trend information & 2010 perspectives

Emerging markets continue to show strength and Lafarge forecasts that cement volumes in these markets will continue to drive demand in 2010. For developed markets, the Group expects that demand will start to recover slowly during the second half of the year. Overall, the Group expects cement volumes in its markets to increase between 0 and 5% in 2010. Pricing is expected to remain solid for the year in most of our markets.

The Group's efforts to promote cash generation and support margins will continue in 2010 through strict cash control and an additional 200 million euros target of structural cost savings. We will continue to prune our portfolio of assets, and target disposals in the range of 300 to 500 million euros.

Our development program has already added cement capacity in markets providing solid growth potential, enabling Lafarge to capture this growth.

Lafarge's development in emerging markets, its promotion of innovative products, and its focus on cost reduction are strong foundations from which to benefit from the economic recovery and return to earnings growth.

The above trends and targets do not constitute forecasts. They are by nature subject to risks and uncertainties (see Section 2 (Risk factors)). These statements do not reflect future performance of the Company, which may materially differ. The Company does not undertake to provide updates of these statements.

4.1.3 Recent events

The Group sold early February 2010 its 17.28% stake in Cimpor to Votorantim and will receive Brazilian cement assets in exchange. With these assets, Lafarge will become one of Brazil's top three cement operators with 7 million tonnes capacity in a buoyant market averaging 5% annual growth.

Already active in Brazil with four plants and one grinding station, Lafarge will now be able to establish new positions in fast-growing regional markets in the Northeast and Midwest, while reinforcing its presence around Rio de Janeiro, which has bright prospects in preparation for the World Football Cup in 2014 and the Olympic Games in 2016.

Through this transaction, Lafarge was able to unwind its minority stake in Cimpor while strengthening its position in Brazil, where Lafarge now has 1,200 employees and is active in its three divisions: Cement, Aggregates & Concrete and Gypsum.

The Brazilian competition authorities have been notified of the latest phase of the transaction between Lafarge and Votorantim.

See Note 34 to our consolidated financial statements.

See Section 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on free cash flow.

4.2 Accounting policies and definitions

4.2.1 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 and beyond, when there are some indications that an impairment loss may have occurred. 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 last quarter of the year.

For testing purposes, the Group's net assets are allocated to Cash Generating Units ("CGUs") or groups of 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. When it is not possible to allocate goodwill on a non-arbitrary basis to individual CGUs, goodwill can be allocated to a group of CGUs at a level not higher than the business segment.

In our goodwill impairment test, we compare in a first step the carrying value of our CGUs/groups of CGUs with a multiple of their current operating income. For CGUs/groups of CGUs presenting an impairment risk according to the first step approach, we then determine the fair value or the value in use of the related CGUs/groups of CGUs. Fair value is estimated based either on a market multiple or on discounted expected future cash flows over a 10-year period. If the carrying value of the CGUs / group of CGUs exceeds its recoverable amount, defined as 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, 2009 represent 57% and 31%, 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 2009 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, 2009 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 598 million euros.

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.

4.2.2 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.

4.2.3 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.

4.2.4 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 4.5 (Liquidity and capital resources – Level of debt and financial ratios at December 31, 2009) for the value of these ratios in 2009, 2008 and 2007.

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)	2009	2008	2007
Long-term debt	13,712	14,149	8,347
Short-term debt and current portion of long-term debt	2,265	4,472	1,762
Derivative instruments, liabilities – non-current	45	52	26
Derivative instruments, liabilities – current	60	147	36
Cash and cash equivalents	(2,220)	(1,591)	(1,429)
Derivative instruments, assets – non-current	(43)	(122)	(5)
Derivative instruments, assets – current	(24)	(223)	(52)
NET DEBT	**13,795**	**16,884**	**8,685**

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 statement of financial position.

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)	2009	2008	2007
Net operating cash generated by continuing operations	3,206	3,001	2,702
Changes in operating working capital items, excluding financial expenses and income taxes	(1,029)	154	79
CASH FLOW FROM CONTINUING OPERATIONS	**2,177**	**3,155**	**2,781**

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

EBITDA
EBITDA is defined as the current operating income before depreciation and amortization. The EBITDA margin is calculated as the ratio EBITDA on revenue.

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" at the end of the current and prior year. The amount of capital employed at the end of 2007 is not consistent with 2008 due to the acquisition of Orascom Cement on January 23, 2008 *(see section 3.2 – Investments)*. Therefore, we adjusted the amount of capital employed as at December 31, 2007 by including the capital employed of Orascom Cement as at January 23, 2008. 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 2009, return on capital employed after tax is determined using the effective consolidated tax rate of 19.9%. In 2008 and 2007, return on capital employed after tax was determined using a tax rate of respectively 18% (excluding the non deductible impact of impairment of goodwill) and 26.2%.

For 2009, 2008 and 2007, return on capital employed after tax for each Division and the Group was calculated as follows:

2009

(million euros)	CURRENT OPERATING INCOME (A)	CURRENT OPERATING INCOME AFTER TAX (B) = (A) X(1-19.9%)	INCOME FROM ASSOCIATES (C)	CURRENT OPERATING INCOME AFTER TAX WITH INCOME FROM ASSOCIATES (D) = (B)+(C)	CAPITAL EMPLOYED AT DECEMBER 31, 2009 (E)	CAPITAL EMPLOYED AT DECEMBER 31, 2008 (F)	AVERAGE CAPITAL EMPLOYED (G) = ((E)+(F))/2	RETURN ON CAPITAL EMPLOYED AFTER TAX (%) (H) = (D)/(G)
Cement	2,343	1,877	(27)	1,850	24,924	25,547	25,235	7.3
Aggregates & Concrete	193	155	2	157	5,102	5,503	5,303	3.0
Gypsum	38	30	5	35	1,437	1,484	1,461	2.4
Other	(97)	(78)	2	(76)	373	731	552	N/A
TOTAL FOR OPERATIONS	**2,477**	**1,984**	**(18)**	**1,966**	**31,836**	**33,265**	**32,551**	**6.0**

2008

(million euros)	CURRENT OPERATING INCOME (A)	CURRENT OPERATING INCOME AFTER TAX (B) = (A) X(1-18%)	INCOME FROM ASSOCIATES (C)	CURRENT OPERATING INCOME AFTER TAX WITH INCOME FROM ASSOCIATES (D) = (B)+(C)	CAPITAL EMPLOYED AT DECEMBER 31, 2008* (E)	CAPITAL EMPLOYED AT DECEMBER 31, 2007 (F)	AVERAGE CAPITAL EMPLOYED (G) = ((E)+(F))/2	RETURN ON CAPITAL EMPLOYED AFTER TAX (%) (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 OPERATIONS	**3,542**	**2,904**	**(3)**	**2,901**	**33,265**	**33,048**	**33,156**	**8.8**

** including opening capital employed in Orascom for 10,968 million euros.*

2007

(million euros)	CURRENT OPERATING INCOME (A)	CURRENT OPERATING INCOME AFTER TAX (B) = (A) X(1-26.2%)	INCOME FROM ASSOCIATES (C)	CURRENT OPERATING INCOME AFTER TAX WITH INCOME FROM ASSOCIATES (D) = (B)+(C)	CAPITAL EMPLOYED AT DECEMBER 31, 2007 (E)	CAPITAL EMPLOYED AT DECEMBER 31, 2006 (F)	AVERAGE CAPITAL EMPLOYED (G) = ((E)+(F))/2	RETURN ON CAPITAL EMPLOYED AFTER TAX (%) (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 OPERATIONS	**3,242**	**2,393**	**0**	**2,393**	**22,082**	**21,390**	**21,736**	**11.0**

4.3 Results of operations for the fiscal years ended December 31, 2009 and 2008

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 decreased by 16.5% to 15,884 million euros from 19,033 million euros in 2008. At constant scope of consolidation and exchange rates, sales dropped by 13.5% for the full year (-11% in the first quarter, -15% in the second quarter, -16% in the third quarter and -11% in the fourth quarter). This net decrease reflected contrasted trends in the year: sustained market growth in most of our emerging markets (excluding Central and Eastern Europe) and a sharp slowdown in mature markets and Central and Eastern Europe.

Net changes in the scope of consolidation had a negative impact on our sales of 321 million euros or -1% (+3% in the first quarter, +1% in the second quarter, -2% in the third quarter and -6% in the fourth quarter). The full consolidation in 2009 of the Orascom operations (vs. eleven months in 2008) positively contributed to sales, but this effect was more than offset by the impact of the divestitures of our joint-venture with Titan in Egypt, our Italian operations and our Chilean operations (respectively in May 2008, December 2008, and August 2009) and by the deconsolidation of our Venezuelan operations since October 2008 (effective disposal end of September 2009). Our Aggregates & Concrete division benefited from the effect of the consolidation of our newly acquired operations in India but was negatively impacted by the disposal of assets mainly located in North America completed in the first half of the year. Currency impacts were also unfavourable, mostly in the second half of the year. This represented a negative impact of -396 million euros (or -2%) on our sales. The negative impact of the depreciation against the euro of the British pound, the Eastern Europe currencies (Polish zloty, Russian ruble, Romanian lei and Ukrainian hryvnia), the Nigerian naira and the Canadian dollar was only partially offset by the appreciation of the US dollar, the Egyptian pound, the Iraqi dinar and the Chinese renminbi.

Contribution to our sales by Division (before elimination of inter-Division sales) for the years ended December 31, 2009 and 2008, and the related percentage changes between the two periods were as follows:

SALES

	2009	VARIATION 2009/2008	2008
	(million euros)	*(%)*	*(million euros)*
Cement	10,105	(13.8)	11,720
Aggregates & Concrete	5,067	(23.0)	6,580
Gypsum	1,355	(12.4)	1,546
Other	9	(69.0)	29
Elimination of inter-Division sales	(652)	(22.6)	(842)
TOTAL	**15,884**	**(16.5)**	**19,033**

Contribution to our consolidated sales by Division (after elimination of inter-Division sales) for the years ended December 31, 2009 and 2008, and the related percentage changes between the two periods were as follows:

SALES

	2009		VARIATION 2009/2008	2008	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Cement	9,477	59.7	(13.1)	10,911	57.3
Aggregates & Concrete	5,064	31.9	(23.0)	6,573	34.5
Gypsum	1,334	8.4	(12.3)	1,521	8.0
Other	9	0.0	(67.9)	28	0.2
TOTAL	**15,884**	**100.0**	**(16.5)**	**19,033**	**100.0**

At constant scope and exchange rates, the changes in sales by Division between the years ended December 31, 2009 and 2008 were as follows:

	2009			2008					VARIATION 2009/2008	
(million euros)	ACTUAL (A)	SCOPE EFFECT OF ACQUISITIONS (B)	ON A COMPARABLE BASIS (C) = (A)-(B)	ACTUAL (D)	SCOPE EFFECT OF DISPOSALS (E)	AT CONSTANT SCOPE (F) = (D)+(E)	CURRENCY FLUCTUATION EFFECTS (G)	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)
Cement	10,105	19	10,086	11,720	(210)	11,510	(295)	11,215	(13.8)	(10.1)
Aggregates & Concrete	5,067	254	4,813	6,580	(410)	6,170	(73)	6,097	(23.0)	(21.1)
Gypsum	1,355	1	1,354	1,546	-	1,546	(37)	1,509	(12.4)	(10.3)
Other	9	-	9	29	(16)	13	-	13	(69.0)	(30.8)
Elimination of inter-Division sales	(652)	(2)	(650)	(842)	43	(799)	9	(790)	(22.6)	(17.7)
TOTAL	**15,884**	**272**	**15,612**	**19,033**	**(593)**	**18,440**	**(396)**	**18,044**	**(16.5)**	**(13.5)**

Current operating income

Current operating income decreased by 30%, to 2,477 million euros from 3,542 million euros in 2008.

Scope effects and currency fluctuations negatively impacted Current operating income for -43 million euros and -131 million euros respectively. The negative currency fluctuations impacted particularly the third and fourth quarters. At constant scope and exchange rates, current operating income decreased by 26%, mainly reflecting the impact of declining volumes across the Divisions that were only partially offset by strong cost reductions and improved prices overall.

The Cement Division benefited from its strong exposure to the more dynamic emerging markets outside of Central and Eastern Europe, which were strongly affected by the economic slowdown. By contrast, Aggregates & Concrete and Gypsum results were hampered by their large exposure to mature markets, particularly North America, Spain and the United Kingdom.

As a percentage of sales, current operating income margin was 15.6% in 2009, compared to 18.6% in 2008, strongly impacted by 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) is 6.0% compared to 8.8% in 2008, affected by the economic slowdown impact.

See Section 4.2.4 (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, 2009 and 2008, and the related percentage changes between the periods were as follows:

CURRENT OPERATING INCOME

	2009		VARIATION 2009/2008	2008	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Cement	2,343	94.6	(21.0)	2,964	83.7
Aggregates & Concrete	193	7.8	(69.0)	623	17.6
Gypsum	38	1.5	0.6	36	1.0
Other	(97)	(3.9)	19.8	(81)	(2.3)
TOTAL	**2,477**	**100.0**	**(30.1)**	**3,542**	**100.0**

At constant scope and exchange rates, the changes in consolidated current operating income by Division between the years ended December 31, 2009 and 2008 were as follows:

	2009			2008					% VARIATION	
(million euros)	ACTUAL (A)	SCOPE EFFECT OF ACQUI-SITIONS (B)	ON A COMPARABLE BASIS (C) = (A)-(B)	ACTUAL (D)	SCOPE EFFECT OF DISPOSALS (E)	AT CONSTANT SCOPE (F) = (D)+(E)	CURRENCY FLUC-TUATION EFFECTS (G)	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)
Cement	2,343	3	2,340	2,964	(6)	2,958	(111)	2,847	(21.0)	(17.8)
Aggregates & Concrete	193	-	193	623	(42)	581	(13)	568	(69.0)	(66.0)
Gypsum	38	-	38	36	-	36	(5)	31	5.6	22.6
Other	(97)	1	(98)	(81)	1	(80)	(2)	(82)	19.8	19.5
TOTAL	**2,477**	**4**	**2,473**	**3,542**	**(47)**	**3,495**	**(131)**	**3,364**	**(30.1)**	**(26.5)**

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 by each Division after elimination of inter-Division sales, see the table under "Sales and Current Operating Income" above.

GEOGRAPHIC MARKET INFORMATION: BY "DOMESTIC" ORIGIN OF SALE 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.

Cement

SALES AND CURRENT OPERATING INCOME

	2009	2008	VARIATION 2009/2008	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	*(million euros)*	*(%)*	*(%)*
SALES	**10,105**	**11,720**	**(13.8)**	**(10.1)**
CURRENT OPERATING INCOME	**2,343**	**2,964**	**(21.0)**	**(17.8)**

Sales

Contribution to our sales by geographic origin of sale for the years ended December 31, 2009 and 2008, and the related percentage change between the two periods were as follows:

SALES

	2009		VARIATION 2009/2008	2008	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Western Europe	2,104	20.8	(24.7)	2,794	23.9
North America	1,189	11.8	(24.2)	1,568	13.4
Middle East & Africa	3,566	35.3	(1.2)	3,608	30.8
Central & Eastern Europe	795	7.9	(42.1)	1,374	11.7
Latin America	614	6.1	(17.4)	743	6.3
Asia	1,837	18.1	12.5	1,633	13.9
SUB-TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	**10,105**	**100.0**	**(13.8)**	**11,720**	**100.0**

Sales of the Cement Division decreased by 14% to 10,105 million euros in 2009. Currency fluctuations had a negative impact of 295 million euros (or -2.3%) on sales. Changes in the scope of consolidation had a net negative impact of 191 million euros (or -1.4%), resulting primarily from the disposal of our joint-venture with Titan in Egypt and our Italian, Venezuelan and Chilean operations, only partially offset by the full consolidation of Orascom cement operations in 2009 compared to eleven months of activity in 2008.

At constant scope and exchange rates, our sales dropped by 10% for the year and for the fourth quarter. This downturn primarily reflects the impact of strong volume declines in Europe and North America. Emerging markets (with the exception of Central and Eastern Europe) continued to grow throughout the year on a like-for-like basis.

Current operating income

Contribution to our current operating income by region for the years ended December 31, 2009 and 2008, and the related percentage change between the periods were as follows:

CURRENT OPERATING INCOME

	2009		VARIATION 2009/2008	2008	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Western Europe	507	21.6	(34.5)	774	26.1
North America	24	1.0	(89.4)	226	7.6
Middle East & Africa	1,048	44.7	12.2	934	31.5
Central & Eastern Europe	262	11.2	(55.6)	590	19.9
Latin America	140	6.0	(13.6)	162	5.5
Asia	362	15.5	30.2	278	9.4
TOTAL	**2,343**	**100.0**	**(21.0)**	**2,964**	**100.0**

Current operating income decreased by 21% to 2,343 million euros in 2009, compared to 2,964 million euros in 2008.

Currency fluctuations had a negative impact of 3% or 111 million euros. Net changes in the scope of consolidation are negligible.

At constant scope and exchange rates, current operating income decreased by 18% for the year and by 16% for the quarter.

As a percentage of the Division's sales, current operating income margin declined to 23.2% in 2009, from 25.3% in 2008. Growing markets in the Middle East, Africa and Asia, tight cost control and positive pricing trends overall, despite declines in a limited number of countries, partially mitigated the impact of strong volume declines in Europe and North America. In Europe, improved performance in reducing CO_2 emissions combined with lower volumes allowed the Group to sell 142 million euros of carbon credits in 2009.

Return on capital employed after tax reached 7.3% in 2009 compared to 9.6% in 2008.

See Section 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on return on capital employed after tax.

Western Europe

SALES

In Western Europe, sales totalled 2,104 million euros, a decrease of 25% compared to 2008. In the last quarter, sales amounted to 486 million euros, compared to 604 million euros in 2008.

At constant scope and exchange rates, domestic sales decreased by 21%, mainly reflecting the sharp decline in volumes in all countries, notably Spain and the United Kingdom. Volumes sold in Western Europe by destination, at 22.6 million tonnes, were down 29% compared with 2008. Domestic volumes, at constant scope, were down 25% compared to 2008. The pace of decrease in our domestic sales progressively reduced in the third and fourth quarters, at 19% and 17% respectively, despite bad weather conditions in the fourth quarter.

- **In France**, sales were down 15% due to lower volumes that were partially offset by higher prices.
- **In the United Kingdom**, domestic sales declined 24%. Pricing gains, in a context of a rise in input costs, partially mitigated the decline in volumes due to overall market contraction.
- **In Spain**, domestic sales experienced a drop of 42% due to sharply lower volumes in the context of a significant decline in the Spanish construction sector. Despite a significant reduction of imports and local capacity, prices declined.
- **In Germany**, domestic sales were down 6% due to lower volumes, partially mitigated by higher prices that reflected the increase in energy costs.
- **In Greece**, the overall economic situation significantly deteriorated in 2009 and impacted the construction market. As a consequence, domestic sales were down 23%.

CURRENT OPERATING INCOME

Current operating income in Western Europe declined by 34%, to 507 million euros compared to 774 million euros in 2008. Foreign exchange fluctuations had a slight negative impact (-11 million euros) reflecting the depreciation of the British pound against the euro and the changes due to scope variation was negligible.

At constant scope and exchange rates, 2009 current operating income decreased by 33%.

- **In France**, cost reduction actions were taken that helped to partially mitigate the decline in volumes due to the market slowdown.
- **In the United Kingdom**, the impact of the sharp decline in volumes was partially mitigated by the mothballing of facilities and optimization of the distribution network.
- **In Spain**, in a context of sharply declining volumes and lower prices, the impact of the economic slowdown was partly offset by restructuring actions, limiting subcontractor services, and mothballing assets.
- **In Germany**, cost reductions actions and price increase did not fully offset the effect of the higher energy costs and the decrease in volumes.
- **In Greece**, increased operational performance and restructuring partially offset the impact of the steep drop in volumes.

North America

SALES

Sales decreased by 24% to 1,189 million euros compared to 1,568 million euros in 2008, mainly driven by the decline in volumes sold; appreciation of the US dollar against the euro had a positive impact of 51 million euros.

Domestic sales, at constant scope and exchange rates, decreased by 27%, reflecting the low level of residential demand and the slowdown of new commercial work. Volumes in North America experienced a steep decrease of 26%, at 12.7 million tonnes. With respect to geographic mix, volumes declined both in the United States and in Canada (respectively by 27% and 22%).

Prices remained stable overall in local currency.

CURRENT OPERATING INCOME

Current operating income in North America declined by 89% to 24 million euros compared to 226 million euros in 2008. At constant exchange rates, current operating income for the year declined by 90%. Tight cost control partially mitigated the impact of declining volumes.

Emerging markets

SALES

Sales from our operations in emerging markets reflected contrasted trends across regions. While the Middle East, Africa and Asia, notably China, and Latin America continued to show solid growth, Central and Eastern Europe were strongly affected by soft markets. Prices improved in most countries, although declines were seen in certain markets due to specific market conditions.

In the Middle East and Africa region, our sales slightly decreased by 1%, to 3,566 million euros, against 3,608 million euros in 2008, due to a net negative impact of currency fluctuation.

At constant scope and exchange rates, domestic sales increased by 6%. Volumes sold in the Middle East and Africa by destination were 44.1 million tonnes, an increase of 4% compared to last year.

- **In Egypt**, our sales increased by 36% compared to 2008 due to strong domestic demand. Prices increased to reflect the rise in costs, notably in natural gas prices.
- **In Algeria**, solid growth throughout the year resulted in an increase in domestic sales of 25%.
- **In Morocco**, the strength of the domestic market combined with price improvement helped domestic sales increase by 11% in 2009.
- **In Nigeria**, our sales did not benefit from a growing domestic market as production output was penalized by energy disruptions. Solid pricing gains in the context of higher input costs partly mitigated the decrease in volumes.
- **In Iraq**, domestic sales were 18% lower as prices decreased over the year, after having reached a peak level in the fourth quarter of 2008.
- **In Jordan**, price decreases reflected the agreement with the government to move pricing in line with energy costs. Volume declines were experienced due to new entrants into the market in the fourth quarter.

- **In Kenya**, our domestic sales rose by 7% as both volumes and prices improved.
- **In South Africa**, the 7% increase in domestic sales was due to higher pricing offsetting the decline in volumes.

Our sales **in Central and Eastern Europe** dropped by 42% in 2009 to 795 million euros from 1,374 million euros in 2008. Depreciation of Eastern Europe currencies against the euro had a negative impact of 210 million euros.

At constant scope and exchange rates, domestic sales decreased by 31%; after two strong years, these markets were impacted by the contraction in the housing market due to the economic crisis. The bad weather conditions observed during the fourth quarter also lowered the level of sales.

- **In Poland**, sales declined by 14% due mostly to lower volumes. The extent of volume declines was partially mitigated by additional infrastructure projects.
- **In Romania**, volumes dropped by 34% due to the decrease in demand from the economic crisis, while prices remained stable.
- **In Russia**, the economic crisis and imports into the market led to a decline in prices and lower volumes that decreased our domestic sales by 53%.
- **In Serbia**, the increase in input costs led to pricing gains, thus limiting the decline in our domestic sales to 7%.

In Latin America, our sales were down to 614 million euros, declining by 17% year on year, reflecting the disposals of our Venezuelan and Chilean operations. At constant scope and exchange rates, full year domestic sales increased by 3%.

- **In Brazil**, domestic sales rose 14%, benefiting from price improvement.
- **In Ecuador**, domestic sales increased 22% due to the benefits from the start of a second production line in good market conditions.
- **In Honduras** sales declined slightly due to the economic and political environment.

In Asia, our operations recorded a sales growth of 12% to 1,837 million euros in 2009.

At constant scope and exchange rates, domestic sales were up 15% compared with 2008. Volumes sold in Asia by destination grew by 10%, to 42.3 million tonnes. At constant scope, they grew 11%. Overall, pricing gains were experienced in most of the countries, in a context of a rise in input costs.

- **In China**, our domestic sales grew by 22% mainly in Sichuan and Yunnan, driven by a dynamic market partially offset by lower prices. In 2008, the earthquake had lowered our sales in Sichuan over a period of seven months.
- **In India**, sales grew 32% due to higher volumes and prices driven by solid market growth in the Northeast Region on the back of robust rural demand and sustained infrastructure works. This demand was captured by our new production line at Sonadih and our grinding station in Mejia.
- **In the Philippines**, volume growth was led by a strong market in the North Luzon Region, the need for rebuilding after the September typhoons, and by improved industrial performance.
- **In South Korea**, domestic sales increased by 13% due to pricing improvement.
- **In Malaysia**, domestic sales decreased by 5% due to lower volumes. Prices rose in relation with the increase in fuel and petcoke prices.

CURRENT OPERATING INCOME

Current operating income in emerging markets decreased by 8% in 2009 to 1,812 million euros compared to 1,964 million euros in 2008, representing 77% of the Cement Division's current operating income, compared to 66% in 2008. Currency fluctuations had a negative impact of 101 million euros on current operating income, with the largest impact in Romania, Russia, Poland and Nigeria. There was no significant impact of changes in the scope of consolidation.

At constant scope and exchange rate, current operating income decreased by 3%, mostly impacted by the market conditions in Central and Eastern Europe and heightened competition in Iraq, largely offset by robust markets in most of the countries in Africa and Asia. At constant exchange and scope, excluding Central and Eastern Europe, emerging markets current operating income increased 14%.

In Middle East and Africa, current operating income in 2009 increased by 12% to 1,048 million euros compared to 934 million euros in 2008, benefiting from robust markets in most of the countries of the area. On a full year basis, at constant scope and exchange rates, current operating income increased by 10%.

- **In Egypt**, solid market trends and price improvement allowed us to deliver strong results despite a strong rise in costs, notably in natural gas prices.
- **In Algeria**, strong volumes and solid prices improved results.
- **In Morocco**, current operating income benefited from good volumes and price trends combined with tight cost control.
- **In Nigeria**, our current operating income did not benefit from a growing domestic market as energy disruptions lowered production output and increased costs.
- **In Iraq**, operations remained profitable even while prices declined due to increased import competition, which was only partially offset by strong cost control measures.
- **In Jordan**, lower volumes due to new entrants into the market resulted in a reduction of operating results.
- **In South Africa and Kenya**, pricing gains offset the increase in input costs.

In Central and Eastern Europe, current operating income significantly decreased by 56% to 262 million euros compared to 590 million euros in 2008, with a very negative impact of currency fluctuations of -90 million euros.

At constant scope and exchange rates, current operating income decreased by 48% in 2009.

- **In Romania**, volume declines resulted in lower current operating income.
- **In Poland**, lower volumes and higher input costs decreased results.
- **In Russia**, price declines and steep drops in volumes, aggravated by harsh weather conditions in the last quarter, negatively impacted current operating income.
- **In Serbia**, increased prices helped to offset lower volumes and increased input costs.

In Latin America, current operating income was down 14% to 140 million euros from 162 million euros in 2008.

At constant scope and exchange rates, current operating income increased by 4%.

- **Brazil** continued to improve through higher prices that were sufficient to absorb increases in energy costs.
- **In Honduras and Mexico**, current operating income was relatively stable compared to 2008.
- **In Ecuador**, price improvements offset rising input costs and our new capacity benefited from solid market growth.

In Asia, current operating income strongly increased by 30% to 362 million euros in 2009 from 278 million euros in 2008.

At constant scope and exchange rates, current operating income increased by 31% for the year.

- **In Malaysia**, despite lower volumes, current operating income was resilient due to price increases that offset higher energy costs.
- **In the Philippines**, gains in industrial efficiency, prices and volumes largely absorbed the increased fuel and coal prices and improved current operating income.
- **In India**, good market conditions in the northeast, higher pricing to absorb input cost increases, and new capacity resulted in a significant increase in results.
- **In China**, the closure of higher cost wet process lines, the strength of the market, and lower energy costs significantly improved operating results.
- **In South Korea**, higher input costs were mostly offset by price increases.

Aggregates & Concrete

SALES AND CURRENT OPERATING INCOME

	2009	2008	VARIATION 2009/2008	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	*(million euros)*	*(%)*	*(%)*
SALES	**5,067**	**6,580**	**(23.0)**	**(21.1)**
CURRENT OPERATING INCOME	**193**	**623**	**(69.0)**	**(66.1)**

Sales

Contribution to our sales by activity and geographic origin for the years ended December 31, 2009 and 2008, and the related percentage change between the two periods were as follows:

SALES

	2009		VARIATION 2009/2008	2008	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
AGGREGATES & RELATED PRODUCTS	**2,377**		**(27.6)**	**3,281**	
Of which pure aggregates:					
Western Europe	*830*	*43.5*	*(18.1)*	*1,014*	*42.1*
North America	*774*	*40.6*	*(23.7)*	*1,015*	*42.2*
Emerging markets	*303*	*15.9*	*(19.8)*	*378*	*15.7*
TOTAL PURE AGGREGATES	**1,907**	**100.0**	**(20.8)**	**2,407**	**100.0**
READY MIX CONCRETE & CONCRETE PRODUCTS	**3,032**		**(18.9)**	**3,740**	
Of which ready-mix:					
Western Europe	*1,270*	*43.5*	*(19.9)*	*1,586*	*44.8*
North America	*702*	*24.0*	*(27.2)*	*964*	*27.2*
Emerging markets	*948*	*32.5*	*(4.0)*	*988*	*27.9*
TOTAL READY MIX CONCRETE	**2,920**	**100.0**	**(17.5)**	**3,538**	**100.0**
Eliminations of intra Aggregates & Concrete sales	(342)			(441)	
TOTAL AGGREGATES & CONCRETE BEFORE ELIMINATION OF INTER-DIVISION SALES	**5,067**		**(23.0)**	**6,580**	

Sales of the Aggregates & Concrete Division decreased by 23% to 5,067 million euros in 2009 compared to 6,580 million euros in 2008.

Currency fluctuations had a negative impact of 74 million euros for the year, mainly reflecting the depreciation against the euro of the British pound, the Polish zloty and the Canadian dollar partly offset by the appreciation of the US dollar.

For the full year, scope changes had a negative impact on sales of 156 million euros (or -1%), reflecting the negative effect of the divestitures of assets in North America (mostly in June 2009) and our Chilean operations (August 2009) partly offset by the positive effect of our acquired operations in India (October 2008).

At constant scope and exchange rates, sales declined by 21% year-on-year. Solid pricing gains across the product lines could not offset severe volume declines.

Sales of **pure aggregates** decreased by 21% to 1,907 million euros in 2009. Currency fluctuations had a negative net impact on sales of 44 million euros, while scope changes are negligible. At constant scope and exchange rates, sales declined by 19%. Aggregates sales volumes in 2009 decreased by 21% to 196 million tonnes; at constant scope, sales volumes decreased by 22%.

Sales **of ready-mix concrete** decreased by 17% to 2,920 million euros in 2009. Currency fluctuations had a slight negative impact on sales of 27 million euros while changes in scope of consolidation had a positive net impact of 4%. At constant scope and exchange rates, sales declined by 21%. Sales volumes of ready-mix concrete decreased 15% to 37.1 million cubic meters; at constant scope, sales volumes decreased by 23%.

Current operating income

Contribution to our current operating income by activity and by region for the years ended December 31, 2009 and 2008, and the related percentage change between the periods were as follows:

CURRENT OPERATING INCOME

	2009		VARIATION 2009/2008	2008	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Aggregates & related products	112	58.0	(69.5)	367	58.9
Ready-mix concrete & concrete products	81	42.0	(68.4)	256	41.1
TOTAL BY ACTIVITY	**193**	**100.0**	**(69.0)**	**623**	**100.0**
Western Europe	94	48.7	(55.7)	212	34.0
North America	18	9.3	(93.3)	267	42.9
Other regions	81	42.0	(43.8)	144	23.1
TOTAL BY REGION	**193**	**100.0**	**(69.0)**	**623**	**100.0**

Current operating income of the Aggregates & Concrete Division declined 69% to 193 million euros in 2009 from 623 million euros in 2008. Changes in scope had a net negative impact of 41 million euros, and currency fluctuations had a 14 million euros negative impact. At constant scope and exchange rates, current operating income declined by 66% in the year.

As a percentage of the Division's sales, current operating income margin declined to 3.8% in 2009, compared to 9.5% in 2008.

Current operating income for aggregates & related products decreased by 69% to 112 million euros in 2009 from 367 million euros in 2008, as the solid pricing gains and the strict control of costs only partially offset the impact of declining volumes.

Current operating income for ready-mix concrete & concrete products was down 68% in the year, at 81 million euros in 2009, from 256 million euros in 2008. The ready-mix & concrete business benefited from solid pricing gains, increasing value generated by innovative products, and very strict cost management, more than offset by the shortfall in volumes.

Return on capital employed after tax decreased to 2.9% from 9.6% in 2008.

See Section 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on return on capital employed after tax.

Western Europe

SALES

Pure aggregates sales in Western Europe decreased by 18% to 830 million euros in 2009. Currency fluctuations had a negative impact on sales, reflecting the depreciation of the British pound against the euro. At constant scope and exchange rates, the decrease in sales by 14% reflected mainly a drop in volumes and solid pricing gains overall.

Asphalt and paving sales declined mainly as a result of a soft market and negative impact of the depreciation of the British pound against the euro.

Ready-mix concrete sales decreased by 20% to 1,270 million euros in 2009. At constant scope and exchange rates, sales were down 20%, with solid pricing gains only partially offsetting the softness in volumes, resulting from a market slowdown in major countries.

CURRENT OPERATING INCOME

Current operating income in Western Europe was down 56% to 94 million euros in 2009.

At constant scope and exchange rates, the current operating income was affected by the market softness in most of the markets, Spain being the most impacted. Solid pricing gains, improved share of our innovative products in total sales and cost reduction actions only partially mitigated the impact of the shortfall in volumes.

North America

SALES

In North America, pure aggregates sales decreased 24% to 774 million euros in 2009, negatively impacted by the severe decline in volumes due to continued weakening of the residential market, partially mitigated by solid pricing gains.

Asphalt and paving sales were hurt by a decrease in volumes and by the negative effect of the divestitures of assets located in East Canada in June 2009.

Ready-mix concrete sales decreased by 27% to 702 million euros in 2009, also strongly affected by the continued softness throughout the year of the residential market, partly mitigated by improved prices.

CURRENT OPERATING INCOME

In North America, current operating income declined 93% to 18 million euros in 2009 from 267 million euros in 2008. Currency variations had a negative impact of 5 million euros and scope had a net negative impact of 38 million euros. At constant scope and exchange rates, the decline in current operating income reflected lower volumes, partly mitigated by solid price increases and strict cost control.

Emerging Markets

SALES

In emerging markets, pure aggregates and ready-mix concrete sales decreased by 20%, and 4% respectively. At constant scope and exchange rates, pure aggregates and ready mix concrete sales decreased by 14% and 16% respectively, benefiting from pricing gains overall outside Central Europe in a general context where volumes contraction was experienced in most countries.

CURRENT OPERATING INCOME

Current operating income decreased by 44% to 81 million euros in 2009 impacted by volume declines.

Gypsum

SALES AND CURRENT OPERATING INCOME

	2009	2008	VARIATION 2009/2008	VARIATION AT CONSTANT SCOPE AND EXCHANGE RATES
	(million euros)	*(million euros)*	*(%)*	*(%)*
SALES	**1,355**	**1,546**	**(12.4)**	**(10.3)**
CURRENT OPERATING INCOME	**38**	**36**	**5.6**	**26.8**

Sales

Contribution to our sales by origin for the years ended December 31, 2009 and 2008 and the related percentage change between the two periods were as follows:

SALES

	2009		VARIATION 2009/2008	2008	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Western Europe	762	56.2	(14.6)	892	57.7
North America	180	13.3	(8.6)	197	12.7
Other regions	413	30.5	(9.6)	457	29.6
TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	**1,355**	**100.0**	**(12.4)**	**1,546**	**100.0**

At constant scope and exchange rates, sales decreased by 10%, reflecting the general slowdown in construction activity.

Sales volumes of wallboard decreased by 11% in 2009 to 667 million square meters.

Current operating income

Contribution to our current operating income by region, for the years ended December 31, 2009 and 2008, and the related percentage change between the periods were as follows:

CURRENT OPERATING INCOME

	2009		VARIATION 2009/2008	2008	
	(million euros)	*(%)*	*(%)*	*(million euros)*	*(%)*
Western Europe	48	126.3	(15.8)	57	158.3
North America	(43)	(113.1)	(27.1)	(59)	(163.9)
Other regions	33	86.8	(13.2)	38	105.6
TOTAL BEFORE ELIMINATION OF INTER-DIVISION SALES	**38**	**100.0**	**5.6**	**36**	**100.0**

Current operating income increased by 6% to 38 million in 2009 from 36 million in 2008. Currency fluctuations had a negative impact of 5 million euros on the current operating income.

At constant scope and exchange rates, current operating income increased by 27%. This performance was achieved despite difficult economic conditions in all markets, as a result of strict cost control and more favourable pricing in North America. As a percentage of the Division's sales, current operating income margin increased to 2.8% in 2009, from 2.3% in 2008.

Return on capital employed after tax decreased to 2.5% from 2.9% in 2008.

See Section 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on return on capital employed after tax.

Other (including holdings)

Sales

Sales of our other operations decreased to 9 million euros in 2009 compared to 28 million euros in 2008.

Current operating income (loss)

Current operating loss of our other operations, which includes central unallocated costs, reached 97 million euros in 2009 compared to a loss of 81 million euros in 2008.

Operating income and net income

The table below shows our operating income and net income for the years ended December 31, 2009 and 2008:

	2009	VARIATION 2009/2008	2008
	(million euros)	*(%)*	*(million euros)*
CURRENT OPERATING INCOME	**2,477**	**(30.1)**	**3,542**
Gains on disposals, net	103	-	229
Other operating income (expenses)	(330)	-	(409)
OPERATING INCOME	**2,250**	**(33.1)**	**3,362**
Finance (costs) income	(926)	1.6	(941)
Of which:			
Finance costs	*(1,136)*	*1.8*	*(1,157)*
Finance income	*210*	*(2.8)*	*216*
Income from associates	(18)	-	(3)
INCOME BEFORE INCOME TAX	**1,306**	**(46.0)**	**2,418**
Income tax	(260)	45.7	(479)
NET INCOME	**1,046**	**(46.1)**	**1,939**
Out of which part attributable to:			
Owners of the parent of the Group	**736**	**(53.9)**	**1,598**
Non-controlling interests	310	(9.1)	341

Gains on disposals, net, represented a net gain of 103 million euros in 2009, compared to 229 million euros in 2008. In 2009, we recorded the disposals of our Turkish, Venezuelan and Chilean activities together with the divestiture of some aggregates and concrete assets located in East Canada and Switzerland.

Other operating expenses amounted to 330 million euros in 2009, compared to 409 million euros in 2008. They included in 2009 a 30 million euros goodwill impairment charge on our Chilean operations, a 90 million euros impairment charge on cement assets located in Western Europe following plant capacity closures, restructuring costs for 155 million euros, a settlement charge of 47 million euros related to the USG litigation and a benefit of 43 million euros excess provision reversal following the court decision in the German competition litigation case now closed.

Operating income decreased by 33% to 2,250 million euros, from 3,362 million euros in 2008.

Finance costs, comprised of financial expenses on net debt and other financial income and expenses, slightly decreased by 2% to 926 million euros from 941 million euros in 2008. The financial charges on net debt decreased by 10% from 847 to 760 million euros, reflecting the decrease in both net debt and the average cost of debt. The average interest rate on our gross debt was 5.1% in 2009, as compared to 5.5% in 2008. Other financial income and expenses amounted to a net expense in 2009 of 166 million euros compared to 94 million euros in 2008. This increase notably reflects the impact of

the accelerated amortization of debt issuance costs linked to the early repayment of part of the Orascom acquisition facility agreement, the cost of the cancellation of an unused confirmed credit line and higher net exchange losses.

The contribution from our associates represented in 2009 a net loss of 18 million euros, versus a loss of 3 million euros in 2008.

Income tax decreased to 260 million euros in 2009 from 479 million euros in 2008. The effective tax rate for 2009 remained stable at 19.9% versus 19.8% in 2008. In 2009, the countries with lower tax rates or benefiting from temporary tax holidays have continued to positively impact our effective tax rate.

Net income Group Share (1) decreased by 54% to 736 million euros in 2009 from 1,598 million euros in 2008.

2009 and 2008 were impacted by significant one-off items. In 2008, they include namely the net gain on the disposal of our participation interest in a joint-venture with Titan in Egypt, the additional provision on the 2002 Gypsum case, the impairment of UK cement and US aggregates and concrete goodwill recognized in 2008. In 2009 they included the reversal of the German competition litigation provision, the settlement of USG litigation, and the impairment loss on cement assets located in Western Europe. Adjusted for these items, the net income decreased by 52%.

Non controlling interests decreased 9% to 310 million euros, from 341 million euros in 2008 due to certain subsidiaries with minority interests having generated lower earnings in 2009 versus 2008. These include in particular some Central and Eastern Europe countries affected by the sharp economic slowdown, Nigeria affected by energy disruptions and Iraq impacted by price declines.

Adjusted for the one-off items described above, **basic earnings per share** (2) decreased 59% for 2009 to 3.12 euros, compared to 7.70 euros in 2008, reflecting the decrease in net income and the higher average number of shares. The basic average number of outstanding shares during the year, excluding treasury shares, was 265.5 million compared to 222.4 million in 2008. This increase primarily reflects the impact of the capital increase on April 28, 2009 for 1.5 billion euros.

(1) Net income/loss attributable to the owners of the parent company

(2) Adjusted to reflect the rights issue for all periods presented. In line with IFRS requirements, earnings per share have been adjusted, for all periods presented, to reflect the impact of the capital increase with preferential subscription rights finalized on April 28, 2009, using a coefficient of 1.151 to adjust the number of shares prior to the issuance of new shares. Thiscoefficient was calculated as the last share price just before the detachment of the right over the Theoretical Ex-Rights Price ("TERP").

4.4 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 which 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 a 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 2008/2007	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**

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	
(million euros)	ACTUAL (A)	SCOPE EFFECT OF ACQUISITIONS (B)	ON A COMPARABLE BASIS (C) = (A)-(B)	ACTUAL (D)	SCOPE EFFECT OF DISPOSALS (E)	AT CONSTANT SCOPE (F) = (D)+(E)	CURRENCY FLUCTUATIONS EFFECTS (G)	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)
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, due to 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 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on return 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	
(million euros)	ACTUAL (A)	SCOPE EFFECT OF ACQUISI-TIONS (B)	ON A COMPARABLE BASIS (C) = (A)-(B)	ACTUAL (D)	SCOPE EFFECT OF DISPOSALS (E)	AT CONSTANT SCOPE (F) = (D)+(E)	CURRENCY FLUCTUA-TIONS EFFECTS (G)	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)
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 "Sales and Current Operating Income" above.

GEOGRAPHIC MARKET INFORMATION: BY "DOMESTIC" ORIGIN OF SALE 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.

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 and Africa	3,608	30.8	64.1	2,199	21.4
Central & Eastern Europe	1,374	11.7	20.8	1,137	11.0
Latin America	743	6.3	9.3	680	6.6
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 for seven months. Growth in emerging markets offset the softness in volumes in mature markets, primarily led by declining markets in the United States, Spain and the United Kingdom.

Current operating income

Contribution to our current operating income by region for the years ended December 31, 2008 and 2007, and the related percentage change between the periods 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 and Africa	934	31.5	83.5	509	20.5
Central & Eastern Europe	590	19.9	26.1	468	18.9
Latin America	162	5.5	20.0	135	5.4
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 sales 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 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on return on capital employed after tax.

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 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 very 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.

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 and Africa, our sales significantly increased in 2008 to 3,608 million euros, reflecting the impact of the acquisition of Orascom Cement, notably in Egypt, Algeria and Iraq.

At constant scope and exchange rates, domestic sales increased by 13.0%. Volumes sold in the Middle East and Africa region by destination increased by 76.7% to 42.4 million tonnes, compared to 24.0 million tonnes in 2007. Domestic volumes, at constant scope, increased by 0.6%.

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

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%, to 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 was 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%, to 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 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 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% to 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 the 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, which worsened in the last quarter.
- **In Indonesia,** our volumes were up 11.0% in a very 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 at the end of January.

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

In the Middle East and Africa region, current operating income in 2008 increased significantly to 934 million euros compared to 509 million euros in 2007, benefiting from organic growth combined with the positive impact of the acquisition of Orascom Cement.

At constant scope and exchange rates, current operating income increased by 4.9% 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 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 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 Kenya,** strong market trends more than offset rising costs, notably energy prices, leading to improvement in current operating income.
- **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 Cameroon,** price increases could not offset higher costs, driving results lower.
- **In South East Africa,** current operating income increased, reflecting pricing gains.

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 nationalization of the cement industry, our operations were 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 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 offsetting 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 US and Canadian dollars and of the British pound.

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%.

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 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on return on capital employed after tax.

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.

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.

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)**

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 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on return 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**
Out of which part attributable to:			
Owners of the parent Company	**1,598**	**(16.3)**	**1,909**
Now controlling 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 benefits from tax exemptions in several countries (-3% impact on the Group's effective tax rate) and by the 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 (1) 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.

Non controlling 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** (2) decreased by 7.8% for 2008 to 7.70 euros, compared to 8.36 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.

(1) Net income/loss attributable to the owners of the parent company

(2) Adjusted to reflect the rights issue for all periods presented. In line with IFRS requirements, earnings per share have been adjusted, for all periods presented, to reflect the impact of the capital increase with preferential subscription rights finalized on April 28, 2009, using a coefficient of 1.151 to adjust the number of shares prior to the issuance of new shares. Thiscoefficient was calculated as the last share price just before the detachment of the right over the Theoretical Ex-Rights Price ("TERP").

4.5 Liquidity and Capital Resources

In the following Section 4.5 (Liquidity and capital resources) and in the Section 4.6 (Market risks), debt figures are presented excluding put options on shares of subsidiaries.

During the three-year period ended December 31, 2009, our main sources of liquidity were:

- cash provided by operating activities;
- cash provided by the divestment of assets;
- cash provided by the issuance of bonds and commercial paper, 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)	2009	2008	2007
CASH FLOW FROM CONTINUING OPERATIONS	**2,177**	**3,155**	**2,781**
Changes in operating working capital items excluding financial expenses and income taxes	1,029	(154)	(79)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS	**3,206**	**3,001**	**2,702**
Net operating cash generated/(used) by discontinued operations	-	-	(26)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**3,206**	**3,001**	**2,676**
Net cash provided by/(used in) investing activities from continuing operations	(1,074)	(8,771)	(688)
Net cash provided by/(used in) investing activities from discontinued operations	-	-	(15)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	**(1,074)**	**(8,771)**	**(703)**
Net cash provided by/(used in) financing activities from continuing operations	(1,489)	6,030	(1,705)
Net cash provided by/(used in) financing activities from discontinued operations	-	-	41
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	**(1,489)**	**6,030**	**(1,664)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**643**	**260**	**309**

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.

4.5.1 Net cash provided by operating activities

In 2009, net cash provided by operating activities improved by 205 million euros to 3,206 million euros from 3,001 million euros in 2008.

Cash flow from continuing operations decreased by 978 million euros to 2,177 million euros reflecting the decrease in earnings in the context of a general slowdown in mature markets and Central and Eastern Europe.

This strong decrease was more than offset by the very good performance achieved on working capital, with an improvement of 1,029 million euros between 2008 and 2009.

See Section 4.2.4 (Reconciliation of our non-GAAP financial measures) for more information on cash flow from operations.

4.5.2 Net cash used in investing activities

In 2009, net cash used in investing activities amounted to 1,074 million euros, compared to 8,771 million euros in 2008.

No major acquisition were made in 2009, while significant acquisitions were completed in 2008, namely Orascom Cement, the aggregates and concrete Indian operations of Larsen & Toubro, and the buy-back of non-controlling interests in our Romanian and Russian subsidiaries.

Sustaining capital expenditures were more than halved, at 372 million euros in 2009, representing only 33% of our depreciation expense, in a context of a tight cash control. Capital expenditures for new capacity amounted to 1,234 million euros compared to 1,898 million euros in 2008. These expenditures include mainly major cement projects such as the extension of our capacities in China, Eastern India, Nigeria, Uganda, Morocco, the reconstruction of our Aceh plant in Indonesia and the investments in new capacities in Syria and Saudi Arabia. These expenditures also include investments in Western Europe and North America mainly related to productivity and network optimization.

In 2009, disposals were mainly comprised of the divestment of our Chilean operations (288 million euros net proceeds), our cement activities in Venezuela (40% of the selling price; the balance will be settled in four equal yearly instalments) and Turkey (126 million euros net proceeds) and our Aggregates and Concrete activities in Eastern Canada (123 million euros net proceeds). Including the EBRD additional investment in our cement operations in Russia of 86 million euros, and taking into account the debt that was part of the operations disposed of, our disposals represented 919 million euros in 2009.

In 2008, disposals were made up mainly of the sale of our interest in the joint venture with Titan and of our cement, aggregates and concrete assets in Italy.

In 2007, disposals mainly reflected the sale of our Roofing Division to PAI Partners (2.1 billion euros).

See Section 3.2.1 (Significant recent acquisitions) and 3.2.2 (Significant recent divestitures) for more informations.

4.5.3 Net cash provided (used in) financing activities

In 2009, we reduced our net debt by 3.1 billion euros notably thanks to our plan to reinforce financial structure. We also improved our maturity profile with the issuance of bonds amounting to 3.4 billion euros equivalent and increased the level of unused committed credit lines to 3.5 billion euros.

See Note 25 of our consolidated financial statements for more information on our financing.

a) Long and medium term debt

In general, we meet our medium and 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. Under our Euro Medium-Term Notes (EMTN) program, we have a maximum available amount of 9,000 million euros of which approximately 8,233 million euros is used at December 31, 2009.

LONG AND MEDIUM-TERM DEBT SECURITIES ISSUANCES IN 2009, 2008 AND 2007

Under the EMTN Program

- on December 16, 2009, a 750 million euros bond bearing a fixed interest rate of 5.500% with a 10-year maturity;
- on November 6, 2009, a 150 million euros private placement bearing a fixed rate of 6.850%, with an 8-year maturity. On June 29, 2009, a 250 million euros of the same nature, with the same maturity, bearing a fixed rate of 7.250%;
- on June 24, 2009, a 750 million euros bond bearing a fixed interest rate of 7.625%, with a 7-year and 5-month maturity. On May 27, 2009, a 1,000 million euros bond, bearing the same fixed interest rate, with a 5-year maturity;
- on May 29, 2009, a 350 million British pounds bond bearing a fixed rate of 8.750%, with an 8-year maturity;
- on December 23, 2008, a 200 million US dollars private placement bearing a floating interest rate of Libor 3 months +3.700% with a 5-year maturity. On February 13, 2009, a new 100 million US dollars private placement of the same nature with the same maturity, bearing a floating interest rate of Libor 3 months +7.890%;
- on May 28, 2008, a 1,500 million euros bond split into 2 tranches of 750 million 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, a 500 million euros private placement bearing a floating interest rate of Euribor 3 months +0.120% with a 3-year maturity;
- on June 26, 2007, a 500 million euros bond bearing a fixed interest rate of 5.375% with a 10-year maturity.

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, Lafarge S.A. 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. The repayments realized in 2008 and 2009 have removed the financial covenant associated with this credit facility. The amount drawn under the acquisition credit facility stood at 768 million euros as at December 31, 2009.

PRINCIPAL DEBT REPAYMENTS IN 2009

- private bond placements: repayments of respectively 150 and 140 million euros on December 7 and 15, 2009 ;
- syndicated credit line of 1,850 million euros: repayment of 1,000 million euros related to 2008 drawdowns ;
- Orascom acquisition credit facility: several early repayments amounting to 4,900 million euros.

See Section 8.7 (Material Contracts) for more information.

b) Short term debt

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, 2009, 936 million euros in commercial paper were outstanding under this program.

In addition to those credit lines set up for specific purposes (as for the acquisition of Orascom Cement and the minority stake in Lafarge North America Inc), we 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, 2009, these committed credit lines amounted to 3,469 million euros (compared with approximately 3,060 million euros at December 31, 2008 and 3,074 million euros at December 31, 2007). Of this amount, 3,457 million euros were available at December 31, 2009 (compared with approximately 2,055 million euros at December 31, 2008 and 3,069 million euros at December 31, 2007). The average maturity of these credit facilities was approximately 2.5 years at the end of 2009 versus 3.2 years at the end of 2008 and 3.5 years at the end of 2007.

c) Equity issuance and dividends

During 2009, equity issuance resulted in a net cash inflow of 1,534 million euros, mainly reflecting the capital increase with preferential subscription rights completed on April 28, 2009.

See Section 8.1.1 (Changes in the share capital during the fiscal year ended December 31, 2009) for more information.

Total dividends paid in 2009 amounted to 536 million euros, including the payments made to minority shareholders by our subsidiaries.

See Section 1 (Selected financial data) for more information on dividends paid by Lafarge S.A.

4.5.4 Level of debt and financial ratios at December 31, 2009

See Note 25 to our consolidated financial statements for more information on debt.

Ratings

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.

Since the filing date of the previous report, the credit ratings for our short and long-term debt evolved as follows:

		12/31/2008	1/16/2009	1/22/2009	2/20/2009	12/31/2009	3/1/2010
S&P	Short-term rating	A-3				A-3	
	Long-term rating	BBB (negative outlook)		BBB- (negative outlook)	BBB- (stable outlook)	BBB- (stable outlook)	BBB- (negative outlook)
MOODY'S	Short-term rating	Not rated				Not rated	
	Long-term rating	Baa2 (negative outlook)	Baa3 (negative outlook)			Baa3 (negative outlook)	

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 committed credit lines. 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 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, 2009, our total debt amounted to 15,667 million euros (compared with 18,281 million euros in 2008 and 9,639 million euros in 2007) excluding put options on shares of subsidiaries and impact of derivative instruments. At the end of 2009, we reclassified 936 million euros of short-term debt (2,024 million euros at the end of 2008 out of which 1,000 million euros of syndicated credit line and 1,193 million euros at the end of 2007) 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.

Long-term debt totalled 13,634 million euros compared with 14,003 million euros at year-end 2008 and 8,025 million euros at year-end 2007. Approximately 44% of the 2009 long-term debt is due to mature after 2014. Long-term debt mainly comprises fixed-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, 2009, our short-term debt (including the current portion of long-term debt) amounted to 2,033 million euros.

We are exposed to fluctuations in our short-term debt as building activity generally speeds up after the winter season in our main markets of Europe and North America, leading to an increase in the working capital requirement during the second and third quarters of the year.

At December 31, 2009, the average spot interest rate on our total debt after swaps was 5.3%, compared to 5.7% at December 31, 2008 and 5.8% at December 31, 2007. The average annual interest rate on debt after swaps was 5.1% in 2009 (compared with 5.5% in 2008 and 5.8% in 2007).

Our cash and cash equivalents amounted to 2,220 million euros at year-end 2009, with close to half of this amount denominated in euros and US dollars and the remainder in a large number of other currencies.

See Section 4.6 (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, totalled 13,795 million euros at December 31, 2009 (compared with 16,884 million euros at December 31, 2008 and 8,685 million euros at December 31, 2007).

Our net-debt-to-equity ratio stood at 82% at December 31, 2009 (compared with 115% at December 31, 2008 and 72% at December 31, 2007).

Our cash flow from operations to net debt ratio stood at 16% at December 31, 2009 (compared with 19% at December 31, 2008 and 32% at December 31, 2007).

See Section 4.2.4 (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).

At December 31, 2009, loan agreements requiring compliance with certain financial covenants were related to subsidiaries located in the following countries: Algeria, Bangladesh, China, Ecuador, Egypt, India, Indonesia, Jordan, Nigeria, Qatar, Romania, Spain, South Africa, Syria, United Arab Emirates, United Kingdom and Vietnam. Debt with such financial covenants represents approximately 8% of the total Group debt excluding put options on shares of subsidiaries at December 31, 2009. 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's liquidity 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.

4.5.5 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. We have established a centralized cash management process for most of the euro-zone countries, and we have also 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.

4.6 Market risks

We are exposed to foreign currency risk and interest-rate risk. We are also exposed to other market risk factors, such as commodity price fluctuations, notably energy commodities, as well as equity risk, 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 (trading) 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, 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

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, 2009, before these currency swaps, 17% of our total debt was denominated in US dollars and 9% in British pounds. After taking into account the swaps, our US dollar denominated debt amounted to 30% of our total debt, while our debt denominated in British pounds represented 8% 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, 2009, 67% of our total debt carried a fixed rate. After taking into account

these swaps, the portion of fixed-rate debt amounted to 68%.

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 also sea freight markets. We attempt to limit our exposure to fluctuations in commodity prices and to increase our use of alternative fuels, and renewable energies.

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 and commodity risk.

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 before swaps. 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, 2009

(million euros)	2010	2011	2012	2013	2014	> 5 YEARS	TOTAL	FAIR VALUE
DEBT IN FOREIGN CURRENCIES								
US dollar	98	549	317	424	96	1,123	2,607	2,661
British pound	236	7	401	172	-	619	1,435	1,544
Other currencies	497	149	375	171	181	80	1,453	1,454
TOTAL	**831**	**705**	**1,093**	**767**	**277**	**1,822**	**5,495**	**5,659**
FOREIGN EXCHANGE DERIVATIVES								
FORWARD CONTRACT PURCHASES AND CURRENCY SWAPS								
US dollar	300	-	-	-	-	-	300	2
British pound	402	-	-	-	-	-	402	4
Other currencies	325	-	-	-	-	-	325	6
TOTAL	**1,027**	**-**	**-**	**-**	**-**	**-**	**1,027**	**12**
FORWARD CONTRACT SALES AND CURRENCY SWAPS								
US dollar	2,351	21	21	21	-	-	2,414	(39)
British pound	122	-	-	-	-	-	122	(2)
Other currencies	267	1	-	-	-	-	268	(4)
TOTAL	**2,740**	**22**	**21**	**21**	**-**	**-**	**2,804**	**(45)**

Based on outstanding hedging instruments at December 31, 2009, 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 observable data (currency spot rate, forward rate, currency rate curves, etc.).

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, 2009

(million euros)	AVERAGE RATE (%)	2010 H1	2010 H2	2011	2012	2013	2014	> 5 YEARS	TOTAL	FAIR VALUE
DEBT										
Long-term debt*	5.2%	319	1,124	1,480	2,439	1,802	1,954	5,959	15,077	15,596
Fixed-rate portion	*6.3%*	*35*	*250*	*1,251*	*494*	*903*	*1,761*	*5,828*	*10,522*	*11,044*
Floating-rate portion	*2.5%*	*284*	*874*	*229*	*1,945*	*899*	*193*	*131*	*4,555*	*4,552*
Short-term bank borrowings	4.4%	553	37						590	590
INTEREST-RATE DERIVATIVES										
Pay Fixed										
Euro	4,5%	-	-	-	70	58	42	-	170	(12)
Other currencies	5.4%	-	6	108	26	55	102	-	297	17
Pay Floating										
Euro	0.0%	-	-	-	-	-	-	-	-	-
Other currencies	3.3%	-	225	-	-	70	-	-	295	5
Other interest-rate derivatives										
Euro	2.4%	3	2	-	-	-	-	-	5	-
Other currencies	1.2%	10	171	218	19	307	-	-	725	(9)

** Including the current portion of long-term debt.*

Based on outstanding hedging instruments at December 31, 2009, a +/-100 basis point shift in yield curves would have an estimated maximum impact of respectively +/-11 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 +/-28 million euros.

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, 2009, a +/-20% change in the commodity indexes against which Lafarge is hedged, i.e. mainly natural gas (NYMEX), heating oil (NYMEX), gas oil (IPE), sea freight (Panamax), and coal (Newcastle FOB), would have an estimated maximum impact of respectively +/-9 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 mainly exposed to credit risk in the event of default by a counterparty. We attempt to limit our exposure to counterparty risks 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, according to internal Group policies. 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 these policies, 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 4.5 (Liquidity and Capital Resources) and Note 26 (g) to the consolidated financial statements for more information on liquidity risks.

Equity risk

Quoted equity

As of December 31, 2009, the Group held 17.28% of Cimentos de Portugal (Cimpor) whose 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.

Further to the disposal of all of our investment in Cimpor in February 2010, the Group no longer holds investment in listed companies which could have an impact on the Group's profit and financial situation.

Notes 15 and 34 of our consolidated financial statements provide further informations on Cimpor's trading price compared to its cost as of December 31, 2009 and the details of the disposal of our participation in Cimpor in February 2010.

Treasury shares

At December 31, 2009 the Group held 380,148 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.

CEMENT
Canada. An employee at the Richmond cement plant, British Columbia.

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 coporate 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 not been modified during the exercise 2009 following the renewal at the General Meeting of May 6, 2009 of the positions of six Independent Directors (Mrs Hélène Ploix, Messrs Jean-Pierre Boisivon, Michel Bon, Philippe Charrier, Oscar Fanjul (Vice-President of the Board) and Juan Gallardo), and those of the Chaiman and Chief Executive Officer (Mr Bruno Lafont) and of the Honorary President (Mr Bertrand Collomb).

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 8.5 (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 is very common in French issuing companies with Board of Directors. It is deemed adapted to the Lafarge organization and practice, and comply with the prerogatives of each governing body (General Meetings, Board of Directors, Executive Officers), 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 the 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 Directors 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 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. He also acts as Director for EDF. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2012.

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. His term of office will expire at the General Meeting called to approve the financial statements for fiscal year 2012.

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 2009.

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 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 2012.

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 also Founder member of the *Club Entreprise et Handicap,* Director of the *Fondation Nestlé pour la nutrition* and of Rallye. 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 2012.

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 Chairman of the French Institute of International Relations, Chairman of the I*nstitut des Hautes Études* for Science and Technology, member of the Executive Committee of the European Institute of Innovation and Technology and of the European Corporate Governance Forum. 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 2012.

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. 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 Co-Chief Executive Office 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), 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, and Global Advisor for Merrill Lynch (New York, US). Mr Desmarais is a member of the Economic Consultative Council directed by 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 Concil" of the Mazankowski Alberta Heart Institute, member of the BAC and Co-President of the national campaign for the preservation of nature in Canada (NCC). 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, Belgium.

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 since 1993. 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 Caucaso 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 C.V. (Mexico) since 1985. He is a Director of Grupo Azucarero Mexico S.A., Mexicana de Aviacion, IDEA S.A., Grupo Mexico S.A. de C.V. (Mexico) and Caterpillar Inc. (US). He is a member 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 2012.

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 Études Commerciales* (HEC 1984 – Paris). Jérôme Guiraud is the Chief Executive Officer of NNS Capital and a Director of OCI (Orascom Construction Industries S.A.E). 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 has 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 Graviers, 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 Chief Operating Officer and subsequently Chairman and Chief Executive Officer of Crédit Commercial de France from 1982 to 1993, Chairman and Chief Executive Officer of BNP then BNP Paribas from 1993 to 2003. He is a Director of Total, Saint-Gobain, EADS N.V. (Netherlands) and of Pargesa Holding (Switzerland), member of the Supervisory Board of AXA and non-voting Director of Galeries Lafayette. He is President of the *Institut de l'Entreprise* and President of the Supervisory Board of the *Institut Aspen France*. 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 N.V. (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 2012.

Michel Rollier: Director, 23, place des Carmes-Déchaux, 63000 Clermont-Ferrand.

Michel Rollier was appointed to Lafarge's Board of Directors in 2008. He graduated from the *Institut d'Études Politiques* (1967) and the Université de Droit of Paris (1968). He has been Managing Partner of the Compagnie Générale des Établissements Michelin since May 2005. He previously held several positions with Aussedat-Rey (International Paper Group) starting in 1971, including controller until 1982, Unit Operational Manager from 1982 to 1987, Chief Financial Officer between 1987 and 1994 and Deputy Managing Director from 1994 to 1996. Mr Rollier joined Michelin as Chief Legal Officer and Head of Financial Operations. He was appointed member of the Michelin Group Executive Council and Chief Financial and Legal Officer in 1999. 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, Belgium.

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 S.A.E). 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.

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 2012. Chief Executive Officer since January 2006. Chairman and Chief Executive Officer since May 2007.	*Current positions:* 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 *Positions over the last five years and no longer exercized in France and abroad:* Positions in various subsidiaries of the Group	24,006
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 2012.	*Current positions:* 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) *Positions over the last five years and no longer exercized:* Abroad: Director of Unilever Director of Colonial	6,193
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 2009.	*Current positions:* In France: Director of Lafarge Director of GSE Director of OPTIMUS Manager of SEFE SARL *Positions over the last five years and no longer exercized:* In France: Manager of S4E SARL	1,678
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 2012.	*Current positions:* In France: Director of Lafarge Director of Sonepar Chairman of the Supervisory Board of Éditions du Cerf Chairman of the Supervisory Board of Devoteam Director of Provimi Abroad: Director of SONAE (Portugal) Director of Myriad (Switzerland) Director of Cie Européenne de Téléphonie (Luxembourg) *Positions over the last five years and no longer exercized:* In France: Director of Editis until 2009 Censor of Asterop until 2008 Director of Banque Transatlantique until 2007 Director of Orsid SAS until 2005	5, 552

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 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 2012.	*Current positions:* In France: Director of Lafarge 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. (subsidiary of Alphident) Director of Rallye *Positions over the last five years and no longer exercized:* In France: Chairman of Entreprise et Progrès until 2009. Chairman and Chief Executive Officer of Procter & Gamble in France from 1999 to 2006	3,368
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 2012. Honorary Chairman of Lafarge.	*Current positions:* In France: Director of Lafarge Director of Total Abroad: Director of Atco Ltd. (Canada) Director of DuPont (USA) *Positions over the last five years and no longer exercized in France and abroad:* Positions in various subsidiaries of the Group Director of Vivendi Universal until 2005 (France) Director of Unilever until 2006 (Netherlands)	112,942
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.	*Current positions:* In France: Director of Lafarge Abroad: Chief Executive Officer of Viacom Inc. (USA) Director of National Amusements Inc. (USA) *Positions over the last five years and no longer exercized:* 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

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 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.	*Current positions:* In France: Director of Lafarge Director of Total S.A. Director of GDF-Suez Abroad: Chairman of the Board and Co-Chief Executive Officer of Power Corporation of Canada Chairman of the Executive Committee, Co-Chief Executive Officer 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 *Positions over the last five years and no longer exercized:* In France: Vice-Chairman of the Board of Imérys Abroad: Director of GWL Properties until 2007 Chairman of Power Financial Corporation (Canada)	6,715

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.	*Current positions:* In France: Director of Lafarge Director of Pernod-Ricard Abroad: 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 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 ASBL Fonds Charles-Albert Frère (Belgium) Director of Stichting Administratie Kantoor Frère-Bourgeois (Netherlands) Director of Suez-Tractebel S.A. (Belgium) *"Commissaris"* of Frère-Bourgeois Holding B.V. (Netherlands) *"Commissaris"* of Frère-Bourgeois Holding N.V. (Netherlands) *"Commissaris"* of Parjointco N.V. (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) Honorary consul of France (Belgium) Manager Agriger Sprl (Belgium) Manager Gbl Energy SARL (Luxembourg) Manager Gbl Verwaltung SARL (Luxembourg)	1,143

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 2012.	*Current positions:* 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 C.V. (Mexico) Director of Caterpillar Inc. (USA) *Positions over the last five years and no longer exercized:* In France: Member of the International Advisory Board of Lafarge Member of the International Advisory Board of Textron Inc. Abroad: President of Fondo Mexico from February 1989 to March 2005	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.	*Current positions:* In France: Director of Lafarge Abroad: Chief Executive Officer of NNS Capital (United Kingdom) Director of Orascom Construction Industries S.A.E (Egypt) *Positions over the last five years and no longer exercized:* 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 subsidiary of Sanofi-Aventis) from 2006 to 2008 Director of JET4YOU (Morocco subsidiary of TUI) from 2006 to 2008	3,948
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.	*Current positions:* 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) *Positions over the last five years and no longer exercized in France and abroad:* Positions in various subsidiaries of the Group Director of Sonoco Products Company (USA) until 2007	49,220
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.	*Current positions:* *In France:* Director of Lafarge *Positions over the last five years and no longer exercized:* In France: Director of international development for Kerneos, retired since July 1, 2008	30,354

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 Pébereau (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.	*Current positions:* In France: Director of Lafarge Chairman of the Board of Directors of BNP Paribas and various executive positions in the Group's subsidiaries 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 N.V. (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) *Positions over the last five years and no longer exercized:* Abroad: Director of BNP Paribas UK Holdings Ltd. until 2005 (United Kingdom)	3,080
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 2012.	*Current positions:* In France: Director of Lafarge Director of BNP Paribas Member of the Supervisory Board of Publicis Groupe 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 N.V. (Netherlands) *Positions over the last five years and no longer exercized:* In France: Chairman of Pechel Services SAS Various positions as Director in relation with her position in Pechel Industries Partenaires (Xiring, Quinette Gallay, CVGB-Dourthe Kressman S.A., HFR6 S.A., SVP Management et Participations S.A.) Abroad: Director of Alliance Boots Plc. (United Kingdom) from 2000 to 2007	2,883
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.	*Current positions:* In France: Director of Lafarge Director of Moria Managing Partner of the Compagnie Générale des Établissements Michelin Abroad: Managing Partner of la Compagnie Financière Michelin (Switzerland)	1,758

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.	*Current positions:* 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) Various positions as Director in relation with his position in the Groupe Bruxelles Lambert (Brussels Securities, GBLTreasury Center, GBL Participations, Sagerpar, GBL Energy Sarl, GBL Verwaltung Sarl, GBL Verwaltung GmbH) Director of the Compagnie Nationale à Portefeuille S.A. (Belgium) Director of Suez-Tractebel S.A. (Belgium) *Positions over the last five years and no longer exercized:* In France: Director of SI Finance until 2005 Abroad: Various positions as Director in relation with his position in the Groupe Bruxelles Lambert (GBL Finance SA until 2009 and Immobilière Rue de Namur until 2007)	5,842
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.	*Current positions:* In France: Director of Lafarge Abroad: Chief Executive Officer, and Director of Orascom Construction Industries S.A.E (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 *Positions over the last five years and no longer exercized:* Abroad: Director of OBMH (Orascom Building Material Holding S.A.E)	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 conducting the affairs of any issuer.

5.1.3 Independent Directors

In accordance with the recommendations of the Afep-Medef Code and the Board's 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 Pébereau.

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."
- Finally, as regards to Board members representing shareholders holding 10% or more of the capital or voting rights of the company, the Afep-Medef Code provides that the Board should systematically examine their qualifications as independent directors. The Lafarge's Directors linked to our two major shareholders (Groupe Bruxelles Lambert and NNS Holding) are not qualified as independent Directors.

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 dependancy 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 dependancy for 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:

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.

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.

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.

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.

4. Diligence

A Director must dedicate the necessary time and attention to his office, while respecting the legal requirements governing the accumulation 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.

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.

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.

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.

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.

9. 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 a 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.

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 Consulteria 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 Chief Executive Officer of Lafarge Ciments France. From 2000 to August 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.

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 Ciment, 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 South-East 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 the 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. From 2005 to August 2007, he was 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 and Executive Vice-President, 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 and 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 as Communication and Marketing Director. From 1996 to 1999, he acted as Regional President for Asia in Singapore, then in Paris until 2006 for Africa. He was appointed as Executive Vice-President, Strategy and Development for the Group in 2006. He has been Executive Vice-President Strategy, Development & Public Affairs and a member of the Executive Committee since January 1, 2008. He is a Director of COE Rexecode (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 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

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.

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 and 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;
- in May 2009 to add to the Strategy and Investment Committee duties the Company's sustainable development and societal responsibility. As a consequence, this Committee changed its name to Strategy, Investment and Sustainable Development Committee; and
- in November 2009 to specify the Audit Committee's duties in relation to risk management. As a consequence, this Committee changed its french name.

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 for 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).

Main activities

During fiscal year 2009, the Board of Directors held 7 meetings. The average attendance rate of its members was 95%.

Approximately one week prior to every Board meeting, every Director receives 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, Investment and Sustainable Development Committee. The Committees carry out their assignments under the supervision of the Board of Directors.

In 2009, 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 developments and divestments, the Group's financing, the capital increase of a gross amount of 1,500,317,581 euros, the, bond issues and a capital increase reserved for the Group's employees.

In addition, the Board discussed its practices.

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, Investment and Sustainable Development Committee.

The Committees are composed of a minimum of three members and a maximum of ten members nominated by the Board of Directors from 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 2 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.

a) 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, fees and duties of the statutory auditors.

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 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.

Risk management

- to ensure that appropriate means and measures are put in place by, or at the initiative of, the general management to enable identification, analysis and continuing improvement in the management of risks to which the Group may be exposed as a result of its operations.
- every year, to dedicate one of its meetings to Internal Control, Internal Audit and risk management.

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 2009, the Audit Committee held 5 meetings. The average attendance rate of its members was 97%.

In 2009, the Audit Committee conducted a preliminary review of the statutory and consolidated 2008 annual financial statements, our statutory interim financial statements and quarterly financial consolidated statements for the first three quarters 2009. This Committee worked on the financings and debt situation and on the follow up of the internal control and internal audit. It also made a regular update on fraud and approved its new duties relating to risk management and its change of name. The Audit Committee also reviewed the auditors' budget and approved the Internal Audit Charter and the Ethics Code and evaluated its organisation and practices as further described in 5.3.3 (Self-assessment by the Board, Committees, Chairman and Chief Executive Officer) below.

As part of its preliminary review of the statutory and consolidated 2009 financial statements in February 2010, and on the basis of presentations made by the finance management and external auditors, the Audit Committee reviewed the principal items, with a special focus on other operating income and expense, finance costs, tax and goodwill impairment tests, as well as major off-balance sheet commitments and exposure to risks. It also reviewed management's assessment of internal controls over financial reporting as described in detail in management's report on internal control over financial reporting, as well as the auditors' assessment of the accounting options adopted, 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 2009 and issued recommendations to the Board.

See Chapter 9 (Controls 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 Director's 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 2009, the Corporate Governance and nominations Committee held 3 meetings. The average attendance rate of its members was 94%.

In 2009, the work of the Corporate Governance and nominations Committee focused notably on the Board composition, the review of Lafarge's Articles of Associations and on the Board of Directors self-assessment as further described in 5.3.3 (Self-assessment by the Board, Committees, Chairman and

Chief Executive Officer) below. It made recommendations on the renewal of the Chairman and Chief Executive Officer and Vice-Chairman of the Board positions, and decided to keep the same composition of the different Committees. It also approved modifications to the Board's internal regulations.

c) 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

The 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 performances of senior management 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 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 exercize of stock subscription or purchase options by senior management.

MAIN ACTIVITIES

During fiscal year 2009, the Remunerations Committee held 6 meetings. The average attendance rate of its members was 100%.

During the course of 2009, the work of the Remunerations Committee notably focused on the review and consequences of the Afep/Medef recommendations on senior managers' remuneration, the Chairman and Chief Executive Officer's remuneration (including the criterias of the variable part and the modifications of his employment contract), on the capital increase reserve to the Group employees, the allotment of stock options and performance shares and on the allotment of Directors' fees among Directors for 2009. In addition, a benchmark of the senior managers' remuneration has been reviewed by the members of the Committee.

d) The Strategy, Investment and Sustainable Development Committee

COMPOSITION

The members of the Strategy, Investment and Sustainable Development 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, Investment and Sustainable Development 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 is also 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.

The Company's sustainable development and societal responsibility are a component of Lafarge's long-term strategy and constitute one of the aspects of its economic development.

MAIN ACTIVITIES

During fiscal year 2009, the Strategy, Investment and Sustainable Development Committee held 2 meetings. The average attendance rate of its members was 100%.

Since 2004, the Strategy, Investment and Sustainable Development Committee has been open to all Directors wishing to attend its meetings. In 2009, the Strategy, Investment and Sustainable Development Committee discussed the Group's strategy with a special emphasis on the Group's investments in Africa. It also performed a benchmark of Lafarge's performance compared to its competitors. In particular, the Committee discussed the impact of the economic crisis on the Group's Strategy and the effects of a growing interest from customers and prescribers in sustainable construction.

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 within the Board, and the effective participation and involvement in the deliberation of each Director, is to take place at least every 2 years using a questionnaire approved by the Board.

Early 2009, the Board initiated a formal assessment of its organization and practices in accordance with its internal regulations. This questionnaire includes the assessment of the Committees.

The Audit Committee also conducted a self-assessment in the same period with a further specific questionnaire.

The outcome of the comments and discussions resulting from this assessment was that the 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:

- concerning the composition of the Board, the 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 the organization of the Board and its Committees, the breadth of topics covered during meetings was considered satisfactory. These topics were handled effectively and were adapted to the Company's situation. 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 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 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 from the Board in between meetings when justified by a certain topic could be considered.

Lastly, the self assessment of the Board of Directors has been put on its agenda beginning of 2010.

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 2009, as well as Director membership and attendance at these various meetings. One out of the seven Board meetings held in 2009 was convened in addition to the meetings originally scheduled as a result of the capital increase realised on April 28, 2009. In 2009, the average attendance rate at Board meetings was 95% and the average attendance rate at Committee meetings stood at over 98%.

	BOARD OF DIRECTORS	AUDIT COMMITTEE	CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE	REMUNERATIONS COMMITTEE	STRATEGY, INVESTMENT AND SUSTAINABLE DEVELOPMENT COMMITTEE
NUMBER OF MEETINGS IN 2009	**7**	**5**	**3**	**6**	**2**
Bruno Lafont	7	-	-	-	-
Oscar Fanjul	7	-	3	6	-
Jean-Pierre Boisivon	7	5	-	-	-
Michel Bon	7	5	-		2
Philippe Charrier	7	-	-	6	2
Bertrand Collomb	7	-	-	-	-
Philippe Dauman	6	-	3	-	2
Paul Desmarais Jr	4	-	-	-	2
Gérald Frère	7	-	3	-	-
Juan Gallardo	7	5	3	6	-
Jérôme Guiraud	7	5	-	-	-
Bernard Kasriel	7	-	-	-	-
Pierre de Lafarge	7	-	-	-	2
Michel Pébereau	5	-	3	6	2
Hélène Ploix	7	5	-	-	-
Michel Rollier	7	4	2	-	-
Thierry de Rudder	7	5	-	6	-
Nassef Sawiris	7	-	-	6	2

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 and benefits

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 2009, an additional fee of 1,154.47 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 2010 (with respect to the 2009 fiscal year) was 609,787 euros. The total amount of Directors' fees remained the same as the total amount paid in 2009 (with respect to the 2008 fiscal year). 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 2009 PAID IN 2010 *(euros)*	DIRECTORS' FEES FOR 2008 PAID IN 2009 *(euros)*	DIRECTORS' FEES FOR 2007 PAID IN 2008 *(euros)*
Bruno Lafont	23,326	24,652	28,056
Oscar Fanjul	45,152	46,672	35,711
Jean-Pierre Boisivon	29,098	29,356	33,180
Michel Bon	31,407	31,708	34,461
Philippe Charrier	32,562	28,180	30,618
Bertrand Collomb	23,326	24,652	28,056
Philippe Dauman	40,643	36,412	17,871
Paul Desmarais Jr (1)	29,098	34,060	N/A
Gérald Frère (2)	26,789	11,150	N/A
Juan Gallardo	63,732	52,875	53,677
Jérôme Guiraud (2)	29,098	13,502	N/A
Bernard Kasriel	23,326	24,652	28,056
Pierre de Lafarge	25,635	27,004	15,309
Michel Pébereau	37,528	40,224	36,992
Hélène Ploix	32,910	33,168	34,430
Michel Rollier (2)	30,253	14,678	N/A
Thierry de Rudder (1)	36,025	31,708	N/A
Nassef Sawiris (1)	49,879	48,171	N/A
TOTAL	**609,787**	**609,794(3)**	**502,701(3)**

(1) Directors appointed on January 18, 2008.
(2) Directors appointed on May 7, 2008.
(3) Including fees paid to Directors whose term of office expired before 2009.

According to Group policy, no Directors' fees have been paid with respect to the 2009 fiscal year 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 with respect to the 2009 fiscal year comprised only fees (excluding Chairman's compensation).

5.4.2 Compensation and benefits paid to the Chairman and Chief Executive Officer

Fixed and variable 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. These Board of Directors decisions are taken with Bruno Lafont not attending the discussion.

The compensation paid to the Chairman and Chief Executive Officer comprises a fixed portion and a performance-related portion.

In 2009, his fixed annual compensation remained unchanged at 900,000 euros. There has been no change since his appointment as Chairman and Chief Executive Officer on May 3, 2007.

The performance-related portion might be up to 160% of his fixed remuneration. 75% of the performance-related pay is based on the financial results of the Group in comparison to objectives set at the beginning of the year, and 25% is based on his individual performance also determined by reference to personal objectives set at the beginning of the year.

For 2009, financial objectives used to determine performance-related pay were the change in earnings per share, the generation of free cash flow, the change in economic value-added, which reflects the return on capital employed, and the change in Lafarge's performance compared to its competitors. For their part, personal objectives related to the Group's strategy, the financial structure, the development of the health and safety program, human resources and people development and relations with investors and shareholders.

The Board of Directors decided to set the percentage of the 2009 performance-related pay due to our Chairman and Chief Executive Officer at 70.5% of his maximum performance-related portion, which amounts to 1,016,100 euros, paid in 2010. This performance corresponds to an achievement at 62,4% of financial objectives (the objective of generation of free cash flow being the only one fully achieved) and at 95% of personal objectives.

Long-term incentive based on the Company's performance

On November 5, 2009, the Board of Directors decided to grant a long-term incentive to the Chairman and Chief Executive Officer Mr Bruno Lafont, based on the Company's performance over a period of three to seven years.

Such compensation will be due and payable between 2012 and 2016 insofar as the Company's performance as benchmarked against a group of peer companies in the sector remains in the top half (external performance condition).

Provided this external performance condition is met, the amount of the long-term incentive will depend on the achievement of free cash flow and return on capital employed (ROCE) pre-defined objectives over a given period, such objectives corresponding to the Company's strategic objectives as set by the Board and already used in relation to the Group's senior management (internal performance conditions). The amount of the long-term incentive will be reduced by a quarter for each internal performance condition which remains unsatisfied. Each performance condition (external and internal) will be tested every two years over the period until it is declared as being fulfilled.

If all performance conditions are satisfied, the long-term incentive will amount to 1,500,000 euros as positively or negatively adjusted based on the evolution of the total shareholder return since the beginning of 2010 (percentage calculated by taking into account dividend and share price evolution).

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THE COMPENSATION PAID TO OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR 2009, 2008 AND 2007 WAS AS FOLLOWS:

	2009 AMOUNT		2008 AMOUNT		2007 AMOUNT	
(thousand euros)	*Due*	*Paid*	*Due*	*Paid*	*Due*	*Paid*
Bruno Lafont, Chairman and Chief Executive Officer						
Fixed compensation	900	900	900	900	869	920 (1) (2)
Variable compensation (3)	1,016	919	919	1,940	1,940	1,194
Exceptional compensation	N/A	N/A	N/A	N/A	N/A	N/A
Lafarge S.A. Directors' fees	23	25	25	28	28	27
Benefits in kind (Company car)	5	5	5	5	5	5
TOTAL	**1,944**	**1,849**	**1,849**	**2,873**	**2,842**	**2,146**

(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 instalments 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.

In 2009, no stock-options have been granted to the Chairman and Chief Executive Officer.

(euros)	VALUATION OF OPTIONS GRANTED IN 2009 *
B. Lafont	0

** 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).*

No performance share has been granted to the Chairman and Chief Executive Officer.

Employment contract and Severance arrangements for the Chairman and Chief Executive Officer

EMPLOYMENT CONTRACT OF BRUNO LAFONT

To achieve compliance with the Afep-Medef Code, the principle to terminate Mr Bruno Lafont's employment contract on June 30, 2011 had been agreed between him and the Board of Directors in February 2009.

The employment contract of Mr Bruno Lafont, originally signed on January 1, 1983, had been suspended as from January 1, 2006, the date of his appointment as Chief Executive Officer.

SEVERANCE COMPENSATION AND AMENDMENTS TO THE EMPLOYMENT CONTRACT

If, until his employment contract is terminated, Bruno Lafont were once again to receive the benefits of his employment contract after his term of office as Chairman and Chief Executive Officer, 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 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 contract'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 ratio 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 Contract 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 favourable 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 contract resulting from the decisions made by the Board and mentioned above have been presented and approved by the shareholders' general meeting held on May 6, 2009.

PENSIONS AND OTHER RETIREMENT BENEFITS FOR THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Bruno Lafont is eligible for a supplementary defined benefits plan (through two collective plans applicable to Senior Management). In principle, a person is eligible for this plan only if he is still working in the Company upon his retirement date or if he ends his career in the company after 55 years old on the initiative of the latter. 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 Afep-Medef Code, 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 was renewed by the General Meeting on May 6, 2009.*

5.4.3 Total compensation of the Executive Officers in 2009 and pension and other retirement benefits

The aggregate gross amount of compensation of Bruno Lafont in his capacity as Chairman and Chief Executive Officer and of the other Executive Officers in 2009, including variable remuneration, was 8.9 million euros. This aggregate amount was 11.1 million euros in 2008 and 9.8 million euros in 2007.

This amount:

- includes the fixed portion of Executive Officers' salaries in 2009 as well as the bonuses paid in 2009 in respect to 2008;
- 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 2009, for the period of the year during which they were Executive Officers;
- includes the Directors' fees paid by Lafarge S.A. to Bruno Lafont.

At the end of 2009 like at the end of 2008, the number of Executive Officers remained unchanged at 11 persons.

The decrease in the aggregate amount of compensation paid to the Executive Officers in 2009 in comparison to 2008 mainly results from the decrease of the variable compensation paid in 2009 due with respect to the previous fiscal year.

Furthermore, the aggregate amount set aside or accrued to provide pension, retirement or similar benefits for Executive Officers (11 persons) was 21.4 million euros at December 31, 2009.

5.5 Stock options and performance share plans

5.5.1 Grant policy - Performance conditions and holding rule

Grant policy

The objective of the Group's global remuneration policy 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 is achieved both through the grant of stock options and performance shares. Stock options are granted to senior management and Corporate Executive Officers while performance shares are reserved mainly for middle management, expatriates and other employees in recognition of their commitment and achievements for the Group.

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. In the last years, options and performance shares were usually granted at the end of the first quarter. Regarding stock options, both stock purchase and subscription options may be granted. No discount is applied to the exercise price. 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.

Performance conditions

Since 2003, a portion of the stock options granted to the Chairman, Corporate Executive Officers and members of the Executive Committee is subject to performance conditions. In line with the October 2008 Afep-Medef recommendations, the Company's policy since 2009 (as approved by the Board of Directors) is that all stock options granted to Corporate Executive Officers must be conditional upon performance requirements (Corporate Executive Officers may not be awarded performance shares under the Company's policy). No stock options were granted to the Chairman and Chief Executive Officer in 2009. In addition, in 2009, 70% of the stock options awarded to members of the Executive Committee were conditional upon performance requirements. Between 2005 and 2008, the portion of stock options granted to Corporate Executive Officers and members of the Executive Committee subject to performance conditions amounted to 50%, and to 30% for the years 2003 and 2004.

Part of the stock options and performance shares granted to employees is also conditional upon performance requirements, depending on the employee's level of responsibility.

The performance condition for stock options and performance shares granted to employees in 2009 (other than members of the Executive Committee and certain senior managers) is the achievement of cost reduction targets at the end of 2009 as part of the Excellence 2010 program. On February 18, 2010, the Board of Directors stated that the Excellence 2010 cost reduction targets were met and, as a consequence, that the performance condition was satisfied.

Stock options granted to members of the Executive Committee and certain senior managers in 2009 (no stock options were awarded to the Chairman and Chief Executive Officer) are conditional upon 2 performance requirements, an external requirement based on the Group's performance compared to

competitors and an internal requirement based on free cash flow and return on capital employed targets.

The performance condition applicable to the 2006 exceptional stock options award to Executive Committee members and to the 2007 and 2008 stock options awards corresponded to the achievement of cost reduction targets announced as part of the Excellence 2008 program. On February 19, 2008, the Board of Directors stated that the Excellence 2008 cost reduction targets were met and, as a consequence, that the performance condition was satisfied.

Stock options granted between 2003 and 2006 were contingent upon the performance of the Lafarge 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 2 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.

Holding rule

As regards Corporate Executive Officers (those in office and future Officers), the Board of Directors held on February 19, 2009 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 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 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.

5.5.2 Stock options plans

Total stock options outstanding at the end of December 2009 were 8,358,955 representing approximately 2.92% of our outstanding shares at December 31, 2009.

As of the date of this Annual Report all the stock option exercise prices of the options attributed and capable of being exercised 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, early 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 2009: stock options granted to the Corporate Executive Officers and to largest beneficiaries

The tables below set forth the following information related to Mr Bruno Lafont, Chairman and Chief Executive Officer:

- options granted by Lafarge and Group subsidiaries to the Corporate Executive Officer;
- options exercised by the Corporate Executive Officer in 2009;
- total number of options outstanding with respect to the Corporate Executive Officer at December 31, 2009.

OPTIONS GRANTED IN 2009 TO THE CORPORATE EXECUTIVE OFFICER

	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
Bruno Lafont	No options were granted to the Corporate Executive Officer in 2009					

OPTIONS EXERCISED BY THE CORPORATE EXECUTIVE OFFICER IN 2009

	PLAN NO. AND DATE OF GRANT	TOTAL NUMBER OF OPTIONS EXERCISED	WEIGHTED AVERAGE EXERCISE PRICE *(euros)*
Bruno Lafont	The Corporate Executive Officer did not exercise any option in 2009		

OPTIONS GRANTED BY US AND OUR CONSOLIDATED SUBSIDIARIES TO THE CORPORATE EXECUTIVE OFFICER OUTSTANDING AT DECEMBER 31, 2009

	OPTIONS EXERCISABLE AT DECEMBER 31, 2009	OPTIONS NOT EXERCISABLE AT DECEMBER 31, 2009	TOTAL
B. Lafont	166,523 *	277,670*	444,193 *

** Including those options, exercisability of which is contingent upon performance conditions.*

Mr Bruno Lafont, Chairman and Chief Executive Officer, does not use hedging instruments in relation to options granted.

As of the date of this Annual Report, all the stock options exercise prices of the options attributed and capable of being exercised are above the Lafarge share price.

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	145,000	€30.74	OSA 2009 03/25/2009
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	2,837	€58.71	OSA 2003 12/10/2003 OSA 2004 12/14/2004

** One share per option.*

Directors, Executive Officers' and Senior Management' stock options

At December 31, 2009, the Directors, Executive Officers and Senior Management (listed in Section 5.2) held 24.99% of unexercised options.

Stock options outstanding in 2009

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.

OPTIONS TO SUBSCRIBE FOR SHARES GRANTED FROM DECEMBER 15, 1999 TO DECEMBER 14, 2004

	OSA 1999 12/15/1999	OSA 2001 12/13/2001	OSA 2002-LEA 05/28/2002 *	OSA 2002-2 12/11/2002	OSA 2003 12/10/2003	OSA 2004 12/14/2004
Allotment authorized by the Shareholders' Meeting of	05/27/1999	05/28/2001	05/28/2001	05/28/2001	05/20/2003	05/20/2003
Date of allotment by the Board of Directors	12/15/1999	12/13/2001	05/28/2002	12/11/2002	12/10/2003	12/14/2004
Type of options	subscription	subscription	subscription	subscription	subscription	subscription
The total number of shares that could be subscribed upon exercise of the options	1,148,642	1,403,607	539,000	545,730	1,427,604	791,575
Of which by Directors and Corporate Executive Officers						
Bruno Lafont	*7,976*	*12,296*	*124*	*12,296*	*28,925*	*34,709*
Bertrand Collomb	*79,742*	*147,549*	-	-	*92,556*	*46,279*
Bernard Kasriel	*39,872*	*73,556*	-	-	*137,013*	*80,987*
Initial beneficiaries (total)	1,552	1,703	14,364	421	1,732	479
Available for exercise from	12/15/2004	12/13/2005	05/28/2006	12/11/2006	12/10/2007	12/14/2008
Option exercise period lapses	12/15/2009	12/13/2011	05/28/2012	12/11/2012	12/10/2013	12/14/2014
Exercise price *(euros)*	71.48	83.12	87.98	64.38	57.00	61.19
TOTAL NUMBER OF OPTIONS SUBSCRIBED AS AT DECEMBER 31, 2009	437,060	328,717	104,831	218,427	263,010	9,134
TOTAL NUMBER OF OPTIONS CANCELLED OR THAT HAVE LAPSED **	711,582	53,598	5,536	7,869	40,986	19,572
OPTIONS OUTSTANDING AT DECEMBER 31, 2009	**0**	**1,021,292**	**428,633**	**319,434**	**1,123,608**	**762,869**

* *2002 employee stock purchase plan.*
** *In accordance with the terms of the plan.*

OPTIONS TO SUBSCRIBE FOR SHARES GRANTED FROM DECEMBER 16, 2005 TO MARCH 25, 2009

	OSA 2005 12/16/2005	OSA 2006-1 05/24/2006	OSA 2006-2 05/24/2006	OSA 2007 06/15/2007	OSA 2008 03/26/2008	OSA 2009 03/25/2009
Allotment authorized by the shareholders' meeting of	05/25/2005	05/25/2005	05/25/2005	05/03/2007	05/03/2007	05/03/2007
Date of allotment by the Board of Directors	12/16/2005	05/24/2006	05/24/2006	06/15/2007	03/26/2008	03/25/2009
Type of options	subscription	subscription	subscription	subscription	subscription	subscription
The total number of shares that could be subscribed upon exercise of the options	1,466,294	768,626	171,980	621,865	819,487	744,045
Of which by Directors and Corporate Executive Officers						
Bruno Lafont	*69,418*	*69,418*	-	*69,418*	*138,834*	-
Bertrand Collomb	*46,278*	-	-	-	-	-
Bernard Kasriel	*69,418*	-	-	-	-	-
Initial beneficiaries (total)	1,916	536	33	169	184	197
Available for exercise from	12/16/2009	05/24/2010	05/24/2010	06/15/2011	03/26/2012	03/25/2013
Option exercise period lapses	12/16/2015	05/24/2016	05/24/2016	06/15/2017	03/26/2018	03/25/2019
Exercise price *(euros)*	62.78	84.42	84.42	110.77	96.18	30.74
TOTAL NUMBER OF OPTIONS SUBSCRIBED AS AT DECEMBER 31, 2009	45,975	3,050	0	0	0	0
TOTAL NUMBER OF OPTIONS CANCELLED OR THAT HAVE LAPSED *	43,497	21,386	10,000	37,928	19,755	5,786
OPTIONS OUTSTANDING AT DECEMBER 31, 2009	**1,376,822**	**744,190**	**161,980**	**583,937**	**799,732**	**738,259**

* *In accordance with the terms of the plan.*

OPTIONS TO PURCHASE SHARES GRANTED

	OAA 2000 DU 12/13/2000	OAA 2001 DU 12/13/2001
Allotment authorized by the shareholders' meeting of	05/27/1999	05/27/1999
Date of allotment by the Board of Directors	12/13/2000	05/28/2001
Type of options	purchase	purchase
The total number of shares that could be purchased upon exercise of the options	538,242	14,756
Of which by Directors and Corporate Executive Officers		
Bruno Lafont	*8,755*	-
Bertrand Collomb	-	-
Bernard Kasriel	-	-
Initial beneficiaries (total)	438	1
Available for exercise from	12/13/2005	05/28/2006
Option exercise period lapses	12/13/2010	05/28/2011
Exercise price *(euros)*	68.92	88.27
TOTAL NUMBER OF OPTIONS PURCHASED AS AT DECEMBER 31, 2009	244,137	0
TOTAL NUMBER OF OPTIONS CANCELLED OR THAT HAVE LAPSED *	10,662	0
OPTIONS OUTSTANDING AT DECEMBER 31, 2009	**283,443**	**14,756**

** 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 2009 was 356,393, representing approximately 0.12% of our outstanding shares at December 31, 2009.

Main terms

PERFORMANCE SHARE TERMS

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 2 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.

Fiscal year 2009: 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
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	6,818	AGA 2009 03/25/2009

According to Group policy no performance shares have been granted to Directors and Corporate Executive Officers.

Performance shares plans outstanding in 2009

PERFORMANCE SHARES GRANTED FROM JUNE 15, 2007 TO MARCH 25, 2009

	AGA 2007 06/15/2007	AGA 2008 03/26/2008	AGA 2009 03/25/2009
Allotment authorized by the shareholders' meeting of	05/03/2007	05/03/2007	05/03/2007
Date of allotment by the Board of Directors	06/15/2007	03/26/2008	03/25/2009
Performance shares initially granted (total)	143,090	52,250	230,758
Initial beneficiaries (total)	2,040	628	2,461
French tax residents	*741*	*201*	*693*
Non-French tax residents	*1,299*	*427*	*1,768*
Date of definitive allotment			
French tax residents	*06/15/2009*	*03/26/2010*	*03/25/2011*
Non-French tax residents	*06/15/2011*	*03/26/2012*	*03/25/2013*
Date performance shares can be transferred (all beneficiaries included)	06/15/2011	03/26/2012	03/25/2013
PERFORMANCE SHARES CANCELLED *	10,222	1,435	1,403
PERFORMANCE SHARES DEFINITIVELY ALLOTTED AT DECEMBER 31, 2009 *	56,645	0	0
PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2009	**76,223**	**50,815**	**229,355**

** 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 0.10% of our share capital and 0.11% of voting rights at December 31, 2009.

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 2009:

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 27, 2009	Isidoro Miranda	Acquisition	35.6438	16,039.71	Lafarge shares	Euronext Paris
January 27, 2009	Isidoro Miranda	Acquisition	35.945	16,175.25	Lafarge shares	Euronext Paris
January 27, 2009	Isidoro Miranda	Acquisition	35.8162	16,117.29	Lafarge shares	Euronext Paris
April 28, 2009	Nassef Sawiris	Subscription	16.65	8,791.20	Lafarge shares	Euronext Paris
April 28, 2009	Jérôme Guiraud	Subscription	16.65	21,728.25	Lafarge shares	Euronext Paris
April 28, 2009	Thierry de Rudder	Subscription	16.65	30,669.30	Lafarge shares	Off market
April 28, 2009	Michel Pebereau	Subscription	16.65	16,183.80	Lafarge shares	Euronext Paris
April 28, 2009	Bernard Kasriel	Subscription	16.65	15,384.60	Lafarge shares	Euronext Paris
April 28, 2009	Bernard Kasriel	Subscription	16.65	243,456.30	Lafarge shares	Euronext Paris
April 28, 2009	Isidoro Miranda	Subscription	16.65	7,692.30	Lafarge shares	Euronext Paris
April 28, 2009	Isidoro Miranda	Subscription	16.65	47,752.20	Lafarge shares	Euronext Paris
April 28, 2009	Isidoro Miranda	Subscription	16.65	47,752.20	Lafarge shares	Euronext Paris
April 28, 2009	Isidoro Miranda	Subscription	16.65	47,752.20	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 28, 2009	Oscar Fanjul	Subscription	16.65	32,567.40	Lafarge shares	Euronext Paris
April 28, 2009	Bruno Lafont	Subscription	16.65	126,273.60	Lafarge shares	Euronext Paris
April 28, 2009	Michel Rollier	Subscription	16.65	9,290.70	Lafarge shares	Euronext Paris
April 28, 2009	Eric Olsen	Subscription	16.65	15,484.50	Lafarge shares	Euronext Paris
April 28, 2009	Michel Bon	Subscription	16.65	30,569.40	Lafarge shares	Euronext Paris
April 28, 2009	Gérard Kuperfarb	Subscription	16.65	8,191.80	Lafarge shares	Euronext Paris
April 28, 2009	Jean Desazars de Montgailhard	Subscription	16.65	2,397.60	Lafarge shares	Euronext Paris
April 28, 2009	A person related to Paul Desmarais Jr	Subscription	16.65	172,094.40	Lafarge shares	Euronext Paris
April 28, 2009	Paul Desmarais Jr	Subscription	16.65	36,879.75	Lafarge shares	Euronext Paris
April 28, 2009	Bertrand Collomb	Subscription	16.65	560,039	Lafarge shares	Euronext Paris
April 28, 2009	A person related to Bertrand Collomb	Subscription	16.65	52,147.80	Lafarge shares	Euronext Paris
April 28, 2009	Jean-Carlos Angulo	Subscription	16.65	21,678.30	Lafarge shares	Euronext Paris
April 28, 2009	Philippe Charrier	Subscription	16.65	17,782.20	Lafarge shares	Euronext Paris
April 28, 2009	Guillaume Roux	Subscription	16.65	9,790.20	Lafarge shares	Euronext Paris
April 28, 2009	Hélène Ploix	Subscription	16.7067	13,331.95	Lafarge shares	Euronext Paris
April 28, 2009	Hélène Ploix	Subscription	16.65	1,898.10	Lafarge shares	Euronext Paris
April 28, 2009	Pierre de Lafarge	Subscription	16.65	159,840	Lafarge shares	Euronext Paris
April 28, 2009	Jean-Jacques Gauthier	Subscription	16.65	1,165.50	Lafarge shares	Euronext Paris
April 28, 2009	Christian Herrault	Subscription	16.65	10,539.45	Lafarge shares	Euronext Paris
April 28, 2009	Jean-Pierre Boisivon	Subscription	16.65	8,791.20	Lafarge shares	Euronext Paris
June 15, 2009	Thomas Farrell	Acquisition	16.97 USD	5,027.30 USD	American Depositary Shares	OTC market
June 22, 2009	Thomas Farrell	Acquisition	15.46 USD	4,975.90 USD	American Depositary Shares	OTC market
September 29, 2009	Eric Olsen	Sale	22.21 USD	13,326 USD	American Depositary Shares	OTC market
September 29, 2009	Eric Olsen	Acquisition	89.0269 USD	13,354.04 USD	Lafarge shares	Euronext Paris
December 11, 2009	Isidoro Miranda	Subscription	47.92	11,980.40	Lafarge shares	Euronext Paris
December 11, 2009	Gérard Kuperfarb	Subscription	39.04	585.60	Lafarge shares	Euronext Paris
December 11, 2009	Jean-Jacques Gauthier	Subscription	48.068	9,613.60	Lafarge shares	Euronext Paris
December 11, 2009	Jean-Carlos Angulo	Subscription	39.04	585.60	Lafarge shares	Euronext Paris
December 11, 2009	Eric Olsen	Subscription	48.312	14,493.60	Lafarge shares	Euronext Paris
December 11, 2009	Thomas Farrell	Subscription	45.872	2,293.60	Lafarge shares	Euronext Paris
December 11, 2009	Christian Herrault	Subscription	48.312	14,493.60	Lafarge shares	Euronext Paris

5.6.3 Employee share offerings

As at December 31, 2009, Lafarge employees held 1.70% of the share capital and 2.21% of voting rights. The employee savings fund *Lafarge 2000* represented 0.43% and the balance was held by employees in direct ownership (registered account).

Employee Stock Ownership Policy

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 of companies controlled by Lafarge in as many countries as possible, 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, 2005 and 2009, enabling employees participating in these plans to subscribe for Lafarge shares, with an employer contribution depending on the gross domestic product of the relevant country and applying to the first shares purchased. 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.

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.

LEA 2009 - Share capital increase for employees

On October 12, 2009, the Chairman and Chief Executive Officer acting by virtue of a delegation of the annual General Meeting of shareholders of May 6, 2009 and under the delegation of the Board of Directors, decided on the terms of the plan LEA 2009. The goal of this employee stock ownership plan was to reach all employees of Lafarge, meaning that it was offered in all countries where it was legally feasible. The subscription price for the shares was set at €48.80, corresponding to 80% of the reference price calculated on the basis of the average opening share price on Euronext Paris S.A. over the twenty trading days preceding October 12, 2009. In the case of LEA 2009, each employee was offered to subscribe for shares of Lafarge while benefiting from a contribution from their employer on the first 15 shares purchased. The share capital increase reserved to eligible employees was realized on December 11, 2009; the total amount subscribed was €4,407,336 corresponding to the issuance of 1,101,834 shares. The subscription rate was 53%.

In the case where it was not possible to offer the LEA program in a country, employees could subscribe to an alternative plan providing the same economical benefits.

Summary table

The following table sets out the main terms of employee stock ownership plans:

	LEA 2009 (1)	LEA 2005 (1)	LEA 2002 (1)	LEA 1999 (2)	LEA 1995 (2)
Number of countries covered	55	46 (3)	47	33	21
Number of eligible employees	70,085	51,150	53,818	40,570	20,113
Subscription rate	53.0%	48.8%	53.3%	51.6%	74.6%
Total number of shares subscribed	1,101,834	576,125	708,718	493,954	482,582
Maximum number of shares offered to each employee	Unlimited	110	110	110	110
Subscription price *(euros)*	48.80	57.31	81.84	73.17	39.94
Associated stock option grant	No	No	Yes	No	Yes
Total number of stock options granted	N/A	N/A	437,373	N/A	331,060(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) These stock options may no longer be exercised.

HEALTH AND SAFETY
United Kingdom. Employees and their families participate in a Health and Safety Month (June 2009) event at the Ferrybridge gypsum plant.

6 Major shareholders

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6.1 Major shareholders and share capital distribution

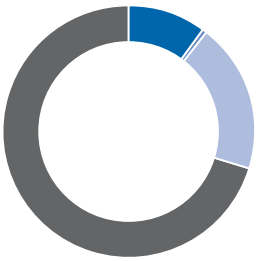
The following tables set out, to the best of our knowledge, the principal holders of Lafarge's share capital at December 31, 2009, 2008 and 2007, their percentage ownership and geographic distribution:

GROUP OF SHAREHOLDERS

AT DECEMBER 31,	2009				2008				2007		
	NUMBER OF SHARES HELD	NUMBER OF VOTES HELD	% OF TOTAL SHARES ISSUED	% OF TOTAL VOTING RIGHTS	NUMBER OF SHARES HELD	NUMBER OF VOTES HELD	% OF TOTAL SHARES ISSUED	% OF TOTAL VOTING RIGHTS	NUMBER OF SHARES HELD	% OF TOTAL SHARES ISSUED	% OF TOTAL VOTING RIGHTS
Groupe Bruxelles Lambert	60,307,265[1]	91,276,163	21.1	27.1	41,262,503	67,764,393	21.1	28.5	30,968,898	17.9	16.4
NNS Holding Sàrl	39,827,277[2]	39,827,277	13.9	11.8	26,902,820	26,902,820	13.8	11.3	-	-	-
Dodge & Cox	12,942,274	19,626,899	4.5	5.8[3]	9,236,500	12,557,525	4.7	5.3	-	-	-
Other institutional shareholders[4]	143,709,122	150,200,648	50.2	44.6	97,563,441	104,825,751	50.0	43.9	120,740,592	70.0	69.8
Individual shareholders	29,287,230	35,184,301	10.2	10.6	19,834,477	25,686,602	10.2	10.8	20,197,852	11.7	13.4
Treasury shares	380,148	380,148[5]	0.1	0.1[5]	436,793	436,793	0.2	0.2	657,233	0.4	0.4
TOTAL	**286,453,316**	**336,495,436**	**100.0**	**100.0**	**195,236,534**	**238,173,884**	**100.0**	**100.0**	**172,564,575**	**100.0**	**100.0**

Source: Capital Precision.
(1) Including 19,044,762 shares subscribed as part of the share capital increase which was completed on April 28, 2009.
(2) Including 12,824,457 shares subscribed as part of the share capital increase which was completed on April 28, 2009.
(3) Percentage of voting rights taking into account Dodge & Cox's notification of January 11, 2010 (see Section 6.3).
(4) 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.
(5) Theoretical voting rights; at a General Meeting these shares bear no voting right.

DISTRIBUTION BY TYPE OF SHAREHOLDER



	%
Individual shareholders*	10.2
Treasury shares	0.1
French institutions	19.4
Non-French institutions	70.3
TOTAL	**100.0**

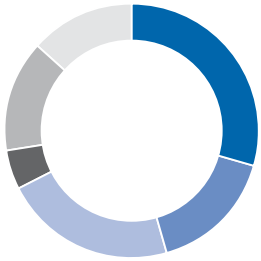
* Including 1.70% of the share capital held by Group employees.

GEOGRAPHICAL DISTRIBUTION

AT DECEMBER 31,	2009		2008		2007	
	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	84,765,527	29.6	57,588,446	29.5	60,985,185	35.3
United States of America	45,700,760	16.0	26,458,487	13.6	35,497,376	20.6
Belgium *	62,646,137	21.9	42,814,249	21.9	35,976,260	20.9
United Kingdom	14,378,317	5.0	14,808,800	7.6	17,329,794	10.0
Luxemburg **	40,810,600	14.2	27,733,111	14.2	276,614	0.2
Rest of the World	38,151,975	13.3	25,833,441	13.2	22,499,346	13.0
TOTAL	**286,453,316**	**100.0**	**195,236,534**	**100.0**	**172,564,575**	**100.0**

Source: Capital Precision
** Including shares held by Groupe Bruxelles Lambert.*
*** Including shares held by NNS Holding Sàrl.*

GEOGRAPHICAL DISTRIBUTION



	%
France	29.6
United States of America	16.0
Belgium	21.9
United Kingdom	5.0
Luxemburg	14.2
Rest of the world	13.3
TOTAL	**100.0**

6

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

Groupe Bruxelles Lambert did not notify any threshold crossing nor made any declaration of intent during 2009.

In 2008, Groupe Bruxelles Lambert make 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.

NNS Holding Sàrl

NNS Holding Sàrl (the Sawiris family holding company) and Nassef Sawiris did not notify any threshold crossing nor make any declaration of intent during 2009.

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 his family and related companies) for the duration of the shareholders agreement (10 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 [(1)] to the Board of Directors at the General Meeting called May 7, 2008. Given the level of its current shareholding, NNS Holding Sàrl does not intend to sollicit the appointment of further representatives to Lafarge's Board of Directors".

Dodge & Cox

In 2009, Dodge & Cox, acting for client accounts, declared having fallen below the 5% threshold of the voting rights of Lafarge S.A. on November 20, 2009. Dodge & Cox, acting for client accounts, further declared having exceeded the 5% threshold of the voting rights of Lafarge S.A. on January 11, 2010, and holding for the accounts of the above mentioned clients 12,942,274 Lafarge shares representing 19,626,899 voting rights corresponding to 4.52% of the share capital and 5.83% of the voting rights as a result of the allotment of double voting rights.

In 2008, 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.

To our knowledge, there is no shareholder holding more than 5% of our share capital or voting rights other those mentioned above.

(1) Mr Jérôme Guiraud was appointed to the Board of Directors at the General Meeting of May 7, 2008.

6.4 Other information

Based on our knowledge, 7 institutional shareholders held between 1% and 4% of our outstanding shares at December 31, 2009. Of these institutional shareholders, 4 held between 1% and 2% of our shares, two held between 2% and 3% of our shares and 1 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 2 years, which carry double voting rights.

See Section 8.5 (Articles of Association (Statuts)).

6 MAJOR **SHAREHOLDERS**

GYPSUM
United Kingdom. Crossway eco-home containing WAB® plasterboard, Staplehurst.

7 The Listing

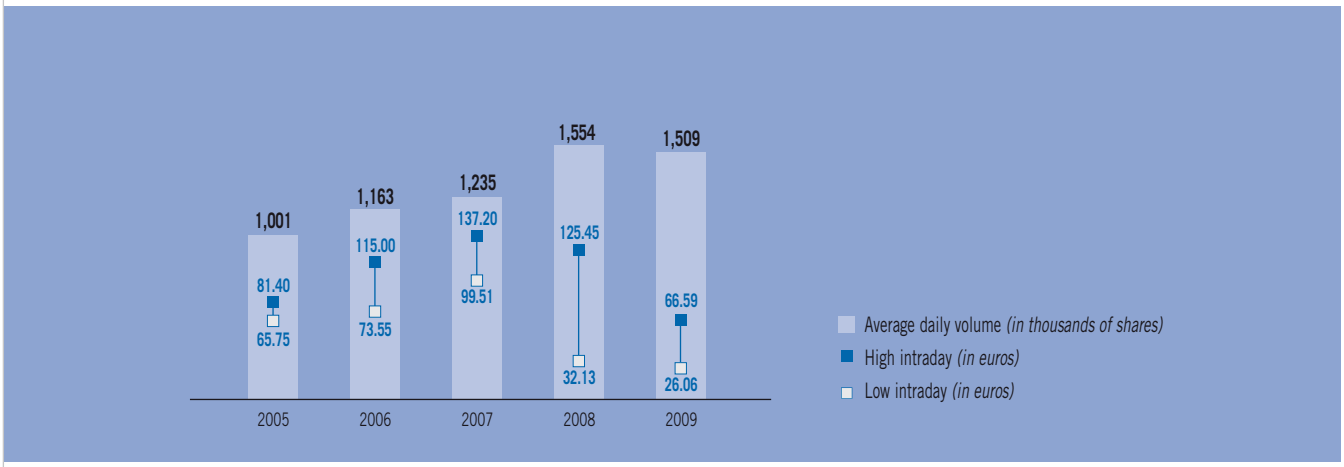
© Médiathèque Lafarge - Mattias Jesper - Richard Hawkes (architecte)

The Company's shares are listed on NYSE Euronext (Paris), 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.

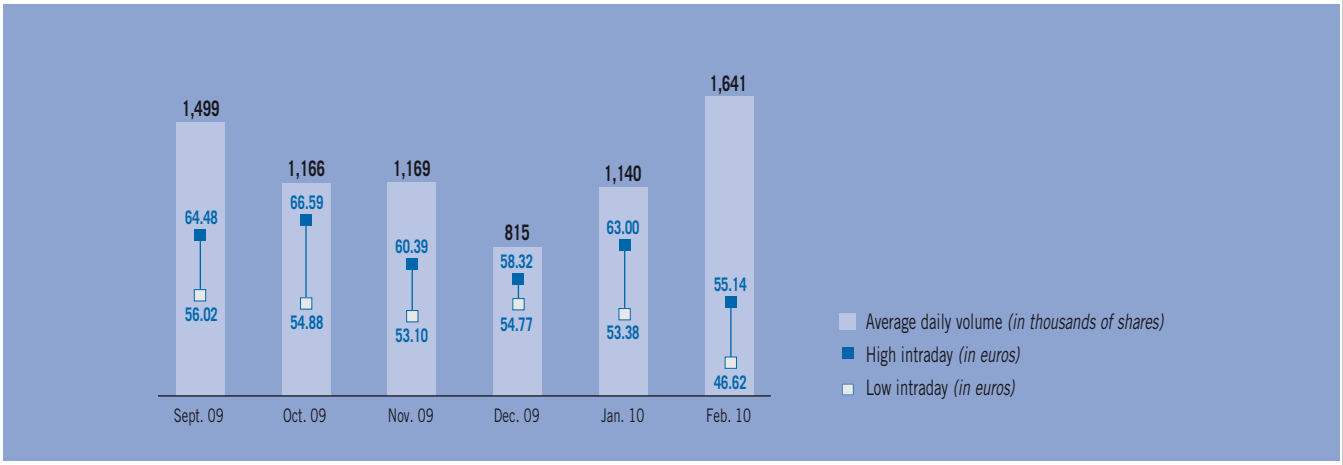
The following tables show the volume and high and low closing price of our shares of common stock, as reported by NYSE Euronext (Paris).

FIVE MOST RECENT FINANCIAL YEARS



Source: NYSE Euronext (Paris).

THE LAST 6 MONTHS



Source: NYSE Euronext (Paris).

Lafarge voluntarily delisted its American Depository Receipts (ADRs) from the New York Stock Exchange on September 13, 2007. The delisting became effective on September 24, 2007. Since its delisting, 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.

7

7 THE LISTING

CEMENT
Egypt. An employee at the Cairo offices.

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8.1 Share Capital

As at December 31, 2009, the Company's share capital amounted to 1,145,813,264 euros divided into 286,453,316 fully paid-up shares, each with a nominal value of four euros.

Considering that double voting rights accrue to shares (50,042,120) held in registered form for at least 2 years, the total number of voting rights attached to the shares for the purpose of computing notification thresholds amounted to 336,495,436 at December 31, 2009.

8.1.1 Changes in the share capital during the fiscal year ended December 31, 2009

The Company's share capital at December 31, 2008 amounted to 780,946,136 euros divided into 195,236,534 shares, each with a nominal value of four euros.

Since December 31, 2008, the Company's share capital has increased by a total of 91,216,782 shares as a result of the following:

	NUMBER OF SHARES ISSUED	SUBSCRIPTION AMOUNT *(euros)*		
		CAPITAL	SHARE PREMIUM [3]	TOTAL
Exercise of stock subscription options during the period from January 1, 2009 to December 31, 2009	5,784	23,136.00	315,284	338,420
Share capital increase with preferential subscription rights [1]	90,109,164	360,436,656.00	1,084,445,545	1,444,882,201
Share capital increase reserved for employees [2]	1,101,834	4,407,336.00	46.635,675	51,043,011
TOTAL AT DECEMBER 31, 2009	**91,216,782**	**364,867,128.00**	**1,131,396,504**	**1,496,263,632**

(1) Authorized by our Extraordinary General Meeting held on March 31, 2009.
(2) Authorized by our Combined General Meeting held on May 6, 2009.
(3) Net of issuance costs.

The share capital increase with preferential subscription rights approved by the Extraordinary General Meeting held on March 31, 2009 was completed on April 28, 2009 by the issue of 90,109,164 new shares at a subscription price of 16.65 euros (with an exchange ratio of 6 new shares for each 13 existing shares held), for a gross amount of 1,500,317,581 euros.

See Section 5.6.3 (Employee share offerings) for further information on the 2009 share capital increase reserved for employees.

8.1.2 Potential share capital at December 31, 2009

The number of shares as at December 31, 2009 could be increased by a maximum of 8,060,756 shares in the hypothetical scenario that stock options granted to employees existing on that date were exercised. 5,032,658 out of these existing 8,060,756 stock options could have been exercised at December 31, 2009. The remaining 3,028,098 stock options can only be exercised upon expiry of a period of four years after their grant and subject to the performance conditions attached to some of these stock options being fulfilled.

At December 31, 2009, 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 6, 2009, the right to carry out share capital increases through the issue of shares or other equity securities with or without preferential subscription rights for shareholders, the capitalization of reserves, the issue of employee stock subscription options or performance shares, and through the issue of shares reserved for our employees.

See Section 8.4 for further information on financial authorizations delegated to our Board of Directors.

8.1.3 Changes in our share capital over the past three fiscal years

	2009	2008	2007
SHARE CAPITAL AT THE BEGINNING OF THE FISCAL YEAR *(number of shares)*	**195,236,534**	**172,564,575**	**176,625,142**
NUMBER OF SHARES ISSUED DURING THE PERIOD FROM JANUARY 1 TO DECEMBER 31 AS A RESULT OF	**91,216,782**	**22,671,959**	**968,838**
payment of the dividend in shares	-	-	-
exercise of stock subscription options	5,784	171,959	968,838
exercise of stock subscription warrants	-	-	-
increase in share capital reserved for employees	1,101,834	-	-
issue of new shares	90,109,164	22,500,000	-
NUMBER OF SHARES CANCELLED DURING THE PERIOD FROM JANUARY 1 TO DECEMBER 31	**-**	**-**	**(5,029,405)**
MAXIMUM NUMBER OF SHARES TO BE ISSUED IN THE FUTURE AS A RESULT OF	**8,060,756**	**7,033,553**	**6,502,420**
exercise of stock subscription options	8,060,756	7,033,553	6,502,420
exercise of stock subscription warrants	-	-	-
conversion of bonds	-	-	-
SHARE CAPITAL AT THE END OF THE FISCAL YEAR			
a- euros	1,145,813,264	780,946,136	690,258,300
b- number of shares	286,453,316	195,236,534	172,564,575

8.2 Shares owned by the Company

8.2.1 Information on transactions completed during the fiscal year ending December 31, 2009

The Company held 380,148 shares with a nominal value of 4 euros, as of December 31, 2009, representing 0.13% of its capital stock. The value based on the purchase price of those shares is 26,943,487.65 euros.

All of the 380,148 shares held by the Company at December 31, 2009 are assigned to cover stock options or performance shares grants.

In 2009, 56,645 shares were used to cover the delivery of performance shares. None of the shares held by the Company have been reassigned to cover different objectives.

The Company has not entered into any liquidity agreement with an investment service provider.

In 2009, the Company carried out the following transactions on its shares:

	PURCHASES			SALES		
	NUMBER OF SHARES PURCHASED	AVERAGE PRICE *(in euros)*	AMOUNTS* *(in euros)*	NUMBER OF SHARES SOLD	AVERAGE PRICE *(in euros)*	AMOUNTS * *(in euros)*
2009 fiscal year	-	-	-	56,645 **	-	-

* *Including transaction fees.*
** *Delivered to employees as part of performance shares plans.*

8.2.2 Information on the shares buyback program approved on May 6, 2009

The shares buyback program approved by the Combined Shareholders' Meeting on May 6, 2009 has the following features:

Securities	Shares
Maximum percentage of capital that may be authorized	5%
Maximum number of shares that may be acquired	9,761,826 *
Maximum total amount of the program	500 million euros
Maximum unit purchase price	80 euros

** Which is 5% of the capital as of December 31, 2008, subject to adjustment to take into account treasury shares and/or shares cancelled on the date of the purchases.*

Program objectives:

- the implementation of any Company stock option plan under the terms of articles L.225-177 et seq. of the Commercial Code or any similar plan; or
- the allotment or sale of shares to employees under the French statutory profit-sharing scheme or the implementation of any employee savings plan under applicable legal conditions, in particular articles L.3332-1 et seq. of the Labor Code; or
- the allotment of consideration free shares pursuant to the terms of articles L.225-197-1 et seq. of the Commercial Code; or
- the delivery of shares on the exercise of rights attached to securities giving rights to the capital by redemption, conversion, exchange, presentation of a warrant or any other means; or
- the cancellation of some or all of the shares purchased, pursuant to the 21st resolution approved by the Extraordinary General Meeting on May 6, 2009; or
- the delivery of shares (in exchange, as payment, or otherwise) in connection with acquisitions, mergers, demergers or asset-for-share exchanges; or
- market-making in the secondary market or maintenance of the liquidity of Lafarge shares by an investment services provider under a liquidity contract that complies with the ethical code recognized by the *Autorité des marchés financiers*.

Period 18 months, until November 6, 2010.

As indicated in the table in Section 8.2.1 above, the Company has not purchased any of its own shares within the shares buyback program in 2009 or until publication of this Annual Report.

8.2.3 Information on the shares buyback program to be approved on May 6, 2010

The General Shareholders' Meeting convened on May 6, 2010 should be presented with the following shares buyback program for approval:

Securities	Shares
Maximum percentage of capital that may be authorized	5%
Maximum number of shares that may be acquired	14,322,665 *
Maximum total amount of the program	500 million euros
Maximum unit purchase price	100 euros

** Which is 5% of the capital as of December 31, 2009, subject to adjustment to take into account treasury shares and/or shares cancelled on the date of the purchases.*

Program objectives:

- the implementation of any Company stock option plan under the terms of articles L.225-177 et seq. of the Commercial Code or any similar plan; or
- the allotment or sale of shares to employees under the French statutory profit-sharing scheme or the implementation of any employee savings plan under applicable legal conditions, in particular articles L.3332-1 et seq. of the Labor Code; or
- the allotment of consideration free shares pursuant to the terms of articles L.225-197-1 et seq. of the Commercial Code; or
- the delivery of shares on the exercise of rights attached to securities giving rights to the capital by redemption, conversion, exchange, presentation of a warrant or any other means; or
- the cancellation of some or all of the shares purchased, pursuant to the 21st resolution approved by the Extraordinary General Meeting on May 6, 2009; or
- the delivery of shares (in exchange, as payment, or otherwise) in connection with acquisitions, mergers, demergers or asset-for-share exchanges; or
- market-making in the secondary market or maintenance of the liquidity of Lafarge shares by an investment services provider under a liquidity contract that complies with the ethical code recognized by the *Autorité des marchés financi*ers.

Period 18 months, until November 6, 2011.

As at February 28, 2010, the Company held 380,148 shares with a nominal value of 4 euros representing 0.13% of its capital stock, all of which are assigned to cover stock options or performance shares grants.

The Company has no open purchase or sale positions in relation to its shares buyback program approved on May 6, 2009 on the date of publication of this Annual Report.

8.3 Securities non representative of share capital - Bonds

To meet the Group's medium and long-term financing needs and to optimize the maturity profile of the Group's debt, Lafarge issues bonds and other related securities on a regular basis, in particular under its Euro Medium-Term Notes program ("EMTN").

At December 31, 2009, the total debt of the Company resulting from bond issues amounted to 9 billion euros, out of which 7 billion euros corresponded to bond issues under the EMTN program.

See Section 4.5 (Liquidity and Capital Resources - Net cash provided (used in) financing activities) and Note 25 to our consolidated financial statements for more information on bond issues.

Our General Meeting held on May 6, 2009 authorized our Board of Directors to issue up to 8 billion euros of bonds and other related securities for a period of 26 months.

See Section 8.4 for further information on financial authorizations delegated to our Board of Directors.

8.4 Financial authorizations delegated to our Board of Directors

At December 31, 2009, our Board of Directors benefited from the following financial authorizations upon delegation by our General Meeting held on May 6, 2009:

TYPE OF AUTHORIZATION

	MAXIMUM AMOUNTS	EXPIRATION DATE	MAXIMUM AUTHORIZED AMOUNT AVAILABLE AT DECEMBER 31, 2009 *(euros)*
Buy and sell its own shares (14th resolution)	Up to 5% of the share capital Up to 500 million euros Purchase price of up to 80 euros	November 6, 2010	5% of the share capital 500 million euros
Issue of shares or other equity securities with preferential subscription rights (15th resolution)	380 million euros (nominal value) (1)	July 6, 2011	380 million euros
Issue of shares or other equity securities without preferential subscription rights (16th resolution)	152 million euros (nominal value) (2)	July 6, 2011	152 million euros
Issue of shares in an offer as set forth in Article L.411-2 of the French Monetary and Financial Code (17th resolution)	152 million euros (nominal value) (2) (3)	July 6, 2011	152 million euros
Issue of shares or other equity securities as payment for contributions in kind (18th resolution)	76 million euros (nominal value) (2) (3)	July 6, 2011	76 million euros
Increase in the number of shares to be issued in case of a capital increase with or without preferential subscription rights (19th resolution)	Up to the amount applicable to the initial issue and the global cap set forth in the 15th resolution	July 6, 2011	-
Issue of bonds and other related securities (20th resolution)	8 billion euros (nominal value)	July 6, 2011	4,699,037,690 euros
Reduction of share capital through cancellation of treasury shares (21st resolution)	Up to 7% of the share capital for a 24-month period	July 6, 2011	7% of the share capital
Capital increase through incorporation of premiums, reserves, profits or other items (22nd resolution)	100 million euros (nominal value)	July 6, 2011	100 million euros
Grant of options to subscribe for and/or purchase shares (23rd resolution)	3% of the share capital (on grant date)	July 6, 2011	3% of the share capital
Allotment of free existing or new shares (24th resolution)	1% of the share capital (on grant date) (4)	July 6, 2011	1% of the share capital
Issue of shares or other equity securities reserved for members of company savings plans (25th resolution)	23 million euros (nominal value)	July 6, 2011	18,592,664 euros
Capital increase reserved for a category of beneficiaries as part of a transaction reserved for employees (26th resolution)	23 million euros (nominal value) (5)	November 6, 2010	18,592,664 euros

(1) Global cap for the 15th, 16th, 17th, 18th and 19th resolutions.
(2) To be applied against the global cap set forth in the 15th resolution.
(3) To be applied against the cap set forth in the 16th resolution.
(4) To be applied against the cap set forth in the 23rd resolution.
(5) To be applied against the cap set forth in the 25th resolution.

8.5 Articles of Association (*Statuts*)

8.5.1 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.

8.5.2 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 and 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 this 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.

8.5.3 Rights, preferences and restrictions attached to shares

Allocation and appropriation of earnings

The net results of each financial year after deduction of overheads 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 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.

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.

Loyalty dividend

Any shareholder who, at the end of the fiscal year, has held registered shares for at least 2 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 2 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 additional 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.

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 2 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.

8.5.4 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.

8.5.5 Convocation and admission to Shareholders' General Meetings

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.

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.

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 2 months after the date for which it had been called.

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.

8.5.6 Disclosure of holdings exceeding certain thresholds

In addition to the legal requirement to disclose holdings exceeding certain thresholds, 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 2 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.

8.6 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 8.7 (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 8.5 (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 Chairman and Chief Executive Officer following a change of control is set forth in *Section 5.4.2 (Compensation benefits paid to the Chairman and Chief Executive Officer)*.

8.7 Material Contracts

We are a party to a 1,850 million euros 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 2 years and 3,100 million euros in five years, with one-year extension options for each of the tranches maturing in one and 2 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. During the 2009 fiscal year we made several early repayments for a total amount of 4.9 billion euros. As a result a balance of 768 million euros remains due under this facility as at December 31, 2009, maturing on December 9, 2012.

The bank facility of 1 billion euros signed on February 19, 2009 was never used and was cancelled on June 4, 2009.

We also have a significant number of contracts relating to outstanding bond issues.

See Section 4.5 (Liquidity and Capital Resources) and Note 25 to our consolidated financial statements for further information.

In addition, we have entered into several agreements in relation to the significant sales and acquisitions mentioned in Section 3.2 (Investments).

8.8 Documents on Display

8.8.1 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.

8.8.2 Annual Information Document (article R. 222-7 of the General regulations of the *Autorité des marchés financiers* (AMF))

The tables below list the information which has been disclosed by Lafarge since January 1, 2009 (in addition to the data mentioned in Section 8.8.1 above).

Releases available on the Lafarge internet web page: www.lafarge.com

DATE	TITLE
02/24/2010	Closing of the sale of the stake in Cimpor to Votoramtim
02/19/2010	2009 annual results
02/03/2010	Sale of the stake in Cimpor to Votorantim
01/14/2010	Cimpor - Denial
12/23/2009	Lafarge.com #1 amongst French websites by Hallvarsson & Halvarsson
12/08/2009	Lafarge places a 750 million euros bond
11/09/2009	Settlement of a privately placed bond
11/05/2009	2009 third quarter results
10/19/2009	Thermedia™ : a new generation of insulating ready-mix concrete
10/13/2009	Share capital increase reserved for the Group's employees
07/31/2009	Half year results : strong cash flow generation
07/28/2009	Disposals in Chile : the Group achieves 75% of its 2009 divestment target
06/15/2009	€750M bond issue
06/02/2009	Renewal of the partnership with CARE for 3 years
05/19/2009	£350M and €250M bond issues
05/18/2009	€1 billion bond issue
05/15/2009	Inauguration of a new cement plant at Otavalo, Ecuador
05/14/2009	Inauguration of a new cement plant at Mfamosing, Nigeria
05/06/2009	2009 Combined Shareholders' Meeting
05/06/2009	2009 first quarter results
05/04/2009	Divestments in Turkey
04/27/2009	EEB study : building sector must change
04/24/2009	Successful completion of Lafarge €1,5 billion rights issue
04/09/2009	Renewal of the partnership with WWF for 4 years
04/08/2009	Inauguration of a new cement plant at Bazian, Irak
04/01/2009	Launching of a €1,5 billion rights issue
03/31/2009	2009 Extraordinary Shareholders' Meeting
03/26/2009	Lafarge reaches its first objective of reducing its CO_2 emissions
02/20/2009	Record results in 2008 : Excellence 2008 targets exceeded
01/16/2009	Lafarge sponsors the Camp des Milles Memorial

Other permanent and occasional information available on the Lafarge website: www.lafarge.com

DATE	TITLE
02/11/2010	Declaration in accordance with article 223-16 of the AMF general regulations
01/08/2010	Declaration in accordance with article 223-16 of the AMF general regulations
12/08/2009	Declaration in accordance with article 223-16 of the AMF general regulations
11/05/2009	Declaration in accordance with article 223-16 of the AMF general regulations
10/12/2009	Declaration in accordance with article 223-16 of the AMF general regulations
08/05/2009	Declaration in accordance with article 223-16 of the AMF general regulations
07/07/2009	Declaration in accordance with article 223-16 of the AMF general regulations
06/15/2009	Declaration in accordance with article 223-16 of the AMF general regulations
05/05/2009	Declaration in accordance with article 223-16 of the AMF general regulations
04/02/2009	Declaration in accordance with article 223-16 of the AMF general regulations
02/18/2009	Declaration in accordance with article 223-16 of the AMF general regulations
01/14/2009	Declaration in accordance with article 223-16 of the AMF general regulations

Information published in the Official Journal for Legal Compulsory Publications (*Bulletin des Annonces Légales Obligatoires*) available on the website: www.journal.officiel.gouv.fr

DATE	ISSUE NUMBER	TITLE
06/05/2009	(n°67)	Annual accounts
05/13/2009	(n°57)	Notice to the holders of options to subscribe for shares
04/01/2009	(n°39)	Amendment to the notice of meeting of 03/30/2009
03/30/2009	(n°38)	Notice of meeting of shareholders
03/23/2009	(n°35)	Notice to the holders of options to subscribe for shares
03/16/2009	(n°32)	Notice of meeting of shareholders
02/25/2009	(n°24)	Amendment to the notice of meeting of 02/23/2009
02/23/2009	(n°23)	Notice of meeting of shareholders

AGGREGATES AND CONCRETE
Canada. The Olympic village of the 2010 winter Olympic Games built using Agilia® and UltraGreen™, certified LEED (Leadership in Energy and Environmental Design), Vancouver.

9 Controls and Procedures

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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 17, 2010 and approved by the Board of Directors in its meeting of February 18, 2010.

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) and Sections 2.2 (Risk Management), 5.1 (Board of Directors), 5.3 (Organization of the activities of the Board and Committees), 5.4 (Remuneration and other benefits) 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 (see Section 8.6 (Change of control)).

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 and risk management

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 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.

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 Management 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.

(1) COSO: Committee of Sponsoring Organization of the Treadway Commission.

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 identification and analysis) of the Annual Report.

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 defined in the Group "Internal Control Standards" and are documented and tested as described in Section 9.1.2 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 9.1.2 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, ensure implementation of the Group's internal control policy.

See Sections 5.1 (Board of Directors), 5.3 (Board and Committees Rules and Practices) and 5.4 (Compensation).

GROUP EXECUTIVE COMMITTEE

The Executive Committee steers the effective implementation of the Group's internal control policy, 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 (around 40 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 Chairman and 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 Chairman and Chief Executive Officer 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.

GROUP INTERNAL CONTROL DEPARTMENT

A Group Internal Control department (10 persons) is part of the Group Finance function. 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 9.1.2 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 Chief Financial Officer, oversees the work performed on "internal control over financial reporting".

9.1.2 Procedures related to "internal control over financial reporting"

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.

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 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.

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 18, 2010

French original signed by

Bruno Lafont

Chairman of the Board of Directors

9.2 Statutory Auditors' Report on the report prepared by the Chairman of the Board of Directors on the internal control and risk management

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 and risk management procedures relating to the preparation and processing of financial and accounting information

Year ended December 31, 2009

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, 2009.

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 and risk management 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 and risk management 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 and riskmanagement procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted in:

- obtaining an understanding of the internal control and risk management 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 and risk management 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 24, 2010

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG Audit	
French original signed by		*French original signed by*	
Frédéric Gourd	Pascal Pincemin	Christian Mouillon	Alain Perroux

9 CONTROLS AND **PROCEDURES**

SUSTAINABLE DEVELOPMENT
Kenya. Lafarge Ecosystems, plantations whose plants are used as biofuel for the Diani cement plant kilns.

10 Auditing Matters

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Olivier Coulange

10.1 Auditors

STATUTORY AUDITORS

Deloitte & Associés

185, avenue Charles-de-Gaulle, F92200 Neuilly-sur-Seine, represented by Messrs Pascal Pincemin and Frédéric Gourd.

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.

Ernst & Young Audit

11, allée de l'Arche, F92400 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

BEAS

7-9, villa Houssay, F92200 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.

AUDITEX

11, allée de l'Arche, F92400 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 2 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.

	DELOITTE & ASSOCIÉS				ERNST & YOUNG AUDIT			
	AMOUNT (EXCL. TAX)		%		AMOUNT (EXCL. TAX)		%	
(million euros)	2009	2008	2009	2008	2009	2008	2009	2008
AUDIT FEES								
Audit, review of financial statements	7.8	7.9	89%	66%	5.8	5.7	83%	60%
Lafarge S.A.	*1.9*	*2.0*	*22%*	*17%*	*1.4*	*1.4*	*20%*	*15%*
Subsidiaries	*5.9*	*5.9*	*67%*	*49%*	*4.4*	*4.3*	*63%*	*45%*
Audit-related Fees *	0.9	3.2	10%	27%	0.5	3.7	7%	39%
Lafarge S.A.	*0.6*	-	*8%*	-	*0.3*	*2.8*	*4%*	*29%*
Subsidiaries	*0.3*	*3.2*	*2%*	*27%*	*0.2*	*0.9*	*3%*	*10%*
SUB-TOTAL	**8.7**	**11.1**	**99%**	**93%**	**6.3**	**9.4**	**90%**	**99%**
OTHER FEES								
Tax Fees **	0.1	0.9	1%	7%	0.7	0.1	10%	1%
Legal and Employment Fees	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
SUB-TOTAL, OTHER FEES	**0.1**	**0.9**	**1%**	**7%**	**0.7**	**0.1**	**10%**	**1%**
TOTAL FEES	**8.8**	**12.0**	**100%**	**100%**	**7.0**	**9.5**	**100%**	**100%**

* *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.*

** *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*.

Our statutory auditors have established a report on the consolidated financial statements presented in this *Document de Référence*, set out on page F3. This report contains a technical observation, as the reports on the 2008 parent company financial statements and the 2007 consolidated financial statements presented respectively in the *Document de Référence* 2008 (D.09-0122) and 2007 (D.08-0169).

Paris, March 11, 2010

French original signed by	*French original signed by*
Jean-Jacques Gauthier	Bruno Lafont
Chief Financial Officer	Chairman and Chief Executive Officer

AGGREGATES AND CONCRETE
China. Beijing South Railway Station using cement and concrete, Beijing.

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CEMENT

Germany. Dresden airport.

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Statutory Auditors' Report on the consolidated financial statements

Year ended December 31, 2009

To the Shareholders,

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English-speaking readers. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and 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 given in the Group's management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you for the year ended December 31, 2009 on:

- the audit of the accompanying consolidated financial statements of Lafarge;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2009 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in note 2.1 "Accounting Policies - Basis of preparation" of the notes to the consolidated financial statements regarding changes in accounting methods related to the adoption of new standards and interpretations and effective as of January 1, 2009.

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 have been valued in accordance with the group's accounting policies described in note 2.12 "Impairment of long-lived assets" to 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 crisis, the magnitude and duration of which cannot be anticipated with accuracy as described in note 2.3 "Use of estimates and judgments" to the consolidated financial statements. Therefore, as set out in note 10 « Goodwill », the Group considered the impact of the economic crisis on developed markets in its operational assumptions and analyzed the sensitivity of the recoverable amount (particularly with regard to a change in the discount rate and the perpetual growth rate) for the main goodwill items.

The allocation of the goodwill arising from the acquisition in 2008 of Orascom Cement, amounting to 6.4 billion euros, was finalized as at December 31, 2009, as described in note 10 "Goodwill" to the consolidated financial statements.

Our procedures consisted in reviewing available documents and assessing the reasonableness of retained valuations.

These assessments were made as part 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

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, February 24, 2010

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG Audit	
French original signed by		*French original signed by*	
Frédéric Gourd	Pascal Pincemin	Christian Mouillon	Alain Perroux

Consolidated statements of income

		YEARS ENDED DECEMBER 31,		
(million euros, except per share data)	NOTES	2009	2008	2007
REVENUE	(4)	**15,884**	**19,033**	**17,614**
Cost of sales		(11,707)	(13,729)	(12,700)
Selling and administrative expenses		(1,700)	(1,762)	(1,672)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	(4)	**2,477**	**3,542**	**3,242**
Gains on disposals, net	(5)	103	229	196
Other operating income (expenses)	(6)	(330)	(409)	(149)
OPERATING INCOME		**2,250**	**3,362**	**3,289**
Finance costs	(8)	(1,136)	(1,157)	(652)
Finance income	(8)	210	216	126
Income from associates	(13)	(18)	(3)	-
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**1,306**	**2,418**	**2,763**
Income tax	(22)	(260)	(479)	(725)
Net income from continuing operations		1,046	1,939	2,038
Net income from discontinued operations		-	-	118
NET INCOME		**1,046**	**1,939**	**2,156**
Out of which part attributable to:				
Owners of the parent of the Group		**736**	**1,598**	**1,909**
Non-controlling interests		310	341	247
EARNINGS PER SHARE *(euros)* *				
NET INCOME - ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY				
Basic earnings per share		2.77	7.19	9.60
Diluted earnings per share		2.77	7.16	9.48
FROM CONTINUING OPERATIONS				
Basic earnings per share		2.77	7.19	9.01
Diluted earnings per share		2.77	7.16	8.89
FROM DISCONTINUED OPERATIONS				
Basic earnings per share		-	-	0.59
Diluted earnings per share		-	-	0.59
BASIC AVERAGE NUMBER OF SHARES OUTSTANDING *(in thousands)* *	(9)	**265,547**	**222,350**	**198,806**

* *The comparative periods have been restated further to the April 2009 Capital increase since such capital increase includes bonus elements for existing shareholders. See Note 9.*

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

Consolidated statement of comprehensive income

	AT DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
NET INCOME	**1,046**	**1,939**	**2,156**
Available for sale investments	381	(338)	(29)
Cash-flow hedge instruments	32	(53)	12
Actuarial gains/(losses)	(174)	(384)	33
Currency translation adjustments	(77)	(836)	(354)
Income Tax on other comprehensive income	-	126	(12)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	**162**	**(1,485)**	**(350)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,208**	**454**	**1,806**
Out of which part attributable to:			
Owners of the parent of the Group	**937**	**148**	**1,605**
Non-controlling interests	271	306	201

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

Consolidated statement of financial position

(million euros)	NOTES	AT DECEMBER 31, 2009	2008	2007
ASSETS				
NON-CURRENT ASSETS		**32,857**	**32,928**	**21,490**
Goodwill	(10)	13,249	13,374	7,471
Intangible assets	(11)	632	614	472
Property, plant and equipment	(12)	16,699	16,927	11,904
Investments in associates	(13)	335	563	331
Other financial assets	(15)	1,591	1,147	1,096
Derivative instruments - assets	(26)	43	122	5
Deferred income tax assets	(22)	308	181	211
CURRENT ASSETS		**6,640**	**7,680**	**6,818**
Inventories	(16)	1,702	2,195	1,761
Trade receivables	(17)	1,686	2,320	2,515
Other receivables	(18)	1,008	1,351	1,061
Derivative instruments - assets	(26)	24	223	52
Cash and cash equivalents	(19)	2,220	1,591	1,429
TOTAL ASSETS	(4)	**39,497**	**40,608**	**28,308**
EQUITY & LIABILITIES				
Common stock	(20)	1,146	781	691
Additional paid-in capital	(20)	9,620	8,462	6,019
Treasury shares		(27)	(40)	(55)
Retained earnings		5,555	5,225	4,411
Other reserves	(20)	(370)	(613)	36
Foreign currency translation		(947)	(905)	(104)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**14,977**	**12,910**	**10,998**
Non-controlling interests	(20)	1,823	1,725	1,079
EQUITY		**16,800**	**14,635**	**12,077**
NON-CURRENT LIABILITIES		**16,652**	**17,043**	**10,720**
Deferred income tax liability	(22)	887	923	695
Pension & other employee benefits liabilities	(23)	1,069	943	724
Provisions	(24)	939	976	928
Long-term debt	(25)	13,712	14,149	8,347
Derivative instruments - liabilities	(26)	45	52	26
CURRENT LIABILITIES		**6,045**	**8,930**	**5,511**
Pension & other employee benefits liabilities	(23)	109	67	79
Provisions	(24)	136	165	201
Trade payables		1,652	1,864	1,732
Other payables	(27)	1,630	2,039	1,553
Income tax payable		193	176	148
Short term debt and current portion of long-term debt	(25)	2,265	4,472	1,762
Derivative instruments - liabilities	(26)	60	147	36
TOTAL EQUITY AND LIABILITIES	(4)	**39,497**	**40,608**	**28,308**

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

Consolidated statements of cash flows

(million euros)	NOTES	YEARS ENDED DECEMBER 31, 2009	2008	2007
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
NET INCOME		**1,046**	**1,939**	**2,156**
NET INCOME FROM DISCONTINUED OPERATIONS		**-**	**-**	**118**
NET INCOME FROM CONTINUING OPERATIONS		**1,046**	**1,939**	**2,038**
Adjustments for income and expenses which are non cash or not related to operating activities, financial expenses or income taxes:				
Depreciation and amortization of assets	(4)	1,123	1,076	941
Impairment losses	(6)	164	276	13
Income from associates	(13)	18	3	-
(Gains) on disposals, net	(5)	(103)	(229)	(196)
Finance costs (income)	(8)	926	941	526
Income taxes	(22)	260	479	725
Others, net (including dividends received from equity affiliates)		(57)	22	(238)
Change in operating working capital items, excluding financial expenses and income taxes (see analysis below)		1,029	(154)	(79)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS BEFORE IMPACTS OF FINANCIAL EXPENSES AND INCOME TAXES		**4,406**	**4,353**	**3,730**
Cash payments for financial expenses		(827)	(777)	(478)
Cash payments for income taxes		(373)	(575)	(550)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS		**3,206**	**3,001**	**2,702**
NET OPERATING CASH GENERATED BY (USED IN) DISCONTINUED OPERATIONS		**-**		**(26)**
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**3,206**	**3,001**	**2,676**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES				
Capital expenditures	(4)	(1,645)	(2,886)	(2,113)
Investment in subsidiaries and joint ventures*		(29)	(6,309)	(604)
Investment in associates	(13)	(10)	(63)	(225)
Investment in available for sale investments		(35)	(11)	(228)
Disposals**	(3)	760	615	2,492
Net decrease in long-term receivables		(115)	(117)	(10)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS		**(1,074)**	**(8,771)**	**(688)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS		**-**	**-**	**(15)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(32)	**(1,074)**	**(8,771)**	**(703)**

(million euros)	NOTES	YEARS ENDED DECEMBER 31, 2009	2008	2007
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of common stock		1,448	12	76
Non-controlling interests' share in capital increase/(decrease) of subsidiaries	(3)	86	90	(23)
(Increase) decrease in treasury shares		-	8	(505)
Dividends paid	(20)	(393)	(784)	(521)
Dividends paid by subsidiaries to non-controlling interests		(143)	(267)	(131)
Proceeds from issuance of long-term debt		4,495	9,208	1,279
Repayment of long-term debt		(6,829)	(1,094)	(2,239)
Increase (decrease) in short-term debt		(153)	(1,143)	359
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		**(1,489)**	**6,030**	**(1,705)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS		**-**	**-**	**41**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(1,489)**	**6,030**	**(1,664)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS		**643**	**260**	**309**
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts		(14)	(98)	(35)
Cash and cash equivalents at beginning of year		1,591	1,429	1,155
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(19)	**2,220**	**1,591**	**1,429**
** Net of cash and cash equivalents of companies acquired*		*3*	*306*	*10*
*** Net of cash and cash equivalents of companies disposed of*		*54*	*30*	*16*
ANALYSIS OF CHANGES IN OPERATING WORKING CAPITAL ITEMS		**1,029**	**(154)**	**(79)**
(Increase)/decrease in inventories	(16)	433	(373)	(201)
(Increase)/decrease in trade receivables		562	206	126
(Increase)/decrease in other receivables – excluding financial and income taxes receivables		361	(292)	5
Increase/(decrease) in trade payables		(236)	53	131
Increase/(decrease) in other payables – excluding financial and income taxes payables		(91)	252	(140)

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

Consolidated statements of changes in equity

	NOTES	OUTSTANDING SHARES	OF WHICH TREASURY SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY SHARES	RETAINED EARNINGS	OTHER RESERVES	FOREIGN CURRENCY TRANSLATION	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	NON-CONTROLLING INTERESTS	EQUITY
		(number of shares)		*(million euros)*								
BALANCE AT JANUARY 1, 2007 *		**176,625,142**	**1,372,260**	**707**	**6,420**	**(72)**	**3,023**	**31**	**205**	**10,314**	**1,380**	**11,694**
TOTAL COMPREHENSIVE INCOME 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 – Non-controlling 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**
TOTAL COMPREHENSIVE INCOME 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 - Non-controlling 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**

	NOTES	OUTSTANDING SHARES	OF WHICH TREASURY SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY SHARES	RETAINED EARNINGS	OTHER RESERVES	FOREIGN CURRENCY TRANSLATION	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	NON-CONTROLLING INTERESTS	EQUITY
		(number of shares)		*(million euros)*								
BALANCE AT DECEMBER 31, 2008		**195,236,534**	**436,793**	**781**	**8,462**	**(40)**	**5,225**	**(613)**	**(905)**	**12,910**	**1,725**	**14,635**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD							**736**	**243**	**(42)**	**937**	**271**	**1,208**
Dividends paid	**(20)**						(393)			(393)	(140)	(533)
Issuance of common stock **	**(21)**	91,216,782		365	1,131					1,496	86	1,582
Share based payments	**(21)**				27					27		27
Treasury shares	**(20)**		(56,645)			13	(13)					
Other movements – Non-controlling interests	**(20)**										(119)	(119)
BALANCE AT DECEMBER 31, 2009		**286,453,316**	**380,148**	**1,146**	**9,620**	**(27)**	**5,555**	**(370)**	**(947)**	**14,977**	**1,823**	**16,800**

* *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.*
** *See Note 3.1.*
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 the 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 3 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 the "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 18, 2010.

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, 2009, and available on the site http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

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 statement of income 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 Group has applied the following standards which are effective for the period beginning on or after January 1, 2009. The adoption of these standards only impacts the presentation and the extent of the disclosures presented in the financial statements:

- IAS 1 revised – Presentation of financial statements. This standard introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. The Group has elected to present total comprehensive income in 2 statements (consolidated income statement and consolidated comprehensive income). The Group has also elected to apply the titles for the statements used in the Standard;
- IFRS 8 – Operating segments. IFRS 8 replaces IAS 14 Segment Reporting. This Standard introduces the "management approach" to segment reporting. This Standard requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each operating segment's performance and to allocate resources to them. Segments determined in accordance with IFRS 8 are similar to the primary business segments identified under IAS 14. The disclosures required by IFRS 8, including the revised comparative information, are presented in Note 4;
- IFRS 7 revised – Improving Disclosures about Financial Instruments. This standard precises, for available-for-sale financial instruments, the hierarchy in the levels of fair value and the information to disclose according to the different levels retained.

The adoption of the following Standards and interpretations by the European Union, with a mandatory application as at January 1, 2009, has no effect on the Group's consolidated financial statements:

- Revised IAS 23 – Borrowing costs;
- Revised IFRS 2 – Share-based Payment – Vesting conditions and Cancellations;
- Revised IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations Arising On Liquidation;
- Revised IFRS 1 and IAS 27 – Cost Of An Investment in a Subsidiary, Jointly Controlled Entity or Associate;
- IFRIC 13 – Customer Loyalty Program;
- IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;

- Improvements to IFRS except for the improvements related to IFRS 5 which are applicable on July 1, 2009;
- Revised IFRIC 9 and IAS 39 – Financial instruments: Recognition and Measurement – Embedded derivatives.

These accounting policies do not differ from the IFRS published by the IASB as the application of the following interpretations approved by the European Union and with a mandatory application date different from the application date published by the IASB have no impact on the Group consolidated financial statements:

- IFRIC 12 – Service concession Arrangements effective at March 30, 2009;
- IFRIC 16 – Hedges on a Net Investment in a Foreign Operation effective at June 30, 2009;
- IFRIC 15 – Agreements for the Construction of Real Estate.

Standards and Interpretations to existing standards 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 the 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

a) 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 going concern, are established based on currently available information and are in keeping with the current economic 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 d)*: the determination of recoverable amounts of the CGUs/groups of CGUs assessed in the impairment test requires an estimate of their fair value net of disposal costs or of their value in use. The assessment of the recoverable value requires assumptions to be made with respect to the operating cash flows of the CGUs/groups of 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 to set 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.

b) 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 the 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.

2) 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 statement of income.

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, amounts in the statement of financial position 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	2009		2008		2007	
(euro)	AVERAGE RATE	YEAR-END RATE	AVERAGE RATE	YEAR-END RATE	AVERAGE RATE	YEAR-END RATE
Brazilian real (BRL)	2.7706	2.5113	2.6745	3.2436	2.6665	2.6196
Canadian dollar (CAD)	1.5852	1.5128	1.5593	1.6998	1.4690	1.4449
Chinese yuan (CNY)	9.5165	9.8350	10.2242	9.4956	10.4186	10.7524
Algerian dinar (DZD)	101.2053	104.5995	94.8358	99.1003	94.9874	97.9942
Egyptian pound (EGP)	7.7399	7.9023	8.0031	7.6734	7.7343	8.1179
British pound (GBP)	0.8911	0.8881	0.7965	0.9525	0.6846	0.7333
Indian rupee (INR)	67.3091	67.0400	64.0031	67.4279	56.6878	58.0155
Iraqi dinar (IQD)	1,614.9436	1,665.3336	1,757.3700	1,642.2060	1,710.3000	1,785.6600
Jordanian dinar (JOD)	0.9892	1.0228	1.0441	0.9881	0.9731	1.0452
Kenyan shilling (KES)	107.7786	109.0884	101.2878	109.6078	92.2649	90.2821
Korean won (WKR)	1,772.7442	1,666.9700	1,605.8989	1,839.1300	1,273.2847	1,377.9600
Moroccan dirham (MAD)	11.2818	11.3500	11.3828	11.2910	11.2515	11.3860
Malaysian ringgit (MYR)	4.9037	4.9326	4.8879	4.8048	4.7075	4.8682
Nigerian naira (NGN)	205.1630	213.3529	172.8726	182.6606	170.8707	171.9413
Philippine peso (PHP)	66.2608	66.5070	65.1284	65.9300	63.0159	60.7240
Polish zloty (PLN)	4.3299	4.1045	3.5151	4.1535	3.7833	3.5935
Romanian leu (RON)	4.2397	4.2363	3.6840	4.0225	3.3380	3.6077
Russian rouble (RUB)	44.1347	43.1540	36.4226	41.2830	35.0203	35.9860
US dollar (USD)	1.3932	1.4406	1.4706	1.3917	1.3706	1.4721
South African rand (ZAR)	11.6862	10.6660	12.0659	13.0667	9.6615	10.0298

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 the 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 12 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 related to acquired goodwill, which was amortized over the expected period of benefit, not to exceed 40 years; goodwill is not amortized under IFRS.

2) 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 *(see Note 2.12).*

3) 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 provides information regarding the results of the Group's ongoing trading activities that allows investors to better identify trends in the Group's financial performance.

In addition, 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) and long-term receivables;
- 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 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 3 to 5 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.

Research & Development costs

According to IAS 38, 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 recognised 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 fulfilment 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 – Lease Contracts have to be applied.

In accordance with IAS 17, the Group capitalizes assets financed through capital leases where the lease arrangement transfers to the Group substantially all of 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 favourable 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 statement of financial position.

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 live. 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 the statement of income 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, goodwill is tested for impairment, whose purpose is to take into consideration events or changes that could have affected the recoverable amount of these assets, at least annually and beyond when there are some indications that an impairment loss may have occurred. In case there are some indications that an impairment loss may have occurred during interim periods, a specific analysis is then performed. The annual impairment test is performed during the last quarter 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 CGU's. For the purposes of the goodwill impairment test, the Group's net assets are allocated to Cash Generating Units ("CGUs") or groups of CGUs. CGUs generally represent 1 of our 3 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. When it is not possible to allocate goodwill on a non-arbitrary basis to individual CGUs, goodwill can be allocated to a group of CGUs at a level not higher than the business segment, as defined in Note 4.

We compare in a first step the carrying value of our CGUs/groups of CGUs with a multiple of their operating income before capital gains, impairment, restructuring, other and before amortization and depreciation. For CGUs/groups of CGUs presenting an impairment risk according to this first step approach, we then determine the fair value or the value in use of the related CGU/groups of CGUs. Fair value is estimated based either on a market multiple or on discounted expected future cash flows. Cash flows are over a 10-year period. This period reflects the characteristics of our activities where operating assets have a high lifespan and where technologies evolve very slowly. If the carrying value of the CGUs/group of CGUs exceeds its recoverable amount, defined as 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").

Evaluations for impairment are 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 by the discount rates and

perpetual growth rates used. The Group has defined country specific discount rates for each of its CGUs/group of 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 statement of income.

2.13 Other financial assets

Other financial assets mainly consist of shares held in equity securities, loans and 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.

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.

FINANCIAL ASSETS HELD FOR TRADING
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.

FINANCIAL ASSETS HELD-TO-MATURITY
Financial assets that are designated as held-to-maturity are measured at amortized cost, in accordance with the effective interest rate method.

LOANS AND LONG-TERM RECEIVABLES
Loans and long-term receivables accounted for at amortized cost are measured in accordance with the effective interest rate method.

AVAILABLE-FOR-SALE FINANCIAL ASSETS
Shares held in equity securities are classified as available-for-sale financial assets and are initially recognized and subsequently measured at fair value.

For equity securities listed on an active market, fair value is quoted price.

In absence of active market, fair value is generally determined according to the most appropriate financial criteria in each case (comparable transactions, multiples for comparable companies, discounted present value of future cash flows, estimated selling price). If such fair value can not be reliably measured, equity securities are accounted for at cost.

Gains and losses arising from changes in their fair value are recognized directly in equity ("Other Reserves"). When the security is disposed of, the cumulative gain or loss previously recognized in equity is included in the statement of income for the period (Finance income/costs).

The Group assesses at the end of each reporting period whether there is any objective evidence that its equity securities are impaired which would lead, if this were to be the case, to recognise in the statement of income the cumulative loss previously recognized in equity. In accordance with IAS 39 – Financial Instruments: Recognition and Measurement, such impairment can not be subsequently reversed.

Factors considered by the Group to assess the objective evidence of impairment of its investments and accordingly enabling the Group to determine if the cost of its equity securities can be or not recovered, are notably:

- the occurrence of significant financial difficulties;
- the analysis of the national/local economic conditions in relation with its assets;
- the analysis of significant adverse changes in the technological, economic or legal environment;
- the existence of a significant or prolonged decline in fair value of the investment below its acquisition cost.

The sole Group's investment that is listed on an active market with a significant investment cost is the Portuguese cement producer Cimentos de Portugal (Cimpor), with a 611 million euros investment cost.

As at December 31, 2009, market value of this investment amounts to 746 million euros, in excess of its investment cost by 135 million euros *(see Note 15).*

The Cimpor investment was sold early February 2010 to the Group Votorantim. As indicated in Note 34, the value to be received by Lafarge for its stake will be cement assets of Votorantim located in Brazil. This value will be above our Cimpor investment cost. As at December 31, 2009, this investment did not meet the criteria required by IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations to be reclassified as a current asset.

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 statement of income.

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 3 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 statement of financial position and in the statement of Cash flows and are classified in non-current assets on the line "Other financial assets" in the consolidated statement of financial position.

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.

2) 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 statement of financial position.

Financial liabilities hedged by an interest rate swap that qualifies for fair value hedge accounting are measured in the statement of financial position 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.

2) 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.

3) 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 statement of financial position 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 statement of income when the hedged exposure affects earnings.

Embedded derivatives not closely related to host contracts are recorded at fair value in the statement of financial position. For embedded derivatives, the gain or loss is recognized in earnings in the period of the change in fair value.

4) Put options on shares of subsidiaries

Pursuant to IAS 27 and IAS 32, put options granted to non-controlling interests of consolidated subsidiaries are considered financial debt.

The Group records the put options granted to non-controlling interests as a financial debt at its fair value and as a reduction in non-controlling interests in equity. When the fair value of the put options exceeds the carrying amount of the non-controlling 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 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 statement of income:

- 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 statement of financial position.

3) 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 statement of income 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 statement of financial position 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.

1) 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.

2) 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.

3) 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 statement of financial position). 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 statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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. The Group granted a performance stock plan for the first time in 2007.

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.

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.

2) 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 statement of financial position, 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 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 statement of financial position.

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 statement of financial position, 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 statement of financial position.

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 geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical 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 flows 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

- 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);
- Amended IAS 39 – Eligible Hedged Items (applicable for financial periods beginning on or after July 1, 2009);
- IFRS 1 – Fist Time Adoption of IFRS (applicable for financial periods beginning on or after July 1, 2009);
- IFRIC 17 – Distributions of Non-cash Assets to Owners (applicable for financial periods beginning on or after November 1, 2009);
- Amended IAS 32 – Classification of Rights Issues (applicable for financial periods beginning on or after February 1, 2010);
- IFRIC 18 – Transfers of Assets from Customers (applicable for financial periods beginning on or after November 1, 2009).

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

- Improvements to IFRS (applicable depending on Standards for financial periods beginning on or after July 1, 2009 or January 1, 2010);
- IAS 24 – Related Party Disclosures (applicable for financial periods beginning on or after January 1, 2011);
- IFRS 9 – Financial Instruments (applicable for financial periods beginning on or after January 1, 2013);
- IFRIC 19 – Extinguishing Financial Liabilities with Equity (applicable for financial periods beginning on or after July 1, 2010).

Pronouncements with limited impact expected on consolidated financial statements

- Amended IFRS 1 – Additional Exemptions for First-Time Adopters (applicable for financial periods beginning on or after January 1, 2010);
- Amended IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters (applicable for financial periods beginning on or after July 1, 2010);
- Amended IFRS 2 – Group Cash-settled Share-based Payment Transactions (applicable for financial periods beginning on or after January 1, 2010);
- Amended IFRIC 14 – Prepayments of a Minimum Funding Requirement (applicable for financial periods beginning on or after January 1, 2011).

Note 3 Significant events

3.1 Right issue

Lafarge processed a right issue of 1.5 billion euros in April 2009 with preferential subscription rights. This right issue resulted in the creation of 90,109,164 new shares with a 16.65 euros subscription price (*i.e.* 4.00 euros par value and a 12.65 euros issue premium), with a ratio of 6 new shares for 13 existing shares.

The set issue price represented a 46.2% discount to the closing price of the Company's shares on March 30, 2009, adjusted for the 2008 expected dividend of 2.00 euros per share which will not be paid on the new shares. This discount was 37% based on the theoretical ex-rights price also adjusted for the 2008 expected dividend.

The gross proceeds amount to 1,500 million euros, including 1,140 million euros of issue premium. Related costs (55 million euros) have been recorded as a reduction of the issue premium. Settlement, delivery and listing of the new shares took place on April 28, 2009.

The proceeds of the right issue, received on April 28, 2009, have been used for the repayment of the credit facility that was put in place in December 2007 to finance the acquisition of Orascom Cement *(see Note 25).*

3.2 Bonds

In 2009, Lafarge placed 7 bonds for a total amount of nearly 3.4 billion euros equivalent *(see Note 25).*

3.3 Capital increase reserved for Group's employees

The Group launched in October 2009 a share capital increase reserved for Group's employees. The settlement and delivery took place on December 11, 2009. The gross proceeds amount to 54 million euros (51 million euros net of related costs). The employees had the option to pay upfront, or over a 12-month or 24-month period. The part of the proceeds collected as at December 31, 2009, amounts to 6 million euros and is reflected in the line "Proceeds from issuance of common stock" on the statements of cash flows.

3.4 Divestments

During the first semester 2009

The Group sold its Aggregate and Concrete activities in the Zürich region of Switzerland to the Eberhard group, and some assets of its Asphalt, Paving and Concrete activities in North America. The impact of these disposals is 165 million euros, net of cash disposed of, on the statements of cash flows on the line "Disposals" and 38 million euros for the net gain on disposals.

During the third quarter 2009

On August 28, 2009 the Group sold its Cement and Aggregate & Concrete assets in Chile to the Peruvian group Brescia. The impact of this disposal is 288 million euros, net of cash disposed of, on the statements of cash flows on the line "Disposals".

In 2008, the Venezuelan government announced the nationalization of the cement industry. A sale contract for the shares was signed end of September 2009 between the government on the one hand, and Lafarge and the minority shareholders on the other hand, for a total price of 296 million US dollars, of which 201 million US dollars for the Group that then enables it to recover the cost of its investments in this country. As contractually stated, 40% of the sale price was paid and the remaining 60% part is to be paid over a four-year period *(see Note 15)*. The Group's share in this payment is reflected, net of selling costs, on the statements of cash flows on the line "Disposals" for an amount of 52 million euros.

These two transactions generated a net disposal gain of 20 million euros. As part of these disposals, the Group has granted to the acquirers indemnification commitments, for which the exposure is considered remote, for a total maximum amount of 371 million US dollars, a part of which is counter-guaranteed by the minority shareholders in the Venezuelan transaction.

During the fourth quarter 2009

The Group sold end of December 2009 its Cement, Aggregate & Concrete activities in Marmara and West Black Sea Regions in Turkey to the leading Turkish company in the cement sector, OYAK Cement Group. The impact of this disposal is 126 million euros, net of cash disposed of, on the statements of cash flows on the line "Disposals" and 29 million euros for the net gain on disposal.

In addition, the European Bank for Reconstruction and Development (EBRD) increased late 2009 by 15% its minority stake in our cement operations in Russia through a non equal capital increase. The 86 million euros cash payment of the bank is reflected on the statements of cash flows on the line "Non-controlling interests' share in capital increase/(decrease) of subsidiaries".

The divestments operations performed in 2009 have reduced, net of selling costs, the Group's net financial debt by 919 million euros, reflected on the statements of cash flow for respectively 760 million euros on the line "Disposals" and 86 million euros on the line "Non-controlling interests' share in capital increase/(decrease) of subsidiaries", amounts to which should be added 73 million euros of financial debt disposed of.

3.5 Litigations

Litigation Germany – Cement

Within the scope of the 2002 German cement case and following the decision of the Court of Düsseldorf dated June 26, 2009 to reduce significantly the amount of the fine, the accrued provision for this litigation was reversed during the first semester 2009 for an amount of 43 million euros *(see Note 29)*.

Litigation USG (United Stated Gypsum Corporation) – Gypsum

Since 2003, United States Gypsum Corporation ("USG") filed suit against our subsidiary, Lafarge North America Inc. alleging infringement of a patent relating to the production of gypsum drywall, misappropriation of trade secrets and other claims. In December 2009, USG Corporation together with Lafarge North America Inc., entered into an agreement resolving the disputes between all the parties that had been the subject of the lawsuit. Under the terms of the agreement, USG will receive 105 million US dollars and will grant a fully paid-up license to Lafarge North America Inc. and other Lafarge affiliates for the use of certain USG technologies *(see Note 29)*. The impact of this settlement is a 47 million euros loss reflected on the line "Other operating income (expenses)" of our 2009 consolidated statement of income.

Note 4 Business segment and geographic area information

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

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

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

Other and holding activities, not allocated to our core operating segments, are summarized in the "other" segment. This segment also includes in 2008 and 2007 the income from associates related to our share in Monier (Roofing activity).

Group management internally evaluates its performance based upon:

- operating income before capital gains, impairment, restructuring and other, share in net income of associates; and

- capital employed (defined as the total of goodwill, intangible and tangible assets, investments in associates and working capital).

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

The accounting policies applied to segment earnings comply with those described in Note 2 of this document.

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

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

The Orascom acquisition early 2008 led the Group to review in 2008 the presentation of its geographical information for all periods presented.

This presentation has been refined in 2009 for the regions "Middle East" and "Africa" to reflect the evolution in the Group's organization. Both regions are now grouped in a region "Middle East and Africa" and reflected as such for all periods presented. The other geographical regions within the Group remain unchanged: Western Europe, North America, Central and Eastern Europe, Latin America and Asia.

(a) Segment information

2009 *(million euros)*	CEMENT	AGGREGATES & CONCRETE	GYPSUM	OTHER	TOTAL
STATEMENT OF INCOME					
Gross revenue	10,105	5,067	1,355	9	16,536
Less: intersegment	(628)	(3)	(21)	-	(652)
REVENUE	**9,477**	**5,064**	**1,334**	**9**	**15,884**
Operating income before capital gains, impairment, restructuring and other	2,343	193	38	(97)	2,477
Gains on disposals, net	62	40	5	(4)	103
Other operating income (expenses)	(209)	(41)	(63)	(17)	(330)
Including impairment on assets and goodwill	*(152)*	*(8)*	*(4)*	-	*(164)*
OPERATING INCOME	**2,196**	**192**	**(20)**	**(118)**	**2,250**
Finance costs					(1,136)
Finance income					210
Income from associates	(27)	2	5	2	(18)
Income taxes					(260)
NET INCOME					**1,046**
OTHER INFORMATION					
Depreciation and amortization	(733)	(265)	(81)	(44)	(1,123)
Other segment non cash income (expenses) of operating income	(133)	13	21	(20)	(119)
Capital expenditures	1,278	225	102	40	1,645
Capital employed	24,924	5,102	1,437	373	31,836
STATEMENT OF FINANCIAL POSITION					
Segment assets	28,647	6,279	1,829	2,367	39,122
Of which investments in associates	*182*	*17*	*128*	*8*	*335*
Unallocated assets *					375
TOTAL ASSETS					**39,497**
Segment liabilities	2,451	1,044	382	1,851	5,728
Unallocated liabilities and equity **					33,769
TOTAL EQUITY AND LIABILITIES					**39,497**

* *Deferred tax assets and derivative instruments.*
** *Deferred tax liability, financial debt, derivative instruments and equity.*

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)
Including impairment on assets and goodwill	*(221)*	*(52)*	*(3)*	-	*(276)*
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)
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
STATEMENT OF FINANCIAL POSITION					
Segment assets	28,748	6,995	1,866	2,473	40,082
Of which investments in associates	*359*	*21*	*119*	*64*	*563*
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.*

Note 4 - Business segment and geographic area information

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)
Including impairment on assets and goodwill	*(9)*	*(1)*	*(1)*	*(2)*	*(13)*
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
STATEMENT OF FINANCIAL POSITION					
Segment assets	18,094	6,065	1,854	2,027	28,040
Of which investments in associates	*115*	*57*	*103*	*56*	*331*
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.*

(b) Other information: geographic area information

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

Non-current assets include goodwill, intangible assets, property, plant and equipment and investments in associates. They include for 2009 the final allocation by region of the purchase price of Orascom Cement and for 2008 its provisional allocation.

(million euros)	2009		2008		2007	
	REVENUE	NON-CURRENT ASSETS	REVENUE	NON-CURRENT ASSETS	REVENUE	NON-CURRENT ASSETS
WESTERN EUROPE	**4,657**	**6,964**	**6,021**	**7,346**	**6,285**	**6,947**
Of which:						
France	*2,328*	*2,333*	*2,721*	*2,597*	*2,676*	*1,866*
United Kingdom	*833*	*1,541*	*1,191*	*1,529*	*703*	*2,170*
Spain	*390*	*1,030*	*671*	*1,183*	*1,487*	*720*
NORTH AMERICA	**3,028**	**5,799**	**4,270**	**5,964**	**4,780**	**5,712**
Of which:						
United States	*1,674*	*4,691*	*2,215*	*4,876*	*2,709*	*4,568*
Canada	*1,354*	*1,108*	*2,055*	*1,088*	*2,071*	*1,144*
MIDDLE EAST AND AFRICA	**4,018**	**11,927**	**3,984**	**11,654**	**2,438**	**1,919**
Of which:						
Egypt	*704*	*2,779*	*504*	*2,744*	*65*	*118*
Algeria	*460*	*3,056*	*361*	*3,646*	*9*	*9*
CENTRAL & EASTERN EUROPE	**1,053**	**1,875**	**1,761**	**1,920**	**1,467**	**1,608**
LATIN AMERICA	**791**	**710**	**968**	**1,030**	**876**	**1,076**
ASIA	**2,337**	**3,640**	**2,029**	**3,564**	**1,768**	**2,915**
TOTAL	**15,884**	**30,915**	**19,033**	**31,478**	**17,614**	**20,177**

(c) Major customers

The Group has no reliance on any of its customers.

Note 5 Gains on disposals, net

Components of gains on disposals, net are as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	2009	2008	2007
Gain on disposals of consolidated subsidiaries, joint ventures and associates, net	95	219	169
Gain on sale of other long-term assets, net	8	10	27
GAINS ON DISPOSALS, NET	**103**	**229**	**196**

2009

"Gain on disposals of consolidated subsidiaries, joint ventures and associates, net" amounts to 95 million euros and is essentially composed of:

- 38 million euros relating to the disposal during the first semester 2009 of our Aggregate and Concrete activities in the Zürich region of Switzerland and some assets of its Asphalt, Paving and Concrete activities in North America;
- 20 million euros relating to the disposal during the third quarter 2009 of our Cement and Aggregate & Concrete activities in Chile and of our Cement activities in Venezuela;
- 29 million euros relating to the disposal during the fourth quarter 2009 of our Cement and Aggregate & Concrete activities in Turkey;
- 11 million euro relating to the disposal during the fourth quarter 2009 to the EBRD of 15% of our stake in our cement operations in Russia through a non equal capital increase.

The effect of the tax rate on capital gains and losses is mentioned in the Note 22 (a).

2008

- "Gain on disposals of consolidated subsidiaries, joint ventures and associates, net" amounts to 219 million euros, and is mainly composed of:
- 184 million euros relating to the disposal of our 50% stake in Lafarge Titan Egypt Investments Limited, the holding company for our former joint venture with Titan in Egypt;
- 34 million euros relating to the disposal of 20% stake in Ukraine to the EBRD;
- 6 million euros relating to the disposal of our wholly-owned Cement and Aggregates & Concrete activities in Italy.

"Gain on sale of other long-term assets" amounts to 10 million euros, related mainly to sale of lands.

2007

"Gain on disposals of consolidated subsidiaries, joint ventures and associates, net" includes mainly the gain on disposal for an amount of 148 million euros of our participation in Cement, Aggregates and Concrete activities in Central Anatolia (Turkey) sold to Cimentos de Portugal (Cimpor) on February 27, 2007.

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.

Note 6 Other operating income (expenses)

Components of other operating income (expenses) are as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
Impairment losses on goodwill *	(30)	(250)	-
Impairment losses on property, plant and equipment	(134)	(26)	(13)
IMPAIRMENT LOSSES	**(164)**	**(276)**	**(13)**
Restructuring costs	(155)	(96)	(81)
Litigations	(15)	(39)	(58)
Other income	17	56	71
Other expenses	(13)	(54)	(68)
OTHER OPERATING INCOME (EXPENSES)	**(330)**	**(409)**	**(149)**

** Impairment losses on goodwill are detailed in Note 10 (d).*

2009

In 2009, the Group recognized impairment of tangible assets for a total amount of 134 million euros, of which mainly 90 million euros on some cement assets in the Western Europe region due to plant capacity closures. In addition, an impairment loss of 30 million euros was recorded during the second quarter 2009 for the cash generating unit Cement Chile as part of its disposal, which was effective end of August 2009.

Restructuring costs include notably employee termination benefits, contract termination costs and other restructuring costs. Restructuring costs are, as for 2008, mainly due to our Excellence reduction cost plans and concern notably Greece (Cement), Spain (Cement), United Kingdom (Cement) and Jordan (Cement).

The amount of "Litigations" is mainly composed of:

- the cost relating to the USG litigation following an agreement entered into to resolve the disputes between the Group and USG. Under the terms of the agreement, USG will receive 105 million US dollars (of which $80 million were paid in December 2009) and will grant a fully paid-up license to Lafarge North America Inc. and other Lafarge affiliates for the use of certain USG technologies *(see Notes 3 and 29).* The impact of this settlement is a 47 million euros loss;
- the reversal of the provision relating to the German competition litigation following the decision of the Court of Düsseldorf dated June 26, 2009 for an amount of 43 million euros to reduce significantly the amount of the fine *(see Notes 3 and 29).*

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 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" include mainly 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).

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 CO_2 emissions trading scheme in the European Union: within the industrial sectors subject to the scheme, each industrial facility is allocated a certain amount of CO_2 allowances. Industrial operators that keep their CO_2 emissions below the level of allowances granted to their plants can sell their excess allowances to other operators that have emitted more CO_2 than the allowances 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 3-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 allowances 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 some of 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 CO_2 per year over the 2008-2012 period. The Group policy is to monitor allowances not only on a yearly basis but also over the whole 2008-2012 period. Actual emissions are followed and consolidated on a monthly basis. Forecast of yearly 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 2009, a lower level of demand in our European markets combined with our improved performance in kg of CO_2 per ton of cement has led to a surplus of allowances. During 2009, excess rights over actual emissions were sold for an amount of 142 million Euros (85 million euros in 2008).

For the year 2010, 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 exceed 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)	2009	2008	2007
Interest expense	(879)	(1,032)	(603)
Exchange losses	(74)	(10)	(7)
Other financial expenses	(183)	(115)	(42)
FINANCE COSTS	**(1,136)**	**(1,157)**	**(652)**
Interest income	119	185	102
Dividends received from investments	27	31	24
Exchange gains (losses), net	37	-	-
Other financial income	27	-	-
FINANCE INCOME	**210**	**216**	**126**
NET FINANCE (COSTS) INCOME	**(926)**	**(941)**	**(526)**

2009

Interest expense is reported net of capitalized interest costs for construction projects of 52 million euros, 77 million euros and 18 million euros for the years ended December 31, 2009, 2008 and 2007, 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 average interest rate. Net interest expense (interest expense less interest income) amounts to 760 million euros as at December 31, 2009 (847 million euros as at December 31, 2008 and 501 million euros as at December 31, 2007).

The decrease in 2009 of our interest expenses as compared to 2008 arises from the combined effect of the decrease of our debt level and the decrease in the cost of debt. The average interest rate on our gross debt is 5.1% in 2009, compared to 5.5% in 2008.

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 carries this loan and/or this debt. These exchange differences mainly relate to loans and debts denominated in US dollars and Nigerian neira.

Other financial expenses notably include the impact of the accelerated amortization of debt issuance costs linked to the early repayment of part of the Orascom acquisition facility agreement and the cancellation of an unused confirmed credit line, for a total amount of 25 million euros. They also include impairment losses on financial available-for-sale investments for a total amount of 23 million euros.

The amount of dividends received mainly relates to the dividends received from the Cimentos de Portugal (Cimpor) investment for an amount of 22 million euros in 2009 (26 million euros in 2008 and 21 million euros in 2007).

Other financial income notably include a gain of 11 million euros relating to the disposal of an available-for-sale investment in Kenya.

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 disclosed periods.

2008

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.

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 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.

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, 2009, 2008 and 2007 are as follows:

	YEARS ENDED DECEMBER 31,		
	2009	2008	2007
NUMERATOR *(million euros)*			
NET INCOME FROM CONTINUING OPERATIONS - ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**736**	**1,598**	**1,791**
DENOMINATOR *(thousands of shares)*			
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**265,547**	**222,350**	**198,806**
Effect of dilutive securities - stock options	260	846	2,597
TOTAL POTENTIAL DILUTIVE SHARES	**260**	**846**	**2,597**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED	**265,807**	**223,196**	**201,403**
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS *(euros)*	**2.77**	**7.19**	**9.01**
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS *(euros)*	**2.77**	**7.16**	**8.89**

2009

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 2009, 7.62 million stock options were excluded from the diluted earnings per share calculation (3.32 million in 2008 and 0.54 million in 2007).

To ensure comparability of earnings per share information, the weighted average number of shares outstanding for comparative periods has been adjusted to reflect the fact that the Group capital increase, which occurred April 28, 2009 *(see Note 3),* was performed under the form of a capital increase with preferential subscription rights at a price lower than the market price. Accordingly, the weighted average numbers of shares outstanding for the comparative periods, used to compute basic and diluted earnings per share and presented above, have been adjusted by the ratio between the last price of the Company's shares before the preferential subscription right be detached (31.91 euros per share) and this price after detachment of the 4.19 euros right (27.72 euros per share). This ratio has been applied until the date the capital increase occurs.

The increase in the weighted average number of shares outstanding in 2009 related to 2 capital increases *(see Note 3):*

- 90,109,164 new shares issued in April 2009 as part of the 1.5 billion euro capital increase;
- 1,101,834 new shares issued as part of the December 11, 2009 capital increase reserved for the Group's employees.

2008

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 Sarl 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	GYPSUM	OTHER	TOTAL
CARRYING AMOUNT AT JANUARY 1, 2007	**5,848**	**1,401**	**262**	**-**	**7,511**
Additions	198	75	-	-	273
Disposals	(58)	(9)	-	-	(67)
Reallocation of provisional goodwill	(44)	54	-	-	10
Change in goodwill related to put options on shares of subsidiaries	129	-	-	-	129
Translation adjustments	(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)
Reallocation of provisional goodwill	2	29	-	-	31
Impairment losses	(200)	(50)	-	-	(250)
Change in goodwill related to put options on shares of subsidiaries	(134)	3	-	-	(131)
Translation adjustments	(278)	(7)	(9)	-	(294)
CARRYING AMOUNT AT DECEMBER 31, 2008	**10,867**	**1,975**	**243**	**289**	**13,374**
Cost at January 1, 2009	11,123	2,025	264	289	13,701
Accumulated impairment	(256)	(50)	(21)	-	(327)
CARRYING AMOUNT AT JANUARY 1, 2009	**10,867**	**1,975**	**243**	**289**	**13,374**
Additions	4	5	-	-	9
Disposals	(140)	(22)	-	-	(162)
Reallocation of provisional goodwill	513	34	-	(289)	258
Impairment losses	(30)	-	-	-	(30)
Change in goodwill related to put options on shares of subsidiaries and other	(76)	-	-	-	(76)
Translation adjustments	(100)	(26)	2	-	(124)
CARRYING AMOUNT AT DECEMBER 31, 2009	**11,038**	**1,966**	**245**	**-**	**13,249**
Cost at December 31, 2009	11,308	1,973	266	-	13,547
Accumulated impairment	(270)	(7)	(21)	-	(298)
CARRYING AMOUNT AT DECEMBER 31, 2009	**11,038**	**1,966**	**245**	**-**	**13,249**

Impairment losses on goodwill are as follows *(see Note 6)*:

(million euros)	2009	2008	2007
Impairment losses	30	250	-

(b) Acquisitions

2009

Lafarge did not perform any significant acquisitions in 2009.

The allocation of the goodwill arising from the acquisition in 2008 of Orascom Building Materials Holding S.A.E ("Orascom Cement"), amounting to 6,370 million euros, is completed as at December 31, 2009. This goodwill has been mainly allocated to the acquired CGUs (4,446 million euros) and to the group of CGUs of the Middle East and Africa region (1,150 million euros) related to the capacity provided by Orascom to the Group to increase and accelerate its development in this region, as well as to industrial synergies.

2008

ORASCOM CEMENT ACQUISITION

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 the 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 and Syria. 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 goodwill arising from this transaction amounts to 6,370 million euros.

LARSEN & TOUBRO CONCRETE 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 69 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 goodwill arising from this transaction amounts to 190 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 MELLOT 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. Mellot Inc.'s Heritage Division, located in Hagerstown, Maryland, for a total amount of 38 million euros. Lafarge purchased 100% of the assets, which included 4 active quarry operations, 1 inactive quarry operation, 36 million tonnes of probable reserves, and 3 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.

Other acquisitions

In addition to the acquisitions described separately in this note, several other relatively minor acquisitions throughout segments were consummated in 2009, 2008 and 2007. The aggregate cost of these acquisitions was 58 million euros, 204 million euros and 65 million euros in 2009, 2008 and 2007, respectively.

(c) Breakdown of goodwill

For goodwill impairment tests, goodwill arising from business combinations are allocated to Cash Generating Units (CGUs) or groups of CGUs as defined in Note 2.12. These CGUs or groups of CGUs represent the lowest level at which the goodwill is monitored for internal management purposes and are not larger than the operating segment as presented in Note 4- Business Segment and Geographic Area information.

Lafarge is composed of around 100 CGUs or groups of CGUs as at December 31, 2009 for which goodwill has been allocated. The table below presents the breakdown per business segment of the number of CGUs or groups of CGUs within the Group, along with the related goodwill amounts in million euros.

	AT DECEMBER 31,					
	2009		2008		2007	
BUSINESS SEGMENT	NUMBER OF CGUS/ GROUPS OF CGUS	GOODWILL AMOUNTS	NUMBER OF CGUS/ GROUPS OF CGUS	GOODWILL AMOUNTS	NUMBER OF CGUS/ GROUPS OF CGUS	GOODWILL AMOUNTS
Cement	51	11,034	51	11,152	42	5,795
Aggregates & Concrete	24	1,970	23	1,979	17	1,426
Gypsum	21	245	21	243	20	250
TOTAL	**96**	**13,249**	**95**	**13,374**	**79**	**7,471**

(d) 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 Cash Generating Units (CGUs), generally corresponding to the activity of a segment in a country, or groups of CGUs *(see Note 2.12)*.

Apart from the main CGUs presented in the table below, the goodwill that are allocated to other CGUs or groups of CGUs do not account individually for more than 10% of total Group goodwill.

The discount rates are post-tax discount rates that are 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 CGUs based on estimated discounted cash flows are as follows:

	AT DECEMBER 31, 2009		
CASH GENERATING UNITS	CARRYING VALUE OF GOODWILL *(million euros)*	DISCOUNT RATE	PERPETUAL GROWTH RATE
Cement North America *	1,473	7.6%	1.8%
Cement Algeria **	1,376	8.8%	3.0%
Cement Egypt **	1,343	8.7%	3.0%

** The CGU Cement North America was tested for impairment using the market approach at the end of 2008 and 2007.*
*** CGUs arising from the acquisition of Orascom Cement in 2008.*

The main assumptions used for the valuation of CGUs or groups of CGUs are as follows:

	AT DECEMBER 31,		
	2009	2008	2007
Multiples of operating income before capital gains, impairment, restructuring and other, and before depreciation and amortization	7.7 - 9.6	8.2 - 9.3	8.0 - 11.3
Discount rate	7.3% - 12.5%	7.9% - 9.2%	7.7% - 10.2%
Perpetual growth rate	1.8 - 3.0%	2.0% - 2.5%	2.0% - 2.5%

The Group took into account the impact of the economic crisis hitting the developed markets in the operational assumptions used in future cash flows.

The Group analyzed the sensibilities of the recoverable amounts to a reasonable possible change of a key assumption, notably to an independent change of 1 point in the discount rate or the perpetual growth rate. These analyses did not show a situation in which the carrying value of the main CGUs would exceed their recoverable amount. The tests of sensibility performed on the CGU Cement United Kingdom, on which a goodwill impairment loss of 200 million euros was recorded in 2008, also show a recoverable amount of this CGU as least equivalent to its carrying amount.

2009

No goodwill impairment loss was identified as at December 31, 2009 subsequent to the goodwill impairment tests. An impairment loss of 30 million euros was recorded during the second quarter 2009 for the CGU Cement Chile as part of its forecasted disposal, which was effective end of August 2009.

2008

In 2008, the Group recorded a 200 million euros impairment loss for the CGU Cement United Kingdom, based on the value in use of this CGU. A goodwill impairment loss of 50 million euros was recorded 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 were under discussion for disposal. In this context, their net book value was aligned with their estimated recoverable amount.

2007

In 2007, no goodwill impairment loss was identified.

Note 11 Intangible assets

(million euros)	2009	2008	2007
CARRYING AMOUNT AT JANUARY 1,	**614**	**472**	**426**
Additions	69	77	143
Disposals	(4)	(4)	(5)
Amortization	(93)	(82)	(64)
Impairment losses	-	-	(10)
Major acquisitions through business combinations	-	117	51
Other changes	51	37	(40)
Translation adjustments	(5)	(3)	(29)
CARRYING AMOUNT AT DECEMBER 31,	**632**	**614**	**472**

In 2008, the intangible assets acquired through the acquisition of Orascom Cement are reflected in the line "Major acquisitions through business combinations".

For the years presented, no reversal of impairment charges has been recorded.

The following table presents details of intangible assets:

	AT DECEMBER 31,								
	2009			2008			2007		
(million euros)	COST	ACCUMULATED AMORTIZATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTIZATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTIZATION AND IMPAIRMENT	CARRYING VALUE
Software	456	302	154	432	260	172	384	226	158
Real estate development rights	82	54	28	77	49	28	99	61	38
Mineral rights	171	37	134	176	35	141	161	32	129
Other intangible assets	409	93	316	347	74	273	205	58	147
TOTAL INTANGIBLE ASSETS	**1,118**	**486**	**632**	**1,032**	**418**	**614**	**849**	**377**	**472**

For the years presented, "Other intangible assets" include only assets with finite useful lives.

In 2009, the overall Group's spendings for product innovation and industrial process improvement was 152 million euros, compared to 160 million euros in 2008 and 141 million euros in 2007. The part of these spendings that are expensed as incurred were 140 million euros, 146 million euros and 141 million euros for the years ended December 31, 2009, 2008 and 2007 respectively.

Note 12 Property, plant and equipment

(a) Changes in 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
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)		
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 January 1, 2009	2,111	3,504	17,779	2,786	26,180		
Accumulated depreciation	(433)	(1,600)	(7,137)	(7)	(9,177)		

(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, 2009	**1,678**	**1,904**	**10,642**	**2,779**	**17,003**	**(76)**	**16,927**
Additions	35	63	307	1,156	1,561	(1)	1,560
Disposals	(9)	(7)	(36)	(2)	(54)	-	(54)
Other changes in scope	(84)	(27)	(316)	(36)	(463)	-	(463)
Depreciation	(48)	(220)	(768)	-	(1,036)	6	(1,030)
Impairment losses	(3)	-	(112)	(19)	(134)	-	(134)
Other changes	54	172	1,230	(1,551)	(95)	-	(95)
Translation adjustments	33	-	(35)	(13)	(15)	3	(12)
CARRYING AMOUNT AT DECEMBER 31, 2009	**1,656**	**1,885**	**10,912**	**2,314**	**16,767**	**(68)**	**16,699**
Cost at December 31, 2009	2,127	3,628	18,505	2,328	26,588		
Accumulated depreciation	(471)	(1,743)	(7,593)	(14)	(9,821)		

2009

In 2009, the tangible assets with a carrying amount below their recoverable value were impaired for a total amount of 134 million euros, of which mainly 90 million euros on some Cement assets in the Western Europe region due to plant capacity closures *(see Note 6).*

The other changes include mainly the impact of the 2009 disposals for a negative amount of 370 million euros.

2008

In 2008, the main acquisitions through business combinations mainly relate to the Orascom Cement acquisition and L&T Concrete 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.

The other scope variations relate to the disposal of Lafarge Titan Egypt and of our activities in Italy.

(b) Depreciation and impairment

Depreciation on property plant and equipment and impairment losses from continuing operations recognized in the statement of income are as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	2009	2008	2007
Depreciation	1,030	994	877
Impairment losses	134	26	3
TOTAL	**1,164**	**1,020**	**880**

For the years presented, no significant reversal of impairment charges has been recorded.

(c) Finance leases

The cost of property, plant and equipment includes 116 million euros, 124 million euros and 89 million euros of assets under finance leases at December 31, 2009, 2008 and 2007 , respectively. The remaining obligations on such assets amount to 57 million euros, 67 million euros and 46 million euros at December 31, 2009, 2008 and 2007, respectively.

Note 13 Investments in associates

(a) Changes in investment in associates

(million euros)	2009	2008	2007
AT JANUARY 1,	**563**	**331**	**253**
Income from associates	(18)	(3)	-
Dividends received from associates	(10)	(26)	(29)
New investments or share capital increases	7	63	133 (1)
Disposals and reduction in ownership percentage	(57)	-	-
Change of consolidation method	-	29	(9)
Other changes	(150) (3)	169 (2)	(17)
AT DECEMBER 31,	**335**	**563**	**331**

(1) Mainly includes Roofing activity (Monier) accounted for as investment in associates since February 28, 2007.
(2) 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.
(3) Mainly includes in 2009 the reclassification of goodwill that was preliminarily allocated in 2008 to investments in associates in the context of the final Orascom Cement goodwill allocation.

2009

In November 2009, the Group sold its 35% interest in its associate Monier for a 1 euro value. This disposal has no impact in the 2009 accounts, since the carrying amount of our investment was nil as at December 31, 2008.

Our investment in Venezuela was sold during the third quarter 2009 *(see Note 3).*

2008

The amount of our 35% interest in 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.

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 1, 2008. This investment amounts to 57 million euros as at December 31, 2008.

INFORMATION RELATING TO THE STATEMENT OF INCOME

The following details the Group's share of the operations of associates:

	YEARS ENDED DECEMBER 31,		
(million euros)	2009	2008	2007
Operating income before capital gains, impairment, restructuring and other	19	78	115
Gain on disposals, net	1	-	-
Other operating income (expenses), net	(1)	9	(37)
Finance (costs) income	(29)	(74)	(54)
Income tax	(8)	(16)	(24)
INCOME FROM ASSOCIATES	**(18)**	**(3)**	**-**

(b) Summarized combined statement of financial position and statement of income information of associates

Combined statement of financial position information at 100%

	AT DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
Non-current assets	1,808	3,149	3,027
Current assets	591	1,481	1,449
TOTAL ASSETS	**2,399**	**4,630**	**4,476**
Total equity	656	1,225	1,129
Non-current liabilities	1,247	2,380	2,387
Current liabilities	496	1,025	960
TOTAL EQUITY AND LIABILITIES	**2,399**	**4,630**	**4,476**

Combined statement of income information at 100%

	YEARS ENDED DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
Revenue	633	2,121	2,343
Operating income before capital gains, impairment, restructuring and other	42	210	316
Operating income	36	235	215
Net income	(75)	(15)	(16)

The significant variation between 2009 and 2008 arises mainly from the sale of our Monier investment in 2009.

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 statement of financial position

	AT DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
Non-current assets	2,324	2,473	1,347
Current assets	499	596	506
Non-current liabilities	407	326	253
Current liabilities	705	831	533

As of December 31, 2009 and 2008, the joint ventures mainly relate to:

- Al Safwa Cement Company, owned at 50% in Saudi Arabia. This joint venture was acquired through the Orascom Cement acquisition in 2008;
- Emirats Cement LLC, owned at 50% in United Arab Emirates. This joint venture was acquired through the Orascom Cement acquisition;
- several joint ventures in Morocco for the Cement and Aggregates & Concrete activities, owned at 35%;
- 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% and Yunnan Shui On Building Materials Investment Co. Ltd. owned at 44%; and
- other joint ventures in the Middle East for the Aggregates & Concrete Division, in Bangladesh for the Cement Division and in Asia for the Gypsum Division.

Impact on statements of income

	YEARS ENDED DECEMBER 31,		
(million euros)	2009	2008	2007
Revenue	1,262	1,196	922
Operating income before capital gains, impairment, restructuring and other	260	230	166
Operating income	256	235	168
Net income	183	171	132

Note 15 Other financial assets

Components of other financial assets are as follows:

	AT DECEMBER 31,		
(million euros)	2009	2008	2007
Loans and long-term receivables	506	440	194
Available for sale investments	1,023	652	780
Prepaid pension assets	12	8	104
Restricted cash	50	47	18
TOTAL	**1,591**	**1,147**	**1,096**

2009

The significant change of the "Other financial assets" mainly relates to the market value of our investment in Cimentos de Portugal (Cimpor) of 746 million euros representing an increase of 342 million euros compared to the value as at end of 2008.

In 2009, the increase in loans and long-term receivables mainly relates to the receivable further to the disposal of our Cement activities in Venezuela occurred end of September 2009 for an amount of 41 million euros. The short-term part of this receivable (23 million euros) is reflected in "Other receivables" in the consolidated statement of financial position *(see Note 3)*. Loans and long-term receivables include a loan granted to an associate in Nigeria (Unicem) for an amount of 180 million euros.

In 2009, we sold an available-for-sale investment we owned in Kenya for a net amount of 12 million euros leading to a gain of 11 million euros recognized as "financial income" in the statement of income.

The total impairment loss of financial available-for-sale investments recognized in 2009 amounts to 23 million euros.

2008

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-euros-receivable related to the sale of our Cement and Aggregates & Concrete activities in Italy.

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):

	AT DECEMBER 31,		
(million euros)	2009	2008	2007
COST	**611**	**611**	**611**
Unrealized gains (losses)	135	(207)	86
MARKET VALUE	**746**	**404**	**697**

The net unrealized gains or losses on shares of Cimentos de Portugal (Cimpor) was recognized in other reserves for 342 million euros in 2009, -293 million euros in 2008 and -56 million euros in 2007.

In 2000, the Group acquired 9.99% of the common shares of the 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, 2009 is 746 million euros, 135 million euros above the investment cost of (611 million euros, as disclosed in the table above).

The Cimpor investment was sold early February 2010 to the group Votorantim above investment cost *(see Note 34)*.

As at December 31, 2008, the market value of all shares amounted to 404 million euros, 207 million euros below acquisition cost. The Group considered 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 was considered neither significant nor prolonged as at December 31, 2008. In addition, the intrinsic value estimated by Lafarge was higher than its historical cost.

In compliance with the amendment to IFRS 7 - Financial Instruments: Disclosures, the table below presents, for the available-for- sale financial assets which are quasi exclusively the Group's equity investments in non consolidated companies, the allocation of their fair value between the three categories of the fair value hierarchy as defined by the amendment:

- level 1: for financial assets quoted in an active market, fair value is the quoted price;
- level 2: for financial assets that are not quoted in an active market and for which observable market data exist on which the Group can rely to measure fair value;
- level 3: for financial assets that are not quoted in an active marker and for which there is no observable market data.

	AT DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
Level 1	782	444	747
Level 2	45	41	-
Level 3	196	167	33
AVAILABLE-FOR-SALE INVESTMENTS	**1,023**	**652**	**780**

For the level 3 category, the reconciliation from the beginning balances to the ending balances presents as follows:

(million euros)	**2009**	**2008**	**2007**
AT JANUARY 1,	**167**	**33**	**72**
Gains or losses in statement of income	(8)	(1)	-
Unrealized gains or losses in equity	-	-	-
Acquisitions *	35	121	14
Other movements	2	14	(53)
Reclassification out of level 3	-	-	-
AT DECEMBER 31,	**196**	**167**	**33**

** Essentially includes in 2008 acquisitions through the Orascom Cement business combination.*

Note 16 Inventories

Components of inventories are as follows:

	AT DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
Raw materials	370	564	374
Work-in-progress	8	15	19
Finished and semi-finished goods	674	848	777
Maintenance and operating supplies	784	909	710
INVENTORIES CARRYING VALUE	**1,836**	**2,336**	**1,880**
Depreciation	(134)	(141)	(119)
INVENTORIES	**1,702**	**2,195**	**1,761**

The depreciation primarily relates to maintenance and operating supplies for 92 million euros, 91 million euros and 92 million euros at December 31, 2009, 2008 and 2007, respectively.

The change in the inventories is as follows:

(million euros)	2009	2008	2007
AT JANUARY 1,	**2,195**	**1,761**	**1,619**
Movement of the year	(433)	373	201
Scope effects	(70)	170	2
Other changes	4	(1)	(4)
Translation adjustments	6	(109)	(58)
AT DECEMBER 31,	**1,702**	**2,195**	**1,761**

Note 17 Trade receivables

Components of trade receivables are as follows:

	AT DECEMBER 31,		
(million euros)	2009	2008	2007
Trade receivables, gross	1,879	2,528	2,706
Valuation allowance	(193)	(208)	(191)
TRADE RECEIVABLES	**1,686**	**2,320**	**2,515**

The change in the valuation allowance for doubtful receivables is as follows:

(million euros)	2009	2008	2007
AT JANUARY 1,	**(208)**	**(191)**	**(194)**
Current year addition	(65)	(52)	(53)
Current year release	25	21	46
Cancellation	29	16	8
Other changes	27	(9)	-
Translation adjustments	(1)	7	2
AT DECEMBER 31,	**(193)**	**(208)**	**(191)**

Securitization programs

In January 2000, the Group entered into a multi-year securitization agreement in France for Cement and Gypsum activities with respect to trade receivables. This program was renewed in 2005 for a five-year period. Two other securitization agreements with respect to trade receivables were implemented in September 2009, 1 in France (for some of the Aggregates and Concrete activities) for a five-year period and the other in North America (United States and Canada) for a three-year period.

Under these agreements, some of the French and North American subsidiaries agree to sell on a revolving basis, some of their accounts receivables. Under the terms of the agreements, the subsidiaries involved in these programs do not maintain control over the receivables 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 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 745 million euros, 261 million euros and 265 million euros at December 31, 2009, 2008 and 2007, respectively.

The current portion of debt includes 407 million euros, 227 million euros and 230 million euros at December 31, 2009, 2008 and 2007, respectively, related to these programs and the non-current portion of debt includes 235 million euros at December 31, 2009, corresponding to the North American securitization agreement implemented in 2009.

The French securitization agreements are guaranteed by subordinated deposits and units totalling 103 million euros, 34 million euros and 35 million euros at December 31, 2009, 2008 and 2007, respectively.

Note 18 Other receivables

Components of other receivables are as follows:

	AT DECEMBER 31,		
(million euros)	2009	2008	2007
Taxes	389	454	320
Prepaid expenses	124	192	194
Interest receivables	16	31	17
Other current receivables	479	674	530
OTHER RECEIVABLES	**1,008**	**1,351**	**1,061**

"Other current receivables" include litigation indemnities, insurance indemnities, advances to fixed assets suppliers, receivables on assets sold and short-term deposits.

In 2009, "Other current receivables" mainly include:

- the receivables on disposals of assets and advances paid to suppliers for an amount of 97 million euros, including the short-term part of our receivable on the disposal of our Cement activities in Venezuela for 23 million euros *(see Note 3);*
- the receivables from Group's employees, notably as part of the share capital increase reserved to Group's employees *(see Notes 3 and 20)* for 29 million euros.

Note 19 Cash and cash equivalents

Cash and cash equivalents, amounting to 2,220 million euros, at December 31, 2009, include short-term investments of 106 million euros, measured at their fair value.

Note 20 Equity

(a) Common stock

At December 31, 2009, Lafarge common stock consisted of 286,453,316 shares with a nominal value of 4 euros per share.

At December 31, 2009, the total number of theoretical voting rights attributable to the shares is 336,495,436 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 increase

2009

Lafarge processed a right issue of 1.5 billion euros. This right issue resulted in the creation of 90,109,164 new shares with a 16.65 euros subscription price (i.e. 4.00 euros par value and a 12.65 euros issue premium), with a ratio of 6 new shares for 13 existing shares.

The gross proceeds amount to 1,500 million euros, including 1,140 million euros of issue premium. Related costs (55 million euros) have been recorded as a reduction of the issue premium *(see Note 3)*.

In December 2009, as part of a capital increase reserved to Group's employees, the Group issued 1,101,834 new shares with a 48.80 euros subscription price (i.e. 4.00 euros par value and a 44.80 euros issue premium).

The gross proceeds amount to 54 million euros of which 49 million euros as premium. Related costs (3 million euros) have been recorded as a reduction of the issue premium *(see Note 3)*.

2008

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.

(c) 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 2009 and 2008.

(d) Dividends

The following table indicates the dividend amount per share the Group paid for the years 2008 and 2007 as well as the dividend amount per share for 2009 proposed by our Board of Directors for approval at the Annual General Meeting of shareholders to be held on May 6, 2010. 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, unless otherwise indicated)	2009 *	2008	2007
Total dividend *(million)*	575 **	393	784
Base dividend per share	2.00	2.00	4.00
Increased dividend per share	2.20	2.20	4.40

* *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 286,073,168 shares.*

(e) Transactions on treasury shares

On June 15, 2009, the treasury shares decreased by 56,645 shares related to the performance stock plans which were vested and delivered to the employees.

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:

	DECEMBER 31, 2006	GAINS/ (LOSSES) ARISING DURING THE YEAR	RECYCLING TO INCOME STATEMENT	DECEMBER 31, 2007	GAINS/ (LOSSES) ARISING DURING THE YEAR	RECYCLING TO INCOME STATEMENT	DECEMBER 31, 2008	GAINS/ (LOSSES) ARISING DURING THE YEAR	RECYCLING TO INCOME STATEMENT	DECEMBER 31, 2009
Change in unrealized gains/(losses) on available for sale investments	**152**	**(20)**	**-**	**132**	**(356)**	**-**	**(224)**	**390**	**(6)**	**160**
Gross value	152	(29)	-	123	(338)	-	(215)	390	(6)	169
Deferred taxes	-	9	-	9	(18)	-	(9)	-	-	(9)
Change in unrealized gains/(losses) on cash flow hedge instruments	**(32)**	**7**	**(1)**	**(26)**	**(26)**	**(7)**	**(59)**	**(3)**	**20**	**(42)**
Gross value	(48)	13	(1)	(36)	(42)	(11)	(89)	(1)	35	(55)
Deferred taxes	16	(6)	-	10	16	4	30	(2)	(15)	13
Change in actuarial gains/(losses)	**(89)**	**19**	**-**	**(70)**	**(260)**	**-**	**(330)**	**(158)**	**-**	**(488)**
Gross value	(137)	34	-	(103)	(384)	-	(487)	(174)	-	(661)
Deferred taxes	48	(15)	-	33	124	-	157	16	-	173
TOTAL OTHER RESERVES	**31**	**6**	**(1)**	**36**	**(642)**	**(7)**	**(613)**	**229**	**14**	**(370)**
TOTAL FOREIGN CURRENCY TRANSLATION	**205**	**(288)**	**(21)**	**(104)**	**(814)**	**13**	**(905)**	**(96)**	**54**	**(947)**
TOTAL OTHER COMPREHENSIVE INCOME	**236**	**(282)**	**(22)**	**(68)**	**(1,456)**	**6**	**(1,518)**	**133**	**68**	**(1,317)**

(g) Non controlling interests

2009

At December 31, 2009, the non controlling interests amount to 1,823 million euros (1,725 million euros at December 31, 2008 and 1,079 million euros at December 31, 2007).

The increase of the non controlling interests is mainly explained by the acquisition of shares in Russia by the European Bank for Reconstruction and Development (EBRD).

At December 31, 2009, the Group's significant non controlling interests are Lafarge Cement Egypt (Egypt), Malayan Cement Berhad (Malaysia), Jordan Cement Factories Company PSC (Jordan), Lafarge Halla Cement Corporation (South Korea) and West African Portland Cement Company Plc. (Nigeria).

2008

At December 31, 2008, the increase in the non controlling interests compared to 2007 is mainly explained by the non controlling interests arising from the ex-Orascom Cement subsidiaries located in Egypt, Iraq and Pakistan. On the other side, the acquisition of the non controlling interests in Romania resulted in a decrease compared to 2007.

2007

At December 31, 2007, the Group's significant non controlling 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% non controlling 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 non controlling interests in the statement of financial position compared to 2006.

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)	**2009**	**2008**	**2007**
Stock options plans	17	22	26
Employee share capital increase	17	-	-
Performance stock plans	7	7	3
Stock appreciation rights (SAR) plans	-	-	3
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	**41**	**29**	**32**

2009

EMPLOYEE STOCK OPTIONS PLANS AND PERFORMANCE STOCK PLANS

The compensation cost recognized includes the fair value amortization for all outstanding and non vested plans, including the plans granted in 2009.

EMPLOYEE SHARE CAPITAL INCREASE

Lafarge S.A. shares have been offered to employees in 2009, as determined by management, under the plan "Lafarge in Action". Under the terms of the plan, the employees were entitled to purchase a maximum of 5.75 million shares jointly. The purchase price was 48.8 euros, 20% less than the average of Lafarge's share price over the last 20 days preceding the date the offer was proposed. Additionally, depending on the country, bonuses are paid on the first 15 purchased shares. The shares purchased cannot be sold for a period of five years (except under very specific circumstances). Under this plan, employees purchased a total of 1,101,834 shares.

A net expense of 17 million euros (estimated in accordance with principles described in Note 2.24) has been recognized on this plan in full in 2009 as there are no vesting conditions attached to the shares:

- 14 million euros related to the cash incentive;
- 3 million euros related to the compensation expense deducted from the discount element.

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 statement of income as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	2009	2008	2007
Cost of sales	15	9	8
Selling and administrative expenses	26	20	20
Net income (loss) from discontinued operations	-	-	4
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	**41**	**29**	**32**

Total compensation cost related to non-vested and not yet recognized stock options plans, performance stock plans and SAR plans is 31 million euros which will be recognized on a straight-line basis over the vesting period from 2010 to 2013.

(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 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.

Following the capital increase performed on April 28, 2009 at a price lower than the market's price, the Group has adjusted the rights of the holders to maintain the fair value of the plans. This adjustment resulted in a change in the number of granted options and exercise prices.

Information relating to the Lafarge S.A. stock options granted is summarized as follows:

	2009		2008		2007	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE *(euros)*	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE *(euros)*	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE *(euros)*
OPTIONS OUTSTANDING AT JANUARY 1,	**7,289,578**	**87.68**	**6,811,409**	**84.77**	**7,501,294**	**80.10**
Options granted	642,950	35.57	708,700	111.27	540,050	128.15
Adjustment of plans following capital increase	1,240,525	(11.32)	-	-	-	-
Options exercised	(5,784)	58.51	(189,399)	74.21	(1,204,540)	75.96
Options cancelled and expired	(808,314)	74.68	(41,132)	74.25	(25,395)	45.91
OPTIONS OUTSTANDING AT DECEMBER 31,	**8,358,955**	**72.01**	**7,289,578**	**87.68**	**6,811,409**	**84.77**
OPTIONS EXERCISABLE AT DECEMBER 31,	**5,330,857**	**67.75**	**4,004,193**	**80.61**	**3,533,624**	**82.12**
Weighted average share price for options exercised during the year		45.48		112.15		120.83
Weighted average share price at option grant date (for options granted during the year)		32.74		108.94		131.02
Weighted average fair value of options granted during the year		7.34		21.01		38.93

Information relating to the Lafarge S.A. stock options outstanding at December 31, 2009 is summarized as follows:

EXERCISE PRICE *(euro)*	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING LIFE *(months)*	NUMBER OF OPTIONS EXERCISABLE
68.92	283,443	11	283,443
88.27	14,756	16	14,756
83.12	1,021,292	23	1,021,292
87.98	428,633	28	428,633
64.38	319,434	35	319,434
57.00	1,123,608	47	1,123,608
61.19	762,869	59	762,869
62.78	1,376,822	72	1,376,822
84.42	906,170	77	-
110.77	583,937	89	-
96.18	799,732	99	-
30.74	738,259	111	-
	8,358,955		**5,330,857**

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		
YEARS ENDED DECEMBER 31,	**2009**	**2008**	**2007**
Expected dividend yield	4.5%	4.0%	2.3%
Expected volatility of stock	29.5%	24.7%	25.2%
Risk-free interest rate	3.5%	4.0%	4.7%
Expected life of the options *(years)*	8.0	8.0	8.0

The expected dividend yield assumption is based on a prospective approach, according to market expectations by 2011.

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 options 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.

Performance stock plans

Lafarge set up a performance stock plan in 2009, 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 is summarized as follows:

(million euros)	2009	2008	2007
Shares outstanding at January 1,	194,010	141,885	-
Shares granted	230,758	52,250	143,090
Shares cancelled	(11,730)	125	1,205
Shares definitely alloted	(56,645)	-	-
Shares outstanding at December 31,	356,393	194,010	141,885
Weighted average share price at shares grant date	32.74	108.94	131.02

The Group estimated the fair value of the performance stock plan granted in 2009, 2008 and 2007 based on the following assumptions:

	YEARS ENDED DECEMBER 31,		
	2009	2008	2007
Expected dividend yield	4.4%	3.9%	2.3%
Post vesting transfer restriction discount	4.9%	4.0%	4.0%

The expected dividend yield assumption is based on a prospective approach, according to market expectations by 2011.

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.

(c) Cash-settled instruments

In 2007 and 2008, Lafarge granted certain U.S. employees equity instruments settled in cash, called Stock Appreciation Rights plans (SAR). SAR give the holder, for a period of 10 years after the 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.

Information relating to the Lafarge North America Inc. Stock Appreciation Rights plan outstanding at December 31 is summarized as follows:

	2009		2008		2007	
	SAR	WEIGHTED AVERAGE EXERCISE PRICE *(euros)*	SAR	WEIGHTED AVERAGE EXERCISE PRICE *(euros)*	SAR	WEIGHTED AVERAGE EXERCISE PRICE *(euros)*
SAR OUTSTANDING AT JANUARY 1,	**526,160**	**118.47**	**260,675**	**124.50**	-	-
SAR granted	-	-	298,650	113.55	260,675	124.50
SAR exercised	-	-	-	-	-	-
SAR cancelled	(20,450)	119.63	(33,165)	121.38	-	-
SAR OUTSTANDING AT DECEMBER 31,	**505,710**	**118.42**	**526,160**	**118.47**	**260,675**	**124.50**
SAR EXERCISABLE AT DECEMBER 31,	**259,628**	**119.66**	**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 pro rata to vested rights at the relevant reporting date.

The Group estimated at year-end the fair value of the Stock Appreciation Rights plan based on the following assumptions:

	YEARS ENDED DECEMBER 31,		
	2009	**2008**	**2007**
Expected dividend yield	4.5%	4.0%	2.3%
Expected volatility of stock	24.7%	24.7%	28.4%
Risk-free interest rate	4.0%	4.0%	4.4%
Expected life of the SAR *(years)*	6.4	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,		
(million euros)	**2009**	**2008**	**2007**
CURRENT INCOME TAX	**373**	**529**	**575**
French companies	80	56	32
Foreign companies	293	473	543
DEFERRED INCOME TAX	**(113)**	**(50)**	**150**
French companies	(26)	(75)	98
Foreign companies	(87)	25	52
INCOME TAX	**260**	**479**	**725**

The components of the income tax expense are as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
CURRENT INCOME TAX	**373**	**529**	**575**
Corporate income tax for the period	335	516	546
Adjustment recognized in the period for current tax of prior periods	(18)	10	15
Withholding tax on dividends	45	22	15
Other	11	(20)	(1)
DEFERRED INCOME TAX	**(113)**	**(50)**	**150**
Deferred taxes on origination or reversal of temporary differences	(222)	(58)	196
Effect of changes in tax rates	(6)	(66)	(17)
Deferred taxes assets and tax losses carryforward unrecognized	0	-	-
Reassessment of deferred tax assets	113	65	(26)
Other	1	9	(3)
INCOME TAX	**260**	**479**	**725**

In 2009, there was no net tax impact in addition to the income tax expense charged to the statement of income, as the 16 million euros deferred tax income relating to the actuarial gains and losses that was recognized in equity was compensated by a deferred tax charge for the same amount relating to the change in fair value of derivative instruments designated as hedging instruments in a cash flow hedge relationship.

As at December 31, 2008, this additional net tax impact was a net income of 133 million euros, mainly composed of a 124 million euros income relating to actuarial gains and losses, a 20 million euros income relating to the change in fair value of derivative instruments designated as hedging instruments in a cash flow hedge relationship and an 18 million euros charge relating to the change in fair value of available-for-sale securities.

As at December 31, 2007, this additional net tax impact was a net charge of 10 million euros, i.e. a 14 million euros charge relating to actuarial gains and losses, a 5 million euros charge relating to the change in fair value of derivative instruments designated as hedging instruments in a cash flow hedge relationship and a 9 million euros income relating to the change in fair value of available-for-sale securities.

An analysis of the deferred tax expense (income) in respect of each temporary difference is presented in Note 22 (c).

Effective tax rate

For the years ended December 31, 2009, 2008 and 2007, 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,		
(%)	**2009**	**2008**	**2007**
Statutory tax rate	34.4	34.4	34.4
Changes in enacted tax rates [1]	(0.5)	(2.6)	(0.5)
Capital gains taxed at a reduced rate [1] [2]	(2.2)	(3.2)	(1.5)
Effect of foreign tax rate differentials [3]	(21.7)	(15.0)	(5.9)
Changes in valuation allowance on deferred tax assets	8.6	2.9	(1.0)
Non deductibility of the goodwill impairment loss [1]	0.8	3.5	-
Other	0.5	(0.2)	0.7
EFFECTIVE TAX RATE	**19.9**	**19.8**	**26.2**

(1) These items give rise to a net effect of -1.5 points in 2009 on the statutory tax rate (-2.3 points in 2008 and -2.0 points in 2007). They include non-recurring tax savings of 35 million euros (140 million euros in 2008 and 57 million euros in 2007). These tax savings arose from the enactment of lower tax rates, capital gains taxed at a lower rate. These tax savings are partially compensated by the non-deductibility of the goodwill impairment loss (30 million euros in 2009 and 250 million euros in 2008). Excluding these non-recurring items, the effective tax rate would have been 21.4% in 2009, 22.1% in 2008 and 28.3% in 2007.
(2) Capital gain taxed at a lower rate notably corresponds to the disposal in 2009 of Turkey which was taxed at very low level, in 2008 of Titan (Egypt) and in 2007 of Ybitas (Turkey), which were respectively taxed at 5% and 25% on the gain on disposal.
(3) Includes since 2008 the impact of the acquisition of Orascom Cement which benefits from temporary 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)	**2009**	**2008**	**2007**
NET DEFERRED TAX LIABILITIES AT JANUARY 1,	**742**	**484**	**328**
(Credit) charge to equity (excluding Actuarial gains and losses)	16	(9)	(4)
Actuarial gains and losses	(16)	(124)	14
Expense (income)	(113)	(50)	150
Translation adjustments	4	(41)	(35)
Other changes *	(54)	482	31
NET DEFERRED TAX LIABILITIES AT DECEMBER 31,	**579**	**742**	**484**
Out of which:			
Deferred tax liabilities	887	923	695
Deferred tax assets	(308)	(181)	(211)

** 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.*

(c) Deferred tax assets and liabilities

Components of the deferred tax balance are as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
Pensions and other post-retirement benefits	180	141	191
Actuarial gains and losses	175	158	34
Property, plant and equipment	248	280	310
Provisions and other current liabilities	286	260	299
Net operating loss and tax credit carry forwards	784	441	264
Net capital loss carry forwards	370	261	353
DEFERRED TAX ASSETS	**2,043**	**1,541**	**1,451**
Valuation allowance	(703)	(395)	(388)
NET DEFERRED TAX ASSETS	**1,340**	**1,146**	**1,063**
Property, plant and equipment	1,667	1,699	1,371
Other, net	252	189	176
DEFERRED TAX LIABILITIES	**1,919**	**1,888**	**1,547**
NET DEFERRED TAX LIABILITIES	**579**	**742**	**484**

Components of the deferred tax expense are as follows:

	YEARS ENDED DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
Pensions and other post-retirement benefits	16	32	106
Property, plant and equipment	18	(39)	(26)
Provisions and other current liabilities	25	32	8
Net operating loss and tax credit and capital loss carry forwards	(192)	(92)	78
Other, net	19	17	(16)
TOTAL	**(113)**	**(50)**	**150**

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)	**2009**	**2008**	**2007**
AT JANUARY 1,	**395**	**388**	**600**
Addition	277	59	19
Release	(6)	(4)	(173)
Other changes	21	27	(28)
Translation adjustments	16	(75)	(30)
AT DECEMBER 31,	**703**	**395**	**388**

(e) Tax credit and capital loss carry forwards

At December 31, 2009, the Group has net operating losses (NOLs) and tax credit carry forwards and capital losses carry forwards of approximately 2,532 million euros and 1,083 million euros, respectively, which will expire as follows:

(million euros)	NOLS AND TAX CREDITS CARRY FORWARDS	CAPITAL LOSS CARRY FORWARDS	TOTAL
2010	13	-	13
2011	11	-	11
2012	15	-	15
2013	22	-	22
2014 and thereafter	2,471	1,083	3,554
TOTAL	**2,532**	**1,083**	**3,615**

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 a foreseeable future.

As at December 31, 2009, the Group paid particular attention to the impacts that the economic crisis hitting the developed markets could have on the assessment of the recoverability of deferred tax assets positions in these markets. The analyses performed, based on the most recent forecasts approved by the management, arising from the Group's last strategic review and the Group's 2010 budget, concludes that it is probable that such assets will be recoverable in a foreseeable future, with in the exception of the French tax credit carry forwards for which the related deferred tax assets, along with tax assets relating to taxable temporary differences, have been depreciated to limit their amount to the amounts of deferred tax liabilities of the French tax group, since the recoverability of these assets in a foreseeable future is not assured considering notably the current structure of the Group's indebtedness.

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 statement of income. The total contribution paid in 2009, 2008 and 2007 (excluding mandatory social security plans organized at state level) for continuing operations is 31 million euros, 34 million euros and 25 million euros respectively.

Only defined benefit plans create future obligations for the Group. Defined benefit pension plans and end of service benefits constitute 94% of the Group's post-retirement obligations. The remaining 6% 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.

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		
(%)	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Equity	70	66	70	56	52	53
Bonds	30	34	30	38	42	41
Other	-	-	-	6	6	6
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**

The following table 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".

	AT DECEMBER 31,								
	PENSION BENEFITS			**OTHER BENEFITS**			**TOTAL**		
(million euros)	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
COMPONENTS OF NET PERIODIC PENSION COST									
Service cost	68	91	98	9	7	8	77	98	106
Interest cost	228	241	254	18	14	15	246	255	269
Expected return on plan assets	(203)	(271)	(295)	-	-	-	(203)	(271)	(295)
Amortization of past service cost	1	1	(1)	(1)	6	5	-	7	4
Special termination benefits	51	51	25	-	-	-	51	51	25
Curtailment (gain)	(11)	(1)	(38)	(5)	-	1	(16)	(1)	(37)
Settlement loss	-	-	4	-	-	-	-	-	4
NET PERIODIC PENSION COST	**134**	**112**	**47**	**21**	**27**	**29**	**155**	**139**	**76**
CHANGE IN DEFINED BENEFIT OBLIGATION									
DEFINED BENEFIT OBLIGATION AT JANUARY 1,	**3,493**	**4,519**	**5,315**	**257**	**251**	**253**	**3,750**	**4,770**	**5,568**
Foreign currency translations	191	(704)	(308)	2	(2)	(14)	193	(706)	(322)
Service cost	68	91	98	9	7	8	77	98	106
Interest cost	228	241	254	18	14	15	246	255	269
Employee contributions	8	9	8	3	2	2	11	11	10
Plan amendments	3	-	(2)	-	12	13	3	12	11
Curtailments	(11)	(1)	(26)	(5)	-	1	(16)	(1)	(25)
Settlements*	(9)	-	(123)	-	-	-	(9)	-	(123)
Business combinations/Divestitures	(16)	(2)	(308)	(2)	-	(2)	(18)	(2)	(310)
Special termination benefits	51	51	25	-	-	-	51	51	25
Benefits paid	(287)	(317)	(293)	(21)	(17)	(16)	(308)	(334)	(309)
Actuarial (gain) loss related to change in assumptions	573	(487)	(240)	25	-	(2)	598	(487)	(242)
Actuarial (gain) loss related to experience effect	(175)	93	119	(4)	(10)	(7)	(179)	83	112
DEFINED BENEFIT OBLIGATION AT DECEMBER 31,	**4,117**	**3,493**	**4,519**	**282**	**257**	**251**	**4,399**	**3,750**	**4,770**

** Partial settlement of certain retirees' obligations in France in 2007 and change in defined contributions plans of Brazilian pension plans in 2009.*

AT DECEMBER 31,

	PENSION BENEFITS			OTHER BENEFITS			TOTAL		
(million euros)	2009	2008	2007	2009	2008	2007	2009	2008	2007
CHANGE IN PLAN ASSETS									
FAIR VALUE OF PLAN ASSETS AT JANUARY 1,	**2,761**	**4,148**	**4,201**	**-**	**-**	**-**	**2,761**	**4,148**	**4,201**
Foreign currency translations	185	(698)	(308)	-	-	-	185	(698)	(308)
Expected return on plan assets	203	271	295	-	-	-	203	271	295
Actuarial gain (loss) related to experience effect	233	(839)	(26)	-	-	-	233	(839)	(26)
Employer contributions *	62	75	374	-	-	-	62	75	374
Employee contributions	8	9	8	-	-	-	8	9	8
Benefits paid	(201)	(205)	(224)	-	-	-	(201)	(205)	(224)
Settlements	(11)	-	(126)	-	-	-	(11)	-	(126)
Business combinations/Divestitures	(4)	-	(46)	-	-	-	(4)	-	(46)
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31,	**3,236**	**2,761**	**4,148**	**-**	**-**	**-**	**3,236**	**2,761**	**4,148**
Actual return on plan assets	436	(568)	269	-	-	-	436	(568)	269
RECONCILIATION OF PREPAID (ACCRUED) PENSION COST									
FUNDED STATUS OF THE PLAN	**(881)**	**(732)**	**(371)**	**(282)**	**(257)**	**(251)**	**(1,163)**	**(989)**	**(622)**
Unrecognized actuarial past service cost	7	5	6	(4)	(4)	(7)	3	1	(1)
Unrecognized asset due to asset ceiling limitations	(6)	(15)	(76)	-	-	-	(6)	(15)	(76)
PREPAID (ACCRUED) PENSION COST AT DECEMBER 31,	**(880)**	**(742)**	**(441)**	**(286)**	**(261)**	**(258)**	**(1,166)**	**(1,003)**	**(699)**
Of which prepaid pension cost at December 31	*12*	*7*	*104*	-	-	-	*12*	*7*	*104*
Of which accrued pension cost at December 31	*(892)*	*(749)*	*(545)*	*(286)*	*(261)*	*(258)*	*(1,178)*	*(1,010)*	*(803)*

* *Including:*
- *exceptional contributions to North American pension funds for 22 million U.S. dollars in 2007;*
- *an exceptional contribution to the UK pension plan of 96 million British pound in 2007 due to Roofing divestiture;*
- *exceptional contributions to the UK pension plan of 10 million British pound in 2008 and 2009 and 18 million British pound in 2007;*
- *and a contribution of 126 million euros in 2007 for the partial settlement of certain retirees' obligations in France.*

Amounts recognized in equity are presented in the table below (before tax and non controlling interests):

	PENSION BENEFITS			OTHER BENEFITS			TOTAL		
(million euros)	2009	2008	2007	2009	2008	2007	2009	2008	2007
STOCK OF ACTUARIAL GAINS/(LOSSES) RECOGNIZED AT DECEMBER 31,	**(699)**	**(533)**	**(96)**	**8**	**25**	**16**	**(691)**	**(508)**	**(80)**
AMOUNTS RECOGNIZED IN THE PERIOD	**(154)**	**(394)**	**46**	**(20)**	**10**	**10**	**(174)**	**(384)**	**56**
Of which Actuarial Gains/(Losses)	*(165)*	*(445)*	*87*	*(20)*	*10*	*10*	*(185)*	*(435)*	*97*
Of which Asset ceiling impact	*11*	*51*	*(41)*	-	-	-	*11*	*51*	*(41)*

The Group did not recognize any reimbursement right as an asset for the years presented.

The defined benefit obligation and the fair value of plan assets for continuing activities disclosed in the table above arise from:

	AT DECEMBER 31,				
(million euros)	**2009**	**2008**	**2007**	**2006**	**2005**
Plans wholly unfunded	770	699	630	665	908
Plans wholly or partially funded	3,629	3,051	4,140	4,593	4,555
TOTAL DEFINED BENEFIT OBLIGATION	**4,399**	**3,750**	**4,770**	**5,258**	**5,463**
Actuarial (Gain) Loss related to experience effect	(179)	83	112	45	31
Actuarial (Gain) Loss in % of obligation at December 31	(4)%	2%	2%	1%	1%
TOTAL FAIR VALUE OF PLAN ASSETS	**3,236**	**2,761**	**4,148**	**4,201**	**3,954**
Gain /(Loss) related to experience effect	233	(839)	(26)	76	360
Gain /(Loss) in % of fair value of asset at December 31	7%	(30%)	(1%)	2%	9%

The primary assumptions made to account for pensions and end of service benefits are as follows:

%	**UNITED STATES**	**CANADA**	**UNITED KINGDOM**	**EURO ZONE**
2009				
Discount rate at December 31	5.80	5.80	5.70	5.00 to 5.25
Salary increase at December 31	4.00	4.50	5.00	2.50 to 4.75
Expected return rate on assets at January 1	8.00	8.00	6.90	4.25 to 4.75
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

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.

The expected long-term return rate on pension plan assets is based on historical performance, current and long-term outlook and the asset mix in the pension trust funds. The impact of decreasing the expected rate of return on assets by one percentage point for 2009 for the most significant benefits plans located in the United Kingdom and North America would have been to increase the net periodic pension expense by approximately 28 million euros.

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. The Group was specifically attentive to the relevance of those indexes. The impact of decreasing the discount rate assumption by one percentage point at December 31, 2009 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 598 million euros.

For the fiscal year 2010, the expected return rates on assets are as follows:

United States	8.00
Canada	7.75
United Kingdom	7.00
Euro zone	4.75 to 5.25

(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 57% and 31%, 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. 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 and 2009. The triennial valuation of the plan as at June 30, 2009 is in force and the future schedule of contributions, currently discussed with the trustees, will be finalized in the first half of 2010. Required employer contributions in 2010 are expected to be at around 13.8 million British pounds (excluding a possible additional contribution). At the end of 2009, approximately 56% of the pension fund assets are invested in equity instruments, approximately 38% are invested in bond portfolios, which is consistent with the long-term nature of the pension obligations, 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. Group obligations granted through these funds are currently managed to limit further accruals of rights by closing some funds to new entrants and to optimize administrative and management costs and processes by merging some of them. At the end of 2009, 70% of the pension fund assets were invested in equity instruments and 30% in bond portfolios. Required employer contributions in 2010 are expected to be 102 million U.S. dollars. The Group chose for tax and financial purposes to make a discretionary contribution of 22 million U.S. dollars during 2007 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 and Korea.

(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 2009, the rate used was 8.5% in the U.S. plan, decreasing to 5% in 2017, and 8.2% in the Canadian plan, decreasing to 5% in 2018.

At the end of 2008, the used rate 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.

The assumed rate for Medicare healthcare cost trends was the same for U.S. and Canadian plans.

Assumed healthcare costs 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, 2009	28	(24)
Increase (decrease) in the total of service and interest cost components for 2009	4	(1)

Note 24 Provisions

(million euros)	RESTRUCTURING PROVISIONS	SITE RESTORATION AND ENVIRONMENTAL PROVISIONS	OTHER PROVISIONS	TOTAL
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*
AT JANUARY 1, 2009	**56**	**230**	**855**	**1,141**
Current year addition	85	8	144	237
Current year release	(72)	(7)	(100)	(179)
Cancellation	(3)	(2)	(121)	(126)
Other changes	8	(7)	(18)	(17)
Translation adjustments	-	7	12	19
AT DECEMBER 31, 2009	**74**	**229**	**772**	**1,075**
Current portion				*136*
Non-current portion				*939*

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 357 million euros at December 31, 2009 (391 million euros at December 31, 2008 and 335 million euros at December 31, 2007), including 83 million euros (71 million euros at December 31, 2008 and 51 million euros at December 31, 2007) of late-payment interests. The variation compared to 2008 notably relates to the reversal of provision (43 million euros) further to the June 26, 2009 decision of the Court of Düsseldorf to significantly reduce the fine. In 2008, 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 the other litigations for an amount of 45 million euros (110 million euros at December 31, 2008 and 105 million euros at December 31, 2007). The variation compared to 2008 notably relates to the reversal of the USG provision (25 million U.S. dollars) further to the agreement settled in December 2009 between both parties *(see Note 29)*;
- insurance and re-insurance reserves for an amount of 99 million euros at December 31, 2009 (121 million euros at December 31, 2008, 124 million euros at December 31, 2007).

Note 25 Debt

The debt split is as follows:

	AT DECEMBER 31,		
(million euros)	2009	2008	2007
Long-term debt excluding put options on shares of subsidiaries	13,634	14,003	8,025
Put options on shares of subsidiaries, long-term	78	146	322
LONG-TERM DEBT	**13,712**	**14,149**	**8,347**
Short-term debt and current portion of long-term debt excluding put options on shares of subsidiaries	2,033	4,278	1,614
Put options on shares of subsidiaries, short-term	232	194	148
SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT	**2,265**	**4,472**	**1,762**
Total debt excluding put options on shares of subsidiaries	15,667	18,281	9,639
Total put options on shares of subsidiaries	310	340	470
TOTAL DEBT	**15,977**	**18,621**	**10,109**

(a) Analysis of debt excluding put options on shares of subsidiaries by type of financing

	AT DECEMBER 31,		
(million euros)	2009	2008	2007
Debenture loans	9,263	6,407	5,652
Bank loans and credit lines	3,488	9,428	1,406
Commercial paper	936	1,024	1,193
Other notes	1,168	999	985
Other	812	423	403
TOTAL DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES	**15,667**	**18,281**	**9,639**

Debenture loans and other notes

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, 2009, 8,233 million euros had been issued under the EMTN program, including 7,125 million euros of debenture loans and 1,108 million euros of private placements included under "Other notes". The weighted average interest rate of EMTN issues is 5.9% with maturities ranging from 2010 to 2020.

During 2009, Lafarge placed seven bonds under its EMTN program for a total amount of nearly 3.4 billion euros equivalent:

- Four public bond issues:
  - 1 billion euros with a five-year maturity and a coupon of 7.625% (settlement on May 27);
  - 350 million British pounds with an eight-year maturity and a coupon of 8.75% (settlement on May 29);
  - 750 million euros with a seven-year and five-month maturity and a coupon of 7.625% (settlement on June 24);
  - 750 million euros with a 10-year maturity and a coupon of 5.5% (settlement on December 16).
- Three private placements:
  - 100 million U.S. dollars with a four-year and nine-month maturity and a coupon of Libor three months +7.89% (settlement on February 13);
  - 250 million euros with an eight-year maturity and a coupon of 7.25% (settlement on June 29);
  - 150 million euros with an eight-year maturity and a coupon of 6.85% (settlement on November 6).

At December 31, 2009, debenture loans consist of bonds issued mainly in euros, U.S. dollars and British pounds with a weighted average interest rate of 6.3% (5.7% at December 31, 2008 and 6.2% at December 31, 2007). Their maturities range from 2011 to 2036, with an average maturity of six years and seven months (*i.e.* being 2016).

Other notes mainly consist of notes denominated in euros and in U.S. dollars with a weighted average interest rate of 4.0% at December 31, 2009 (4.8% at December 31, 2008 and 5.1% at December 31, 2007).

Bank loans

At December 31, 2009, bank loans total 2,709 million euros and are primarily comprised of loans to Group subsidiaries in their local currencies.

The weighted average interest rate on these bank loans is approximately 5.7% at December 31, 2009 (6.5% at December 31, 2008 and 6.4% at December 31, 2007).

Committed long and medium-term credit lines

Drawdowns on long and medium-term committed credit lines amount to 12 million euros (excluding the acquisition credit facility) out of a maximum amount available of 3,469 million euros equivalent at December 31, 2009. The average interest rate of these drawdowns, mainly denominated in Romanian leus and in euros, is approximately 7.7% at December 31, 2009.

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 23 basis points at December 31, 2009 (16 basis points at December 31, 2008 and 8 basis points at December 31, 2007).

As a 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 in the syndicate.

In 2008, an amount of 1,500 million euros on A1 tranche of 1,800 million was refinanced through the proceeds of a bond issue. The maturity of this residual amount has then been extended for one year on November 17, 2008.

During the first half of 2009, the proceeds of the rights issue, received on April 28, 2009 *(see Note 3)*, as well as the proceeds from refinancing operations on the bond markets in May and June (see details above), have been used for the full repayment of A1/A2 tranches of the 7.2 billion euros Orascom Cement acquisition credit facility, put in place in December 2007. This repayment of A1/A2 tranches removes the financial covenant associated with this credit facility.

During the second half of 2009, an additional amount of 2,300 million euros has been repaid on the Orascom acquisition credit facility, by using the proceeds of the divestments, the cash received from the French A&C Securitization agreement implemented in September 2009, and the residual net proceeds of the year end bond issues (detailed here above). This repayment proportionally applied to the three remaining tranches B, C1 and C2 (all maturing in December 2012) of the Orascom acquisition credit facility. The outstanding amount of the acquisition credit facility has therefore been reduced to 768 million euros. The average interest rate on these drawdowns is approximately 1.6% at December 31, 2009.

Commercial paper

The Group's euro denominated commercial paper program at December 31, 2009 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, 2009, commercial paper issued under this program totalled 936 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, 2009, the weighted average interest rate of the euro denominated commercial paper is 0.9% (4.4% at December 31, 2008 and 4.7% at December 31, 2007).

(b) Analysis of debt excluding put options on shares of subsidiaries by maturity

At December 31, 2009, 936 million euros of short-term debt have been classified as long-term based upon the Group's ability to refinance these obligations on a medium and long-term basis through its committed credit facilities.

This short-term debt that the Group can refinance on a medium and long-term basis through its committed credit facilities is classified in the statement of financial position under the Section "Long-term debt". The net variation of this short-term debt is shown in the 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, 2009, the net variation of this debt amounted to an decrease of 1,088 million euros (compared to an increase of 831 million euros at December 31, 2008 and a decrease of 1,161 million euros at December 31, 2007).

	AT DECEMBER 31,
(million euros)	2009
2010 H1	872
2010 H2	1,161
2011	1,480
2012	2,439
2013	1,802
2014	1,954
Beyond 5 years	5,959
TOTAL DEBT EXCLUDING PUT OPTIONS ON SHARE OF SUBSIDIARIES	**15,667**

This repayment schedule results from the schedules of group's loan contracts, without any discount rate nor netting.

(c) Analysis of debt excluding put options on shares of subsidiaries by currency

AT DECEMBER 31,	2009		2008		2007	
(million euros)	BEFORE SWAPS	AFTER SWAPS	BEFORE SWAPS	AFTER SWAPS	BEFORE SWAPS	AFTER SWAPS
Euro (EUR)	10,172	8,102	13,483	10,004	5,623	4,010
U.S. dollar (USD)	2,607	4,647	2,303	4,706	1,836	3,542
British pound (GBP)	1,435	1,189	974	1,268	1,280	1,034
Chinese yuan (CNY)	315	315	335	335	249	249
Canadian dollar (CAD)	108	287	41	616	115	84
Indian rupee (INR)	77	195	99	224	37	96
Other	953	932	1,046	1,128	499	624
TOTAL	**15,667**	**15,667**	**18,281**	**18,281**	**9,639**	**9,639**

(d) Analysis of debt excluding put options on shares of subsidiaries by category and type of interest rate

AT DECEMBER 31,	2009		2008		2007	
(million euros)	BEFORE SWAPS	AFTER SWAPS	BEFORE SWAPS	AFTER SWAPS	BEFORE SWAPS	AFTER SWAPS
Floating rate	5,145	5,049	11,050	11,604	3,445	4,324
Fixed rate below 6%	4,626	4,622	3,916	3,322	3,454	2,581
Fixed rate between 6% and 10%	5,703	5,803	3,124	3,164	2,503	2,497
Fixed rate 10% and over	193	193	191	191	237	237
TOTAL	**15,667**	**15,667**	**18,281**	**18,281**	**9,639**	**9,639**

The average spot interest rate of the debt after swaps, as at December 31, 2009, is 5.3% (5.7% as at December 31, 2008 and 5.8% at December 31, 2007). The average yearly interest rate of the debt after swaps in 2009 is 5.1% (5.5% in 2008 and 5.8% in 2007).

(e) Particular clauses in financing contracts

Financial covenants

At December 31, 2009, loan contracts requiring compliance with certain financial covenants existed in some of our subsidiaries. These subsidiaries are located in the following countries: Algeria, Bangladesh, China, Ecuador, Egypt, India, Indonesia, Jordan, Nigeria, Qatar, Romania, Spain, South Africa, Syria, United Arab Emirates, United Kingdom and Vietnam. Debt with such financial covenants represents approximately 8% of the total Group debt excluding put options on shares of subsidiaries at December 31, 2009. For most of them, they 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.

The other loan contracts do not require any compliance with certain financial covenants.

Change of control clauses

Change of control clauses are included in the acquisition credit facility dedicated to the acquisition of Orascom Cement and in several of the Group's committed credit facilities contracts, which amount to 4,157 million euros, i.e. 100% 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 5,502 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 345 million euros, 398 million euros and 506 million euros at December 31, 2009, 2008 and 2007, respectively.

Out of the outstanding put options at year-end 2009, 269 million euros can be exercised in 2010 and 2011. The remaining 78 million euros can be exercised starting 2012.

As explained in Note 2.19, put options granted to non controlling interests of subsidiaries are classified as debt. Out of the total options granted by the Group, the options granted to non controlling interests amounted to 310 million euros, 340 million euros and 470 million euros at December 31, 2009, 2008 and 2007, respectively, the remaining options were granted on shares of associates or joint ventures.

This specific debt is recorded by reclassifying the underlying non controlling interests and recording goodwill in an amount equal to the difference between the carrying value of non controlling interests and the value of the debt (163 million euros, 232 million euros and 306 million euros at December 31, 2009, 2008 and 2007 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 statement of income, as required by IAS 39.

(b) Fair values

The following details the cost and fair values of financial instruments:

STATEMENT OF FINANCIAL POSITION FINANCIAL INSTRUMENTS

AT DECEMBER 31, (million euros)	IAS 39 CATEGORY	FAIR VALUE CATEGORY	2009 CARRYING AMOUNT	2009 NET FAIR VALUE	2008 CARRYING AMOUNT	2008 NET FAIR VALUE	2007 CARRYING AMOUNT	2007 NET FAIR VALUE
ASSETS								
Cash and cash equivalents	*Financial assets at fair value recognized in statement of income*		2,220	2,220	1,591	1,591	1,429	1,429
Trade receivables	*Loans and Receivables at amortized cost*		1,686	1,686	2,320	2,320	2,515	2,515
Other receivables	*Loans and Receivables at amortized cost*		1,008	1,008	1,351	1,351	1,061	1,061
Other financial assets			1,591	1,591	1,147	1,147	1,096	1,096
Held-to-maturity investments	*Held-to-maturity investments at amortized cost*		*8*	*8*	*4*	*4*	*3*	*3*
Available for sale investments	*Available for sale investments at fair value recognized in equity*	*See Note 15*	*1,023*	*1,023*	*652*	*652*	*780*	*780*
Loans and long term receivables	*Loans and Receivables at amortized cost*		*498*	*498*	*436*	*436*	*191*	*191*
Prepaid pension assets	*(excluding the IAS 39 scope)*		*12*	*12*	*8*	*8*	*104*	*104*
Restricted cash	*Financial assets at fair value recognized in statement of income*		*50*	*50*	*47*	*47*	*18*	*18*
Derivative instruments - assets	*Refer below*		67	67	345	345	57	57
LIABILITIES								
Short-term bank borrowings*	*Financial liabilities at amortized cost*		590	590	821	821	483	483
Trade payables	*Financial liabilities at amortized cost*		1,652	1,652	1,864	1,864	1,732	1,732
Other payables	*Financial liabilities at amortized cost*		1,630	1,630	2,039	2,039	1,553	1,553
Debenture loans	*Financial liabilities at amortized cost*	Lev 2	9,263	9,704	6,407	4,925	5,652	5,520
Other long-term financial debt (including current portion)	*Financial liabilities at amortized cost*	Lev 2	5,814	5,892	11,053	9,733	3,504	3,487
Put options on shares of subsidiaries	-		310	310	340	340	470	470
Derivative instruments - liabilities	*Refer below*		105	105	199	199	62	62
DERIVATIVE INSTRUMENTS								
Interest rate derivative instruments			1	1	101	101	(22)	(22)
designated as hedging instruments in cash flow hedge relationship		*Lev 2*	*5*	*5*	*15*	*15*	*(15)*	*(15)*
designated as hedging instruments in fair value hedge relationship		*Lev 2*	*5*	*5*	*44*	*44*	*(8)*	*(8)*
not designated as hedges for accounting purposes		*Lev 2*	*(9)*	*(9)*	*42*	*42*	*1*	*1*
Foreign exchange derivative instruments			(33)	(33)	102	102	8	8
designated as hedging instruments in cash flow hedge relationship		*Lev 2*	*(4)*	*(4)*	*14*	*14*	*(2)*	*(2)*
not designated as hedges for accounting purposes		*Lev 2*	*(26)*	*(26)*	*88*	*88*	*10*	*10*
Commodities derivative instruments			(6)	(6)	(57)	(57)	9	9
designated as hedging instruments in cash flow hedge relationship		*Lev 2*	*(6)*	*(6)*	*(57)*	*(57)*	*9*	*9*
Other derivative instruments			-	-	-	-	-	-
equity swaps not designated as hedges for accounting purposes			-	-	-	-	-	-
embedded derivatives not designated as hedges for accounting purposes			-	-	-	-	-	-

** Of which 377 million euros of bank overdraft as at December 31, 2009.*
Level 1: quoted on financial markets (Note 15).
Level 2: based on market observable data (Note 15).
Level 3: based on internal assumptions (Note 15).

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:** Marketable securities quoted in an active market (mainly Cimpor) are carried at market value with unrealized gains and loss recorded in a separate component of equity. The fair value of securities that are not quoted in an active market and for which there is no observable market data on which the Group can rely to measure their fair value (186 million euros as at December 31, 2009) is determined according to the most appropriate financial criteria in each case (discounted present value of cash flows, estimated selling price). If such fair value can not be reliably measured, securities are carried at acquisition cost;
- **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 values 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 "operational" foreign currency exposures arising from its transactions using derivative instruments as soon as a firm or highly probable commercial and/or financial 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 the management.

The Group's operating policies tend to reduce potential "financial" 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, 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 4.6 (Market risks) for more information on our exposure to foreign currency risk.

Foreign currency hedging activity

At December 31, 2009, 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)	**2009**	**2008**	**2007**
FORWARD CONTRACT PURCHASES AND CURRENCY SWAPS			
U.S. dollar (USD)	300	341	293
British pound (GBP)	402	336	428
Other currencies	325	273	250
TOTAL	**1,027**	**950**	**971**
FORWARD CONTRACT SALES AND CURRENCY SWAPS			
U.S. dollar (USD)	2,414	2,749	1,991
British pound (GBP)	122	678	293
Other currencies	268	401	289
TOTAL	**2,804**	**3,828**	**2,573**

Details of the statement of financial position value of instruments hedging foreign currency risk

At December 31, 2009, 2008 and 2007, 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 the consolidated statement of income. The net impact recognized in financial expenses in 2009 is disclosed in Note 8.

AT DECEMBER 31,	2009			2008			2007		
(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	18	-	18	218		218	43	-	43
Net reevaluation of financial loans and borrowings denominated in foreign currencies	-	-	-	-	-	-	-	-	-
LIABILITIES									
Non-current derivative instruments	2	-	2	-	-	-	-	-	-
Current derivative instruments	49	-	49	116		116	35	-	35
Net reevaluation of financial loans and borrowings denominated in foreign currencies	-	(24)	(24)	-	87	87	-	16	16
NET IMPACT ON EQUITY	**(33)**	**24**	**(9)**	**102**	**(87)**	**15**	**8**	**(16)**	**(8)**

(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 the management.

Interest rate risk derivatives held at December 31, 2009 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 4.6 (Market risks) for more information on our policy and procedure to interest rate risk.

Interest rate hedging activity

AT DECEMBER 31, 2009	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 *	285	1,748	4,409	3,266	5,828	131	10,522	5,145
Cash and cash equivalents	-	(2,220)	-	-	-	-	-	(2,220)
NET POSITION BEFORE HEDGING	**285**	**(472)**	**4,409**	**3,266**	**5,828**	**131**	**10,522**	**2,925**
Hedging instruments	(211)	211	307	(307)	-	-	96	(96)
NET POSITION AFTER HEDGING	**74**	**(261)**	**4,716**	**2,959**	**5,828**	**131**	**10,618**	**2,829**

** 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, 2009 *

(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	5.4%	6	108	26	55	102	-	**297**
Pay floating *(designated as fair value hedge)*								
Euro	-	-	-	-	-	-	-	**-**
Other currencies	3.3%	225	-	-	70	-	-	**295**
Other interest rate derivatives								
Euro	2.4%	5	-	-	-	-	-	**5**
Other currencies	1.2%	181	218	19	307	-	-	**725**
TOTAL		**417**	**326**	**115**	**490**	**144**	**-**	**1,492**

** 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, 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	6.4%	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	2009	2010	2011	2012	2013	> 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**

** 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 statement of financial position value of instruments hedging interest rate risk

AT DECEMBER 31, (million euros)	2009			2008			2007		
	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	37	-	37	120	-	120	2	-	2
Current derivative instruments	2	-	2	4	-	4	-	-	-
LIABILITIES									
Long-term debt	-	5	5	-	44	44	-	(8)	(8)
Non-current derivative instruments	32	-	32	23	-	23	24	-	24
Current derivative instruments	6	-	6	-	-	-	-	-	-
NET IMPACT ON EQUITY	**1**	**(5)**	**(4)**	**101**	**(44)**	**57**	**(22)**	**8**	**(14)**

(e) Commodity risk

The Group is subject to commodity risk with respect to price changes mainly in the electricity, natural gas, petcoke, coal, oil refined products and sea freight markets.

The Group uses, from time to time, financial instruments to manage its exposure to these risks. At December 31, 2009, 2008 and 2007, 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 the management.

See Section 4.6 (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, 2009 *

(million euros)	2010	2011	2012	2013	2014	> 5 YEARS	TOTAL
Natural Gas (NYMEX)	12	3	-	-	-	-	15
Heating Oil (NYMEX)	14	-	-	-	-	-	14
Others	44	18	-	-	-	-	62
TOTAL	**70**	**21**	**-**	**-**	**-**	**-**	**91**

** 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, 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**

** 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, 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.*

Details of the statement of financial position value of instruments hedging commodities risk

Commodities derivative instruments held at December 31, 2009, 2008 and 2007 were all designated as hedging instruments in cash flow hedge relationship.

Statement of financial position values of commodity derivative instruments are as follows:

	AT DECEMBER 31,		
(million euros)	2009	2008	2007
ASSETS			
Non-current derivative instruments	6	2	3
Current derivative instruments	4	1	9
LIABILITIES			
Non-current derivative instruments	11	29	2
Current derivative instruments	5	31	1
NET IMPACT ON EQUITY	**(6)**	**(57)**	**9**

(f) Counterparty risk for financial operations

The Group is exposed to credit risk in the event of a 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 4.5 (Liquidity and capital resources) 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 2009 financial statements, the cash flow from operations to net debt ratio was 15.8%, compared to 18.7% at year-end 2008 and 32.0% at year-end 2007.

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 4.5 "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.

(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's maximum exposure to credit risk as of December 31, 2009 on its short-term receivables is presented in the following table:

	AT DECEMBER 31,
(million euros)	2009
Trade receivables *(see Note 17)*	1,686
Other receivables *(see Note 18)*	1,008
TOTAL	**2,694**

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 45 to 60 days.

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.

In addition, the Group has loans and long term-receivables for a total amount of 506 million euros and 440 million euros as at December 31, 2009 and 2008, respectively *(see Note 15)*.

Note 27 Other payables

Components of other payables are as follows:

	AT DECEMBER 31,		
(million euros)	2009	2008	2007
Accrued payroll expenses	382	413	402
Accrued interest	286	308	152
Other taxes	167	179	165
Payables to suppliers of fixed assets	300	307	260
Other accrued liabilities	495	832	574
OTHER PAYABLES	**1,630**	**2,039**	**1,553**

"Other accrued liabilities" include payables to suppliers for non-operating services and goods, payables to associates and payables linked to external developments.

In 2009, "Other accrued liabilities" include the remaining amount to be paid further to the USG litigation settlement *(see Note 29)* for an amount of 25 million U.S. dollars.

Note 28 Commitments and contingencies

The procedures implemented by the Group allow all the 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:

	AT DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
Securities and assets pledged	766	287	43
Property collateralizing debt	344	367	288
Guarantees given	136	195	215
TOTAL	**1,246**	**849**	**546**

The significant increase in the securities and assets pledged is mainly explained by the subsidiaries financing their project of plant construction or extension of production capacity by external financing, notably in Nigeria and Emirates.

The principal collateral guarantees and other assets pledged by the Group at December 31, 2009 are as follows:

(million euros)	AMOUNT OF ASSETS PLEDGED AND COLLATERIZED	TOTAL STATEMENT OF FINANCIAL POSITION	% PLEDGED
TANGIBLE ASSETS	**794**	**16,699**	**5%**
Less than one year	43		
Between one and five years	719		
More than 5 years	32		
FINANCIAL ASSETS	**316**	**1,926**	**16%**
Less than one year	-		
Between one and five years	-		
More than 5 years	316		
TOTAL	**1,110**	**18,625**	**6%**

In addition, the Group has granted indemnification commitments in relation to 2009 disposals of assets, for which the exposure is considered remote, for a total maximum amount of 301 million euros, a part of which is counter-guaranteed by the minority shareholders in the Venezuelan transaction. The total amount of capped indemnification commitments still in force at December 31, 2009 is 189 million euros (335 million euros at end of December 2008).

Further to the Orascom Cement and L&T Concrete acquisitions, 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 amount further to the acquisition of 50% of Grupo GLA from the former partners of Orascom Cement.

(b) Contractual obligations

The following details the Group's significant contractual obligations:

	PAYMENTS DUE PER PERIOD			AT DECEMBER 31,		
(million euros)	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	2009	2008	2007
Debt [1]	2,033	7,675	5,959	15,667	18,281	9,639
Of which finance lease obligations	*11*	*28*	*17*	*56*	*67*	*46*
Scheduled interest payments [2]	778	2,455	1,646	4,879	4,588	3,355
Net scheduled obligation on interest rate swaps [3]	16	43	-	59	30	43
Operating leases	202	479	259	940	920	942
Capital expenditures and other purchase obligations	638	630	179	1,447	2,297	2,283
Other commitments	304	52	17	373	444	166
TOTAL	**3,971**	**11,334**	**8,060**	**23,365**	**26,560**	**16,428**

(1) Debt excluding put options on shares of subsidiaries (see Note 25).
(2) 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.
(3) Scheduled interest payments of the variable leg of the 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 201 million euros, 229 million euros and 186 million euros for the years ended December 31, 2009, 2008 and 2007, respectively for continuing operations.

Future expected funding requirements or benefit payments related to our pension and post retirement benefit plans are not included in the above table 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 statements of financial position or in Note 23 for further information on these items.

(c) Other commitments

The following details the other commitments of the Group:

	AT DECEMBER 31,		
(million euros)	2009	2008	2007
Commitments received			
Unused confirmed credit lines and acquisition lines *	3,457	2,055	10,269
Commitments made			
Put options to purchase shares in associates or joint-ventures	35	58	36

** Including in 2007 the acquisition facility agreement of 7.2 billion euros set up for the acquisition of Orascom Cement.*

In addition, the European Bank for Reconstruction and Development (EBRD) increased late 2009 by 15% its minority stake in our cement operations in Russia. Starting from December 2015, the Group will have the right to buy back this additional minority stake at fair market value. Assuming that this call option is not exercised, the Group could be induced to sell all or part of its own stake to a third party or to the EBRD.

Note 29 Legal and arbitration proceedings

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

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 defence, it being specified that the occurrence of events during proceedings may lead to a reappraisal of the risk at any moment.

Europe – Gypsum: On July 8, 2008, the Court of First Instance in Luxembourg confirmed the decision of the European Commission imposing a fine on Lafarge in the amount of 249.6 million euros for having colluded on market shares and prices with competitors between 1992 and 1998 for wallboard, essentially in the United Kingdom and Germany. Lafarge has lodged an appeal against this decision before the Court of Justice of the European Communities. The hearing was held on October 22, 2009 and the decision on this appeal should be given on the second or third quarter of 2010.

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

Finally, the Court's decision related to the remaining part of the appeal has been given on June 26, 2009, exempting Lafarge Zement partly and reducing the remaining fine very significantly to 24 million euros. Lafarge Zement has appealed to the Supreme Court on the basis of legal grounds. The decision of the Supreme Court should be given in the year 2010.

Judgement on the merits of an eventual class action brought by third parties to obtain damages may depend on the outcome of these above procedures. There has been no development on this claim brought by third parties at this stage.

As a consequence, the global provision in connection with these above two litigations amounts to 274 million euros as at December 31, 2009 compared to 320 million euros as at December 31, 2008. Additional provisions were 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 83 million euros at December 2009.

On competition issues, there are three industry-wide inquiries which do not constitute legal proceedings and for which no provision has been recorded:

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

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

Additionally, in connection with this litigation, one of Lafarge North America Inc.'s insurers, the American Steamship Owners Mutual P&I Association, has filed a suit against it in the United States District Court for the Southern District of New York seeking a judgment that these claims are not covered under its insurance policy. Lafarge North America Inc. has lodged an appeal against the Court's decision which found that this claim was not covered under their insurance policy. Finally, some of Lafarge North America Inc.'s other insurers filed two suits in the same court seeking a judgment that they are not required to indemnify our subsidiary for these claims and the expenses incurred in connection therewith. The Court granted judgment on these claims largely in favour of our subsidiary. All three insurance cases have now been consolidated before the United States Court of Appeals for the Second Circuit and the decision of this Court is pending.

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

United States of America – USG: United States Gypsum Corporation ("USG") initially filed suit against our subsidiary, Lafarge North America Inc. in 2003 in the United States District Court for the

Northern District of Illinois. In its Complaints and in subsequent Amended Complaints, USG alleged infringement of a patent relating to the production of gypsum drywall, misappropriation of trade secrets and other claims. In December 2009, USG Corporation together with Lafarge North America Inc., announced that they entered into an agreement resolving the disputes between all the parties that had been the subject of the lawsuit. Under the terms of the agreement, USG will receive $105 million and will grant a fully paid-up license to Lafarge North America Inc. and other Lafarge affiliates for the use of certain USG technologies. An initial payment of $80 million was made in December 2009. The remaining 25 million is scheduled to be paid in December 2010.

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

Note 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 with joint ventures were not material for the years presented except for a loan granted to our associate in Nigeria (Unicem) amounting to 180 million euros as at December 31, 2009.

Transactions with other parties or companies related to the Group are as follows:

M. 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. M. Nassef Sawiris is Chief Executive Officer of OCI and Director of both OCI and Lafarge S.A., and M. 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 and 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 OCI 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 M. Sawiris and Lafarge on this subject. Under these agreements, the outstanding balances with OCI Group are not significant as at December 31, 2009.

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,		
	2009	2008	2007
Management staff	12,882	12,803	12,122
Non-management staff	55,883	62,381	57,197
TOTAL NUMBER OF EMPLOYEES *	**68,765**	**75,184**	**69,319**
Of which:			
Companies accounted for using the proportionate method	*9,949*	*9,291*	*9,397*

** The headcounts at 100% of our fully consolidated and proportionately consolidated subsidiaries amounted to 77,994 as of December 31, 2009, 83,438 as of December 31, 2008 and 77,721 as of December 31, 2007.*

	YEARS ENDED DECEMBER 31,		
(million euros)	**2009**	**2008**	**2007**
TOTAL EMPLOYEES COSTS	**2,303**	**2,601**	**2,388**
Of which:			
Companies accounted for using the proportionate method	*95*	*83*	*73*

(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 during 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)	**2009**	**2008**	**2007**
Board of Directors [1]	0.6	0.6	0.5
Senior Executives	17.8	18.1	23.2
Short-term benefits (fixed salary and variable)	*8.1*	*8.7*	*10.6*
Post-employment benefits [2]	*4.0*	*2.7*	*5.7*
Other long-term benefits	-	-	-
Share-based payments [3]	*5.7*	*6.7*	*6.9*
TOTAL	**18.4**	**18.7**	**23.7**

(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,		
	2009	**2008**	**2007**
CASH FLOWS FROM INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE	**(29)**	**(6,309)**	**(604)**
Of which:			
Orascom	-	(5,547)	
Others	(29)	(762)	(604)
CASH FLOWS FROM DISPOSALS OF ASSETS	**760**	**615**	**2,492**
Of which:			
Disposal of our investment in Chile	288	-	-
Disposal of some of our Asphalt, Paving and Concrete activities in North America	152	-	-
Disposal of our investment in Turkey	126	-	-
Disposal of our investment in Venezuela	52	-	-
Disposal of some of our Aggregates & Concrete activities in Switzerland	50	-	-
Disposal of investment in Titan joint venture	-	281	-
Disposal of our investment in Italy	-	238	-
Disposal of the Roofing activity	-	-	2,087
Others	92	96	405

2009

The cash flows from investments in subsidiaries and joint venture include the purchase price consideration paid for the acquisitions less the cash acquired. No significant acquisition occurred in 2009.

The cash flows from disposal of assets include the selling price less the cash disposed of. The impact of the disposals in the statement of income is detailed in Note 5. The main disposals are more fully described in Note 3.

2008

The 2008 acquisitions mainly relate 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 disposals in 2008 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).

2007

The cash flows from disposal of assets mainly relate to the disposal of the Roofing activity which generated a cash flow of 2,087 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.

	DELOITTE & ASSOCIÉS				ERNST & YOUNG AUDIT			
	AMOUNT (EXCL. VAT)		%		AMOUNT (EXCL. VAT)		%	
(million euros)	2009	2008	2009	2008	2009	2008	2009	2008
AUDIT FEES								
Audit, review of financial statements	*7.8*	*7.9*	*89%*	*66%*	*5.8*	*5.7*	*83%*	*60%*
Lafarge S.A.	1.9	2.0	22%	17%	1.4	1.4	20%	15%
Subsidiaries	5.9	5.9	67%	49%	4.4	4.3	63%	45%
*Audit related fees **	*0.9*	*3.2*	*10%*	*27%*	*0.5*	*3.7*	*7%*	*39%*
Lafarge S.A.	0.6	-	7%	-	0.3	2.8	4%	29%
Subsidiaries	0.3	3.2	3%	27%	0.2	0.9	3%	10%
SUBTOTAL	**8.7**	**11.1**	**99%**	**93%**	**6.3**	**9.4**	**90%**	**99%**
OTHER FEES								
*Tax fees ***	0.1	0.9	1%	7%	0.7	0.1	10%	1%
Legal and employment fees	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Autres	-	-	-	-	-	-	-	-
SUBTOTAL OTHER FEES	**0.1**	**0.9**	**1%**	**7%**	**0.7**	**0.1**	**10%**	**1%**
TOTAL FEES	**8.8**	**12.0**	**100%**	**100%**	**7.0**	**9.5**	**100%**	**100%**

* *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 (including transition to IFRS), attestation services not required by statute or regulation, information system reviews.*

** *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

Cimpor

The Group sold early February 2010 its 17.28% stake in Cimpor to Votorantim. The terms of payment depended on the outcome of the public takeover bid for Cimpor. Further to the outcome of this public takeover bid, the Group will receive cement assets from Votorantim, located in regions complementing Lafarge's position in Brazil.

Lafarge Surma Cement

The Group holds, jointly with Cementos Molins, 59% of Lafarge Surma Cement which is operating a cement plant in Bangladesh. This cement plant is supplied by its Indian affiliate with limestone extracted from a quarry in the Meghalaya region of India. These operations in Bangladesh are consolidated under the proportionate method and contribute as at December 31, 2009 to the Group's total assets and operating income before capital gains, impairment, restructuring and other, for respectively 91 and 12 million euros. At a hearing on February 5th , 2010, the India Supreme Court decided to temporally suspend the mining activities of the quarry, although allowing to export the limestone already extracted. The proceedings regarding the application for a definitive extraction permit are continuing before the Supreme Court and the next hearing should intervene at the end of the first quarter 2010.

Note 35 List of significant subsidiaries, joint ventures and investments in associates at December 31, 2009

COMPANIES	COUNTRIES	CEMENT	AGGREGATES AND 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 Beton GmbH	Austria		•			100.00	Full
Lafarge Surma Cement Limited	Bangladesh	•				29.44	Proportionate
Groupement SCB Lafarge	Bénin	•				50.00	Proportionate
Central Beton LTDA	Brazil		•			90.61	Full
Indústria E Comércio De Extração De Areia Khouri Ltda.	Brazil	•				90.61	Full
Lafarge Brazil S.A.	Brazil	•	•			90.62	Full
Cimenteries du Cameroun	Cameroon	•				54.73	Full
Lafarge Canada Inc.	Canada	•	•	•		100.00	Full
Lafarge Chongqing Cement Co., Ltd.	China	•				43.68	Proportionate
Lafarge Dujiangyan Cement Company Limited	China	•				41.25	Proportionate
Sichuan Shangma Cement Joint Stock Co.	China	•				31.25	Proportionate
Yunnan Guozi Cement Honghe 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
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

Note 35 - List of significant subsidiaries, joint ventures and investments in associates at December 31, 2009

COMPANIES	COUNTRIES	CEMENT	AGGREGATES AND CONCRETE	GYPSUM	OTHERS	OWNERSHIP %	CONSOLIDATION METHOD
Lafarge Bétons Vallée de Seine	France		•			100.00	Full
Lafarge Ciments	France	•				100.00	Full
Lafarge Ciments Distibution	France	•				100.00	Full
Lafarge Ciments Réunion	France	•				82.92	Full
Lafarge Granulats Bétons Réunion	France		•			93.34	Full
Lafarge Granulats Ouest	France		•			100.00	Full
Lafarge Granulats Seine Nord	France		•			100.00	Full
Lafarge Granulats Sud	France		•			100.00	Full
Lafarge (Mauritius) Cement Ltd.	France	•				58.36	Full
Lafarge Plâtres	France			•		99.97	Full
Lafarge Plâtres Commercialisation	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 SA.	Greece		•			88.99	Full
Lafarge Cementos de C.V.	Honduras	•				53.11	Full
Lafarge India PVT Limited	India	•				94.38	Full
Lafarge Aggregates and Concrete PVT Ltd.	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 Gessi S.P.A.	Italy			•		100.00	Full
Arabian Concrete Supply Company *	Jordan		•			25.64	Full
Jordan Cement Factories Company PSC	Jordan	•				50.28	Full
Bamburi Cement Ltd.	Kenya	•				58.60	Full
Lafarge Halla Cement Corporation	Korea	•				71.47	Full
Lafarge Plasterboard System Co., Ltd.	Korea			•		50.00	Proportionate
CMCM Perniagaan SND BHD	Malaysia	•				62.20	Full
Lafarge Malayan Cement Berhad	Malaysia	•				62.20	Full
Lafarge Cement sdn bhd	Malaysia	•				62.20	Full
Lafarge Concrete (Malaysia) sdn bhd	Malaysia		•			38.40	Full
Portland Cement Company Limited	Malawi	•				75.17	Full
Lafarge Cementos S.A. de C.V.	Mexico	•				90.62	Full
Lafarge Ciment (Moldova) SA	Moldavia	•				95.31	Full
Lafarge Betons	Morocco		•			34.64	Proportionate
Lafarge Cementos	Morocco	•				34.32	Proportionate
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	•				35.92	Equity
Lafarge cement WAPCO Nigeria Plc.	Nigeria	•				60.00	Full
Pakistan Cement Company	Pakistan	•				73.22	Full
Lafarge Philippines	Philippines	•				100.00	Full

Note 35 - List of significant subsidiaries, joint ventures and investments in associates at December 31, 2009

COMPANIES	COUNTRIES	CEMENT	AGGREGATES AND CONCRETE	GYPSUM	OTHERS	OWNERSHIP %	CONSOLIDATION METHOD
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
Lafarge Betoes SA	Portugal		•			100.00	Full
Readymix Qatar W.L.L.	Qatar		•			49.00	Proportionate
Lafarge Arcom GIPS	Romania			•		88.82	Full
Lafarge Ciment (Romania) S.A.	Romania	•				98.56	Full
OAO Lafarge Cement	Russia	•				75.00	Full
Al Safwa Cement Company	Saudi Arabia	•				50.00	Proportionate
Lafarge Beocinska Fabrika Cementa **	Serbia	•				50.00	Full
Lafarge Cement Singapore PTE Ltd.	Singapore	•				62.20	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 Industries South Africa (Pty.) Ltd.	South Africa		•			100.00	Full
Lafarge Cement D.D.	Slovenia	•				55.92	Full
Cementos Esfera, S.A.	Spain	•				90.00	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	•				97.76	Full
Mbeya Cement Company Limited	Tanzania	•				62.76	Full
Hima Cement Ltd.	Uganda	•				71.01	Full
Emirats Cement Company	U.A Emirates	•				50.00	Proportionate
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 Limited	United Kingdom		•			100.00	Full
OJSC Mykolaivcement	Ukraine	•				79.41	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

* *Although the Group does not own more than 25.64% of the equity shares, Arabian Concrete Supply Company is a majority-owned subsidiary of Jordan Cement Factories Company PSC, which is in turn a majority-owned subsidiary of the Group. As a result, Arabian Concrete Supply Company is included within the Group'.*

** *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'.*

Statutory accounts

Statutory Auditors' Report on the annual financial statements

Year ended December 31, 2009

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. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the annual financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the annual 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 given in the management report.
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 compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you for the year ended December 31, 2009 on:

- the audit of the accompanying annual financial statements of Lafarge;
- the justification of our assessments;
- the specific verifications and information required by 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the annual financial statements. 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, 2009 and of the results of its operations for the year then ended, in accordance with the French accounting principles.

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 2.3 Financial assets" to the annual 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 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 annual financial statements.

The assessments were made as part 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, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to 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 shareholders with respect to the financial position and the annual financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the annual financial statements, or with the underlying information used to prepare these annual financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris-La Défense, February 24, 2010

The Statutory Auditors

DELOITTE & ASSOCIÉS
French original signed by
Frédéric Gourd Pascal Pincemin

ERNST & YOUNG Audit
French original signed by
Christian Mouillon Alain Perroux

Comments on the income statements and the balance sheets

The financial statements for the year ended December 31, 2009 show net income of 254 million euros compared to 780 million euros the previous year.

- These results reflect the following events:
  - the deterioration in operating income down by 83 million euros is primarily related to the increase in banking services (31 million euros), and the decline in fees invoiced to our subsidiaries (down 52 million euros), as a consequence of lower sales;
  - the increase in dividends collected (up 24 million euros) and the drop in net financial expenses (down 26 million euros) thereby resulting in a 50 million euros improvement in net financial income;
  - exceptional income reports a loss of 38 million in 2009 and is mainly comprised of a provision to cover the costs related to the performance share plans;
  - finally, income tax includes 127 million euros comprising taxes already received or receivable from subsidiaries included in the tax Group regime.
- The main trends in the balance sheets reflect the following:
  - the change in the gross value of investments (down 1,307 million euros) may be explained by, in particular:
    - the sale of Lafarge Building Material Holding Egypt (8,457 million euros), to our subsidiary Sofimo, the Sabelfi capital decrease (3,855 million euros),
    - the Sofimo capital increase (10,657 million euros) as well as the capital increase at Lafarge Gypsum International (340 million euros);
  - the 345 million euros net decrease in short and long-term loans, borrowings and current accounts granted to Group company;
  - the 1,883 million euros increase in equity before profit or loss resulting from the appropriation of the previous year's income (780 million euros); a dividend payment (393 million euros), capital increases performed on April 28, 2009 (1,445 million euros) and on December 11, 2009 (reserved for employees) for 51 million euros;
  - the 3,209 million decrease in net debt which totals 12,253 million euros at year-end 2009.

As of December 31, 2009, debt was comprised of bonds for 9,255 million euros, negotiable debt instruments for 2,057 million euros, borrowings from Group companies for 341 million euros and bank borrowings for 1,168 million euros.

Statements of income

		YEARS ENDED DECEMBER 31,		
(million euros)	NOTES	2009	2008	2007
Production sold (services)		397	428	309
Provision reversals	3	15	14	41
Operating Revenue		**412**	**442**	**350**
Other purchases and external charges		(385)	(344)	(451)
Duties and taxes		(5)	(5)	(5)
Employee expenses		(113)	(120)	(129)
Depreciation and amortization	3	(22)	(20)	(18)
Provision allowance	3	(24)	(7)	(7)
Operating expenses		**(549)**	**(496)**	**(610)**
OPERATING INCOME		**(137)**	**(54)**	**(260)**
Income from investments	4	998	988	1,064
Interest and similar income	5	82	188	258
Foreign exchange gains		16	17	24
Provision reversals	6	-	3	26
Financial Income		**1,096**	**1,196**	**1,372**
Interest and similar expenses	7	(732)	(890)	(525)
Foreign exchange losses		(25)	(15)	(40)
Provision allowance	6	(29)	(31)	(22)
Financial Expenses		**(786)**	**(936)**	**(587)**
NET FINANCIAL INCOME/(COST)		**310**	**260**	**785**
CURRENT OPERATING INCOME BEFORE TAX		**173**	**206**	**525**
EXCEPTIONAL INCOME/(LOSS)	8	**(38)**	**422**	**(16)**
Income tax credit/(expense)	9	119	152	160
NET INCOME		**254**	**780**	**669**

Balance sheets

ASSETS

AT DECEMBER 31,

(million euros)	NOTES	2009 GROSS AMOUNT	2009 DEPRECIATION, AMORTIZATION, IMPAIRMENT	2009 NET AMOUNT	2008 NET AMOUNT	2007 NET AMOUNT
NON-CURRENT ASSETS						
Intangible assets and property, plant and equipment	10	**207**	**101**	**106**	**105**	**82**
Financial assets *	11	**26,710**	**9**	**26,701**	**27,787**	**17,309**
Investments	28	24,900	5	24,895	26,206	14,339
Long-term receivables from investments	21	1,796	4	1,792	1,566	2,943
Other financial assets		14	-	14	15	27
		26,917	**110**	**26,807**	**27,892**	**17,391**
CURRENT ASSETS						
Other receivables	21	3,936	3	3,933	2,849	2,685
Marketable securities	12	27	-	27	36	55
Cash and cash equivalents		541	-	541	264	206
		4,504	**3**	**4,501**	**3,149**	**2,946**
Debenture redemption premiums	14	65	-	65	60	66
Cumulative translation adjustments	14	492	-	492	602	203
TOTAL ASSETS		**31,978**	**113**	**31,865**	**31,703**	**20,606**
** Of which less than 1 year*				*281*	*667*	*1,307*

Balance sheets

EQUITY AND LIABILITIES (BEFORE APPROPRIATION)		AT DECEMBER 31,		
(million euros)	NOTES	2009	2008	2007
NET EQUITY	15			
Common stock		1,146	781	690
Additional paid-in capital		9,828	8,696	5,962
Revaluation reserves		88	88	88
Legal reserve		78	71	71
Other reserves		649	649	649
Retained earnings		2,276	1,896	1,998
Net income for the year		254	780	669
Tax-driven provisions		2	2	2
		14,321	**12,963**	**10,129**
PROVISIONS FOR LOSSES AND CONTINGENCIES	16	**420**	**389**	**351**
FINANCIAL DEBT	18			
Debenture issues		9,255	6,294	5,371
Bank borrowings*		1,168	7,167	289
Other loans and commercial paper		2,398	2,301	2,479
		12,821	**15,762**	**8,139**
Tax and employee-related liabilities		44	51	53
Other liabilities	21	3,547	1,862	1,510
LIABILITIES**		**16,412**	**17,675**	**9,702**
Cumulative translation adjustments	14	712	676	424
TOTAL EQUITY AND LIABILITIES		**31,865**	**31,703**	**20,606**
** Of which current bank overdrafts*		*70*	*68*	*138*
*** Of which less than 1 year*		*988*	*5,166*	*2,429*

Statements of cash flows

	YEARS ENDED DECEMBER 31,		
(million euros)	2009	2008	2007
CASH FLOW FROM OPERATIONS*	**325**	**448**	**652**
Change in working capital	723	32	5,487
NET CASH FROM OPERATING ACTIVITIES (I)	**1,048**	**480**	**6,139**
Capital expenditure	(24)	(43)	(25)
Investments	(11,006)	(8,991)	(5,009)
Repayment of investments	3,855		
Net decrease in loans and miscellaneous	(225)	1,289	1,048
Disposals of assets	8,458	453	31
NET CASH FROM INVESTING ACTIVITIES (II)	**1,058**	**(7,292)**	**(3,955)**
Proceeds from issuance of common stock	1,496	12	76
Repurchase of treasury shares for cancellation	-	-	(484)
Dividends paid	(393)	(784)	(521)
NET CASH FROM CAPITAL TRANSACTIONS (III)	**1,103**	**(772)**	**(929)**
INCREASE/(DECREASE) IN NET DEBT (I+II+III)	**3,209**	**7,584**	**(1,255)**
Net debt at year end	**12,253**	**15,462**	**7,878**
Debt	12,821	15,762	8,139
Marketable securities	(27)	(36)	(55)
Cash and cash equivalents	(541)	(264)	(206)

** Cash flow from operations mainly comprises net income (254 million euros) before depreciation and amortization (34 million euros), provisions (38 million euros) and a gain on investment disposal (1 million euros).*

Notes to the parent company financial statements

Note 1 Significant events of the period

Lafarge S.A. carried out a 1.5 billion euro share capital increase (Note 15) and performed 4 new bond issues for an amount of 2.9 billion euros (Note 18). The proceeds were used to repay the credit facilities set up in December 2007 for the acquisition of Orascom Building Materials Holding S.A.E (OBMHE).

Note 2 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).

The accounting policies applied by the Company are described below:

2.1 Intangible assets

Intangible assets are recorded at acquisition cost and mainly include purchased software and related development costs.

These assets are amortized on a straight-line basis over five to seven years from the date of commissioning.

2.2 Property, plant and equipment

Property plant and equipment are recorded at historical cost, except for those items purchased before December 31, 1976 that have been recorded based on their revalued amounts (legal revaluation).

Depreciation is recorded using the straight-line method (except for computer hardware, which is depreciated using the declining balance 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.

Accelerated depreciation classified in the balance sheet under tax driven provisions is recorded when the fiscally authorized period is less than the estimated useful life or when the depreciation method is different.

2.3 Financial assets

Investments

The gross value of investments is equal to the purchase price excluding acquisition costs, after the 1976 revaluation adjustment for investments purchased before this date.

Acquisition costs are expensed in the fiscal year.

When the current value is less than the gross value, a provision for impairment is recognized in the amount of the difference. The current value is determined taking into account the share of net equity held, the earnings outlook or the quoted market price, if relevant.

The earnings outlook is determined using either an estimate cash flows approach or a market approach (multiple of gross operating income). It is established based on currently available information and is in keeping with the current economic crisis, the magnitude and duration of which cannot be anticipated with accuracy.

When the Company's share in the net equity of the investment is negative, a provision for contingencies is recorded, if justified.

Long-term receivables from investments

These are long-term loans granted to companies held directly or indirectly by Lafarge S.A. Long-term receivables from investments are recorded at their nominal value.

Long-term receivables from investments are distinguished from current accounts received or granted to subsidiaries, used for daily cash management.

An impairment loss is recognized in the event of risk of non-recovery.

Treasury shares

Lafarge S.A. treasury shares are classified as "Financial assets" in the balance sheet except when they are earmarked to cover purchase option plans and performance share plans.

2.4 Marketable securities

Shares are valued in accordance with CRC regulation 2008-15.

- Lafarge S.A. treasury shares are classified as "Marketable securities" in the balance sheet when they are earmarked to cover purchase option plans and performance share plans.
- When plans are likely to be exercised and a cash outflow is probable, a provision for contingencies is recorded for the corresponding shares, equal to the difference between the value of shares allocated to the plans and the exercise price of each of the plans. For Lafarge S.A. employees, this provision is spread out over the vesting period.

- When plans are not likely to be exercised, an impairment loss is recognized for the corresponding shares if the market price of the shares is lower than the gross value.

2.5 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 provided in full, 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 similar maturities.

2.6 Interest rate derivatives

Gains and losses on these contracts are calculated and recognized to match the recognition of income and expenses on the hedged debt.

2.7 Bond issue and redemption premiums

Bond issues to be redeemed with a premium are recognized in liabilities on the balance sheet for their total amount, including redemption premiums. An offsetting entry is then made for redemption premiums which are recognized in assets and amortized on a straight-line basis over the term of the bond issue. Other expenses and commission relating to these bonds are expensed in the fiscal year incurred.

2.8 Net equity

Expenses relating to capital increases are deducted from additional paid-in capital.

2.9 Provisions for losses and contingencies

A provision is recognized when an obligation which is probable or certain will result in an outflow of resources with no offsetting entry.

2.10 Income tax

Lafarge S.A., together with its French subsidiaries held directly or indirectly more than 95%, has elected to report income tax under the tax Group regime as defined in Article 223A and following of the French General Tax Code (CGI).

The tax savings resulting from the difference between the income tax recorded separately for each of the consolidated entities and the income tax calculated based on the taxable results of the consolidated Group is recorded at Lafarge S.A.

Lafarge S.A. is liable to the French Treasury for the full tax charge calculated based on the profits and losses of all tax Group companies.

2.11 Retirement Benefit Obligation

Provisions are recognized to cover end-of-service benefits and other post-retirement benefits. These provisions are based on periodic actuarial valuations performed using the projected unit credit method.

This method takes into account seniority, life expectancy and Company employee turnover, as well as salary increase and discounting assumptions.

Actuarial gains and losses resulting from a change in actuarial assumptions or experience adjustments are recognized 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.

Note 3 Depreciation and amortization, operating provision (allowance) reversal

3.1 Depreciation and amortization

(million euros)	2009	2008	2007
DEPRECIATION AND AMORTIZATION			
Intangible assets	(18)	(16)	(14)
Property, plant and equipment	(4)	(4)	(4)
	(22)	**(20)**	**(18)**

3.2 Operating provision (allowance) reversal

	2009		2008		2007	
(million euros)	ALLOWANCE	REVERSAL	ALLOWANCE	REVERSAL	ALLOWANCE	REVERSAL
Pensions obligations and end-of-service benefits	(19)	12	(5)	12	(4)	41
Other operating provisions	(5)	3	(2)	2	(3)	0
	(24)	**15**	**(7)**	**14**	**(7)**	**41**

Note 4 Financial income from investments

(million euros)	2009	2008	2007
DIVIDENDS RECEIVED			
Dividends received from French subsidiaries	870	505	801
Dividends received from foreign subsidiaries	33	374	63
	903	**879**	**864**
INCOME ON LONG-TERM RECEIVABLES FROM INVESTMENTS	**95**	**109**	**200**
TOTAL FINANCIAL INCOME FROM INVESTMENTS	**998**	**988**	**1,064**

Note 5 Interest and similar income

Interest and similar income breaks down as follows:

(million euros)	2009	2008	2007
INTEREST AND SIMILAR INCOME			
Income on current account advances to Group companies	76	149	250
Other	6	39	8
	82	**188**	**258**

Note 6 Financial provision (allowance) reversal

Financial provision (allowances) reversals break down as follows:

	2009		2008		2007	
(million euros)	ALLOWANCE	REVERSAL	ALLOWANCE	REVERSAL	ALLOWANCE	REVERSAL
IMPAIRMENT OF ASSETS						
Investments	(4)	-	-	-	-	11
Treasury shares	-	-	-	-	-	-
Redemption premiums	(12)	-	(10)	-	(10)	-
Other non-current assets	-	-	-	-	-	-
	(16)	**-**	**(10)**	**-**	**(10)**	**11**
PROVISIONS FOR LOSSES AND CONTINGENCIES						
Accrued penalties	(12)	-	(21)	-	(10)	-
Treasury shares	-	-	-	-	-	-
Foreign exchange loss	(1)	-	-	1	-	15
Other	-	-	-	2	(2)	-
	(13)	**-**	**(21)**	**3**	**(12)**	**15**
TOTAL	**(29)**	**-**	**(31)**	**3**	**(22)**	**26**

In 2009, the impairment of investments concerns Lafarge Zement.

Note 7 Interest and similar expenses

Interest and similar expenses break down as follows:

(million euros)	2009	2008	2007
INTEREST AND OTHER EXPENSES ON INVESTMENTS			
Expenses on payables related to investments	(19)	(20)	(25)
Expenses on current account advances from Group companies	(37)	(72)	(50)
	(56)	**(92)**	**(75)**
OTHER INTEREST AND SIMILAR EXPENSES			
Interest on bond issues	(463)	(338)	(315)
Interest on bank borrowings	(155)	(337)	(10)
Interest on negotiable debt instruments	(53)	(105)	(91)
Other interest and financial expenses	(5)	(18)	(34)
	(676)	**(798)**	**(450)**
TOTAL INTEREST AND SIMILAR EXPENSES	**(732)**	**(890)**	**(525)**

Note 8 Exceptional income (loss)

(million euros)	2009	2008	2007
Gain (loss) on the disposal of investments	-	426	-
Termination of the share liquidity agreement	(5)	(21)	-
Risk related to performance share allotment plan	(24)	-	-
Additional allowance on the competition litigation	-	(36)	-
Insurance indemnities (Indonesia, Kenya, Russia)	-	55	-
Other net exceptional items	(9)	(2)	(16)
	(38)	**422**	**(16)**

In 2008, the capital gains of 426 million euros consisted of the capital gains realized on the sale of our investment in Lafarge Maroc to our subsidiary Lafarge Cementos SAU.

Note 9 Income tax

(million euros)	2009	2008	2007
INCOME TAX			
Gain (loss) from tax group regime	127	165	170
Income tax, withholding tax, other	(8)	(13)	(10)
	119	**152**	**160**

At December 31, 2009, tax loss carry forwards attributable to the Group totalled 921 million euros.

Note 10 Intangible assets and property, plant & equipment

The change in intangible assets and property, plant and equipment in the period breaks down as follows:

(million euros)	DECEMBER 31, 2008	INCREASE	DECREASE	DECEMBER 31, 2009
INTANGIBLE ASSETS				
Gross amount	122	22	6	138
Accumulated amortization	(57)	(18)	(6)	(69)
Net amount	**65**	4	-	**69**
PROPERTY, PLANT & EQUIPMENT				
Gross amount	69	2	3	68
Accumulated amortization	(29)	(4)	(2)	(31)
Net amount	**40**	(2)	1	**37**
TOTAL	**105**	**2**	**1**	**106**

No impairment is recorded for intangible assets and property, plant and equipment.

Note 11 Financial assets

(million euros)	DECEMBER 31, 2008	INCREASE	DECREASE	DECEMBER 31, 2009
Investments*	**26,206**	**11,006**	**12,317**	**24,895**
Long-term receivables from investments	**1,566**	**471**	**245**	**1,792**
Other financial assets				
Other investment securities	10	-	-	10
Security deposit	5	-	1	4
Lafarge S.A. treasury shares**	-	-	-	-
Other	-	-	-	-
	15	**-**	**1**	**14**
FINANCIAL ASSETS	**27,787**	**11,477**	**12,563**	**26,701**

** The list of subsidiaries and investments is presented in Note 28 – "Investments".*
*** See Note 13 – "Lafarge S.A. treasury shares" for more information.*

The increase in investments is mainly due to the capital increases performed by our subsidiaries Sofimo for 10,657 million euros and Lafarge Gypsum International for 340 million euros. The sale of our investment in Lafarge Building Material Holding Egypt for 8,457 million euros to our subsidiary Sofimo and the 3,855 million capital decrease at Sabelfi explain the decreases. Long-term receivables from investments comprise long-term loans granted to affiliates and subsidiaries held directly or indirectly. The new 394 million euros granted loan to Lafarge Minerals Ltd. was offset by the repayment of 54 million euros by Lafarge Brasil, 53 million euros by Lafarge Cementos Mexico and 79 million euros by Blue Circle NA.

Note 12 Marketable securities

(million euros)	DECEMBER 31, 2008	INCREASE	DECREASE	DECEMBER 31, 2009
Lafarge S.A. treasury shares*	36	-	9	27
MARKETABLE SECURITIES	**36**	**-**	**9**	**27**

** See Note 13- "Lafarge S.A. treasury shares" for more information.*

Note 13 Lafarge S.A. treasury shares

(number of shares)	DECEMBER 31, 2008	INCREASE	DECREASE	RECLASSIFICATION	DECEMBER 31, 2009
LONG-TERM INVESTMENTS	**-**	**-**	**-**	**-**	**-**
Share purchase option plan	255,484	-	-	(255,484)	**-**
Performance share plans	181,309	-	(56,645)	231,729	**356,393**
Shares available for allotment	-	-	-	23,755	**23,755**
MARKETABLE SECURITIES	**436,793**	**-**	**(56,645)**	**-**	**380,148**

(in million euros)	DECEMBER 31, 2008	INCREASE	DECREASE	RECLASSIFICATION	DECEMBER 31, 2009
LONG-TERM INVESTMENTS	**-**	**-**	**-**	**-**	**-**
Share purchase option plan	17	-	-	(17)	**-**
Performance share allottment plans	19	-	(8)	15	**26**
Shares available for allotment	-	-	-	1	**1**
MARKETABLE SECURITIES	**36**	**-**	**(8)**	**(1)**	**27**

The 380,148 Lafarge S.A. treasury shares earmarked to hedge the share purchase option and performance share allotment plans had a market value of 22 million euros as of December 31, 2009.

Note 14 Translation adjustments and bond redemption premiums

(million euros)	2009	2008	2007
ASSETS			
Bond redemption premiums	65	60	66
Cumulative translation adjustments	492	602	203
	557	**662**	**269**
LIABILITIES			
Cumulative translation adjustments	712	676	424
	712	**676**	**424**

Bond redemption premiums total 65 million euros as of December 31, 2009 compared to 60 million euros as of December 31, 2008. The increase of 5 million euros may be explained by a 12 million euro depreciation and amortization expense and premiums totalling 17 million euros related to the 4 new bond issues.
Cumulative translation adjustments result from the remeasurement of trade receivables, trade payables, loans and borrowings in local currencies at the end of fiscal year 2009.

Note 15 Net equity

15.1 Share capital

On December 31, 2009, the Company's share capital amounted to 1,145,813,264 euros, divided into 286,453,316 fully paid-up shares with a nominal value of 4 euros each. Taking into account double voting rights accruing to shares held in registered form for at least 2 years (50,042,120), the total number of voting rights attaching to the shares was 336,495,436 at December 31, 2009.

Changes in the share capital during the fiscal year ended December 31, 2009

The Company's share capital at December 31, 2008 amounted to 780,946,136 euros, divided into 195,236,534 shares with a nominal value of 4 euros each. Since December 31, 2008, the Company's share capital has increased by a total of 91,216,782 shares as a result of the following:

		AMOUNT OF SUBSCRIPTIONS OR DEDUCTIONS *(euros)*		
	NUMBER OF SHARES ISSUED	**CAPITAL**	**SHARE PREMIUM**	**TOTAL**
Options exercised between January 1, 2008 and December 31, 2009	5,784	23,136	315,284	338,420
Issuance of common stock of April 28, 2009	90,109,164	360,436,656	1,084,445,545	1,444,882,201
Issuance of common stock (reserved for employees) of December 11, 2009	1,101,834	4,407,336	46,635,675	51,043,011
TOTAL AT DECEMBER 31, 2009	**91,216,782**	**364,867,128**	**1,131,396,504**	**1,496,263,632**

15.2 Change in net equity

(million euros)	**COMMON STOCK**	**ADDITIONAL PAID-IN CAPITAL**	**OTHER RESERVES**	**RETAINED EARNINGS**	**NET INCOME**	**TOTAL**
NET EQUITY AS OF DECEMBER 31, 2008 (Before appropriation of 2008 income)	**781**	**8,696**	**810**	**1,896**	**780**	**12,963**
Appropriation of 2008 income	-	-	7	380	(780)	(393)
Share capital increases	365	1,131	-	-	-	1,496
Net income for 2009	-	-	-	-	254	254
NET EQUITY AS OF DECEMBER 31, 2009 (Before appropriation of 2009 income)	**1,146**	**9,828**	**817**	**2,276**	**254**	**14,321**

Note 16 Provisions for losses and contingencies

Change in provisions for losses and contingencies break down as follows:

(million euros)	DECEMBER 31, 2008	ADDITION	UTILIZATION	REVERSAL	DECEMBER 31, 2009
Provision related to Competition litigation*	**320**	12	-	-	**332**
Provisions for retirement benefit obligations**	**44**	19	12	-	**51**
Provision for share-based payment	**9**	24	2	7	**24**
Other provisions for losses and contingencies	**16**	5	-	8	**13**
PROVISIONS FOR LOSSES AND CONTINGENCIES	**389**	**60**	**14**	**15**	**420**
Of which employee expenses		*-*	*2*	*7*	*-*
Of which operating		*21*	*12*	*-*	*-*
Of which financial		*12*	*-*	*-*	*-*
Of which exceptional		*27*	*-*	*-*	*-*
Of which Tax		*-*	*-*	*8*	*-*
		60	***14***	***15***	*-*

* *On December 3, 2002, the European Commission fined Lafarge 249.6 million euros on the grounds that some of our subsidiaries had allegedly colluded with competitors in fixing wallboard market shares and prices between 1992 and 1998, mainly in the United Kingdom and Germany. Lafarge vigorously challenges this decision and brought the case before the Court of First Instance (CFI) in Luxemburg on February 14, 2003.On July 8, 2008, the Court of First Instance in Luxemburg confirmed the decision of the European Commission imposing a fine on Lafarge. Lafarge 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 be necessary before the decision of the Court. As of December 31, 2009, the provision recorded for this litigation amounts to 332.5 million euros and takes into account the 249.6 million euros fine and a 82.9 million euros provision to cover interest since 2003.*

** *See Note 17 "Retirement benefit obligations" for more information.*

Note 17 Retirement benefit obligations

Lafarge S.A.'s pension obligation comprises supplementary pension regimes and end-of-service benefits.

In 2007, the Company transferred its obligation relating to the supplementary defined benefit pension schemes of current retirees through an insurance contract with Cardif Assurance Vie. The premium paid amounted to 12 million euros in 2009 against 22 million euros in 2008. In accordance with French Regulations, the insurer guarantees pension indexation up to the amount of technical gains allocated to the contract, with any residual cost of pension indexation remaining with the Company.

Obligations for supplementary pension regimes and end-of service benefits were valued using the projected unit credit method.

The main assumptions underlying these valuations are outlined below:

(million euros, unless otherwise indicated)	2009	2008	2007
Discount rate	5.00-5.25%	5.60- 6.00%	4.75- 5.25%
Wage increase	2 to 5.5%	2 to 5.5%	2 to 5.5%
Long-term return expected on pension fund assets	-	-	-
Discounted value of the obligation	128	102	102
Fair value of pension fund assets	-	-	-
Actuarial gains/losses and impact of plan modifications not recognized	(77)	(58)	(51)
PROVISION FOR RETIREMENT BENEFIT OBLIGATIONS	**51**	**44**	**51**

Note 18 Financial debt

18.1 Financial debt by nature

(million euros)	AMOUNT OUTSTANDING AT DECEMBER 31, 2008	INCREASE	DECREASE	OTHER MOVEMENTS*	AMOUNT OUTSTANDING AT DECEMBER 31, 2009
BOND ISSUES					
Bond issues (excluding accrued interest)	6,126	2,911		(23)	9,014
Accrued interest on bond issues	168	241	168		241
	6,294				**9,255**
BANK BORROWINGS	**7,167**	**5**	**6,004**		**1,168**
OTHER FINANCIAL DEBT					
Negociable debt instruments	1,965	488	386	(10)	2,057
Long-term payables from investments	336		17	22	341
	2,301				**2,398**
TOTAL FINANCIAL DEBT	**15,762**				**12,821**

** Of which translation adjustments.*

18.2 Bond issues

	CURRENCY	INITIAL AMOUNT *(million euros)*	RATE	MATURITY	AMOUNT OUTSTANDING AT DECEMBER 31, 2007	AMOUNT OUTSTANDING AT DECEMBER 31, 2008	AMOUNT OUTSTANDING AT DECEMBER 31, 2009
1998 bond	EUR	152	5.400%	10 ans	89	-	-
2001 bond	GBP	538	6.875%	11 ans	477	367	394
2001 bond	EUR	1,000	5.875%	8 ans	440	-	-
2002 bond	GBP	307	6.625%	15 ans	273	210	225
2003 bond	EUR	500	5.448%	10 ans	500	500	500
2004 bond	EUR	612	5.000%	10 ans	612	612	612
2005 bond	EUR	500	4.250%	11 ans	500	500	500
2005 bond	EUR	500	4.750%	15 ans	500	500	500
2006 bond	USD	444	6.150%	5 ans	408	431	417
2006 bond	USD	444	7.125%	30 ans	408	431	417
2006 bond	USD	592	6.500%	10 ans	543	575	555
2007 bond	EUR	500	5.375%	10 ans	500	500	500
2008 bond	EUR	750	5.750%	3 ans	-	750	750
2008 bond	EUR	750	6.125%	7 ans	-	750	750
2009 bond	EUR	1,000	7.625%	5 ans	-	-	1,000
2009 bond	GBP	411	8.750%	8 ans	-	-	394
2009 bond	EUR	750	5.500%	10 ans	-	-	750
2009 bond	EUR	750	7.625%	7 ans	-	-	750
					5,250	**6,126**	**9,014**
Accrued interest on bond issues					121	168	241
BOND ISSUES					**5,371**	**6,294**	**9,255**

18.3 Bank borrowings

As of December 31, 2009, bank borrowings amount to 1,168 million euros and include draw-downs of 768 million euros on the credit facility set-up to finance the OBMHE acquisition. The redemption of the A-1 and A-2 tranches of this credit facility resulted in the termination of the related financial covenant.

Note 19 Derivatives

19.1 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, 2009, most forward exchange contracts had a maturity date of less than 1 year.

The nominal and fair values of derivatives at the balance sheet date were as follows:

	AT DECEMBER 31, 2009		AT DECEMBER 31, 2008		AT DECEMBER 31, 2007	
(million euros)	NOTIONAL	FAIR VALUE *	NOTIONAL	FAIR VALUE *	NOTIONAL	FAIR VALUE *
FORWARD PURCHASES AND CURRENCY SWAPS						
US dollar (USD)	162	3	139	(1)	94	(2)
Pound sterling (GBP)	402	4	327	(22)	428	(8)
Other currencies	86	-	106	-	120	-
	650	**7**	**572**	**(23)**	**642**	**(10)**
FORWARD SALES AND CURRENCY SWAPS						
US dollar (USD)	947	(20)	1,086	82	1,576	17
Pound sterling (GBP)	7	-	27	-	240	3
Other currencies	157	(3)	326	4	199	3
	1,111	**(23)**	**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.*

19.2 Interest-rate risk

Lafarge S.A.'s exposure to interest rate fluctuations comprises 2 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 2 risk categories using interest-rate swaps.

The notional and fair values of interest rate derivatives at the balance sheet date were as follows:

AT DECEMBER 31, 2009		NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE*							
(million euros, unless otherwise indicated)	AVERAGE INTEREST RATE	2010	2011	2012	2013	2014	> 5 YEARS	TOTAL	FAIR VALUE**
INTEREST RATE SWAP									
Fixed-rate payer	4.5%	-	-	70	58	42		**170**	(11)
Fixed-rate receiver		-	-	-	-	-	-	**0**	-
Other interest-rate derivatives	9.7%	10	-	-	-	-	-	**10**	1
AT DECEMBER 31, 2008		NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE*							
(million euros, unless otherwise indicated)	AVERAGE INTEREST RATE	2009	2010	2011	2012	2013	> 5 YEARS	TOTAL	FAIR VALUE**
INTEREST RATE SWAP									
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		NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE*							
(million euros, unless otherwise indicated)	AVERAGE INTEREST RATE	2008	2009	2010	2011	2012	> 5 YEARS	TOTAL	FAIR VALUE**
INTEREST RATE SWAP									
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 20 Financial commitments

Commitments given for 1,296 million euros include financial guarantees given for 1,242 million euros and vendor warranties given in connection with asset sales for 54 million euros. As of December 31, 2009, there are no securities or assets pledged.

Note 21 Maturity of receivables and liabilities at the balance sheets date

	NET AMOUNT AT DECEMBER 31, 2009	FALLING DUE IN		
		LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
RECEIVABLES				
NON-CURRENT RECEIVABLES				
Long-term receivables from investments	1,792	281	1,076	435
Other financial assets	14	-	-	14
	1,806	**281**	1,076	**449**
CURRENT RECEIVABLES				
Loans and current accounts granted to subsidiaries	3,863	3,863	-	-
Other	73	73	-	-
	3,936	**3,936**	**-**	**-**
	5,742	**4,217**	**1,076**	**449**
DEBT				
FINANCIAL DEBT				
Bond issues	9,255	241	3,672	5,342
Bank borrowings	1,168	223	945	-
Negotiable debt instruments	2,057	513	1,144	400
Long-term payables owed to investments	341	11	-	330
	12,821	**988**	**5,761**	**6,072**
TAX AND EMPLOYEE-RELATED LIABILITIES	**44**	**44**	**-**	**-**
OTHER LIABILITIES				
Borrowings and current accounts received from Group companies	3,462	3,462	-	-
Other	85	85	-	-
	3,547	**3,547**	**-**	**-**
	16,412	**4,579**	**5,761**	**6,072**

Settlement periods: Law no. 2008-776 of August 4, 2008 on the modernization of the economy, known as the LME, and Decree no. 2008-1492 of December 30, 2008 rendered for the application of Article L. 144-6-1 of the French Commercial Code.

The 85 million euros of other liabilities include trade payables for an amount of 12.5 million euros as of December 31, 2009 (French and foreign suppliers).

The following schedule presents trade payables from the invoice date:

(in million euros)	DEBT DUE AT YEAR END	30 DAYS FROM INVOICE DATE	BETWEEN 31 AND 60 DAYS FROM INVOICE DATE	TOTAL
Trade payables (including debt to suppliers of fixed assets)	0.2	3.7	8.6	12.5

Note 22 Related parties

(million euros)	NET AMOUNT	OF WHICH RELATED PARTIES	OF WHICH OTHER INVESTMENTS
FINANCIAL ASSETS			
Investments	24,895	24,895	-
Long-term receivables from investments	1,792	1,792	-
FINANCIAL DEBT			
Other loans and commercial paper	2,398	341	-
RECEIVABLES			
Loans and current accounts	3,863	3,856	5
Other receivables	73	20	-
OTHER LIABILITIES			
Borrowings and current accounts	3,462	3,462	-
Other	85	30	-
NET INCOME FROM INVESTMENTS	**998**	**998**	-
INTEREST AND SIMILAR INCOME	**82**	**76**	-
INTEREST AND SIMILAR EXPENSES	**(732)**	**(56)**	-

Note 23 Compensation of the Board of Directors and executive management

(million euros)	2009	2008	2007
Board of Directors	**0.61**	0.61	0.46
Executive management*	**7.89**	10.58	9.91

** Executive Management comprises 11 members, including the Chief Executive Officer.*

Note 24 Average number of employees during the year

	2009	2008	2007
Management	**338**	312	306
Supervisors and technicians	**121**	119	114
Other employees	**11**	7	15
TOTAL EMPLOYEES	**470**	**438**	**435**

Note 25 Individual rights to training

In compliance with recommendation 2004F issued by the Urgent Issues Task Force of the French National Accounting Council (CNC) concerning accounting for individual rights to training, Lafarge did not record any provisions for training rights in the financial statements for the year ended December 31, 2009. Rights acquired at year-end 2009 are estimated at 33,640 hours.

Note 26 Deferred tax position - tax base (holding company only)

(million euros)	2009	2008	2007
DEFERRED TAX LIABILITIES			
Tax-driven provisions	**2**	2	2
Capital gains rolled over	**1,764**	1,764	1,764
DEFERRED TAX ASSETS			
Provision for pensions	**51**	44	51
Other provisions	**7**	0	12
Temporarily non-deductible expenses	**42**	58	62
TAX LOSSES CARRIED FORWARD			
Tax Group losses	**921**	460	132
Revaluation account (1976) - tax free	**88**	88	88

Note 27 Subsequent events

There are no subsequent events to report.

Note 28 Investments

Subsidiaries and investments at December 31, 2009

(in million of currency unit)	CURRENCY	COMMON STOCK [A]	RESERVES AND RETAINED EARNINGS [A] [B]	SHARE OF CAPITAL HELD %	BOOK VALUE OF SHARES HELD [C] GROSS	BOOK VALUE OF SHARES HELD [C] NET	LOANS AND ADVANCES GRANTED AND NOT REPAID [C]	GUARANTEES & ENDORSEMENTS GIVEN BY THE COMPANY [C]	NET REVENUES EXCLUDING TAX AT CLOSING [A]	NET INCOME (PROFIT OR LOSS) AT CLOSING [A]	DIVIDENDS RECEIVED BY THE COMPANY OVER THE YEAR [C]
A. DETAILED INFORMATION ON SUBSIDIARIES (1) AND INVESTMENTS (2) AND (3) BELOW											
1. SUBSIDIARIES (OVER 50% OF CAPITAL HELD BY THE COMPANY):											
Sofimo	EUR	1,041	17,281	100.00	16,469	16,469	2,121	-	-	97	667
Lafarge Ciments*	EUR	134	200	99.99	162	162	191	-	525	40	59
Lafarge Ciments Distribution *	EUR	17	13	99.99	45	45	-	-	845	137	137
Lafarge Gypsum International*	EUR	798	186	99.99	934	934	253	-	-	(141)	-
Sabelfi	EUR	4,573	1	99.99	4,580	4,580	-	-	-	(2)	31
Companhia Nacional de Cimento Portland	BRL	343	(73)	99.86	241	241	-	-	-	(2)	-
Lafarge North America Inc.	USD		3,854	80.43	2,310	2,310	403	-	4,189	(246)	-
2. INVESTMENTS (10 TO 50% OF CAPITAL HELD BY THE COMPANY)											
Ciments du Cameroun	CFA	5,600	11,337	43.65	15	15	1	-	92,686	10,085	2
Lafarge Brasil SA	BRL	590	110	46.00	100	100	40	-	535	35	-
Lafarge Zement GmbH	EUR	26	20	10.00	29	25	-	-	-	10	-
3. INVESTMENTS (LESS THAN 10% OF CAPITAL HELD BY THE COMPANY)											
B. GENERAL INFORMATION CONCERNING OTHER SUBSIDIARIES AND INVESTMENTS											
1. SUDSIDIARIES NOT INCLUDED UNDER A.1)											
French sudsidiaries (total)					9	9					7
Foreign sudsidiaries (total)					5	5					-
2. INVESTMENTS NOT INCLUDED UNDER A.2) AND A.3)											
French (total)					-	-					-
Foreign (total)					1	-					-
TOTAL					**24,900**	**24,895**	**3,009**				**903**

(A) In local currency for foreign subsidiaries.
(B) Before appropriation of net income and interim dividend.
(C) In million of euros.
* *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 Int for 2 million euros.*

Special Report of the Statutory Auditors on Related-Party Agreements and Commitments

Year ended 31 December 2009

This is a free translation into English of a report issued in French language and is provided solely for the convenience of English-speaking users. 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 your company, we hereby report on the related-party agreements and commitments.

A. AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE FINANCIAL YEAR OR AFTER CLOSING

In accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*), we have been advised of the agreements and commitments, which were previously approved by your Board of Directors.

We are not required to ascertain whether any other agreements and commitments exist but to inform you, on the basis of the information provided to us, of the essential terms and conditions of those agreements indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from the conclusion of these agreements and commitments prior to their approval.

We performed those procedures that we considered necessary in order to comply with the professional standards of the French auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These standards required that we verify that the information provided to us is consistent with the documentation from which it has been extracted.

With BNP Paribas

Signature of an underwriting agreement with the bank partners, including BNP Paribas, within the scope of the capital increase which was performed at 28 April 2009

Board members concerned

Mr. Pébereau,a director of your company, is chairman of the Board of Directors of BNP Paribas.

Ms. H. Ploix, a director of your company, is also a BNP Paribas director (administrateur).

At its meeting on 31 March 2009, and within the scope of the preparation of the capital increase operation which occurred at 28 April 2009, the Board of Directors authorized the signature of an "Underwriting agreement" intended to secure the success of the operation, whereby the bank partners, including BNP Paribas, undertake, with respect to your company, to guaranty the subscription of the shares which would not have been subscribed by the shareholders during the operation.

The capital increase was completed on 28 April 2009 and the undertakings of these agreements have been fully realized.

The commissions paid by your company in respect of this agreement, including those related to the "Commitment Letter" and "Engagement Letter" as described in the paragraph B-1 hereafter, amounted to 44.6 million euros (excluding the guarantee underwriting commission), of which 8 million euros due to BNP Paribas.

B. AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE FINANCIAL YEAR AND APPROVED BY THE SHAREHOLDERS' MEETING OF 6 MAY 2009

Moreover, in accordance with the French Commercial Code (*Code de Commerce*), we have been advised that the following agreements and commitments, approved by the Shareholders' Meeting of 6 May 2009, remained effective during this financial year.

1. With BNP Paribas

Board members concerned

Mr. Pébereau and Ms. H. Ploix

Signature of a *"Commitment Letter"* and an *"Engagement Letter"* with the bank partners, including BNP Paribas, within the scope of the capital increase performed at 28 April 2009

At its meeting on 19 February 2009, and within the scope of the preparation of the capital increase operation which was completed on 28 April 2009, the Board of Directors authorized the signature of a "Commitment Letter" and an "Engagement Letter" intended to secure the success of the operation, whereby the bank partners, including BNP Paribas, undertake, with respect to your company, under certain conditions and limitations, jointly and not severally, to have the operation underwritten or, failing this, underwrite the operation. The Shareholders' Meeting of 6 May 2009 had approved this agreement.

The capital increase was completed on 28 April 2009 and the undertakings of these agreements have been fully realized. The total amount paid by your company to Bank partners in respect of the capital increase is mentioned in the paragraph regarding the underwriting agreement above (paragraph A).

2. With Mr. Bruno Lafont

Amendment to Mr. Bruno Lafont's suspended employment contract and severance indemnity

At its meeting on 7 May 2008, the Board of Directors authorized an amendment to Mr. Bruno Lafont's employment contract, whereby he would undertake to remain in the company until 30 June 2011. At its meeting on 19 February 2009, and in addition to the decisions made at its meeting on 7 May 2008, the Board of Directors authorized the amendment to Mr. Bruno Lafont's employment contract, for the purpose of adapting the severance indemnity to the Afep Medef recommendations regarding the compensation of Executive Directors.

Mr. Bruno Lafont's employment contract thus specifies (i) the conditions governing the guarantee to maintain the employment contract until 30 June 2011, (ii) the conditions under which he would benefit from a contractual severance indemnity (change of control or a change in strategy on the part of your company and performance conditions based on three criteria), in the event he were to benefit from his employment contract at the end of his term as Chairman and Chief Executive Officer, and upon a dismissal and (iii) the calculation methodology and the maximum amount of this potential severance indemnity (limited to a maximum of two years of the total gross remuneration received). This agreement remains without impact to date.

C. AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS AND REMAINING EFFECTIVE IN THE YEAR ENDED DECEMBER 31, 2009

Moreover, in accordance with the French Commercial Code (Code de Commerce), we have been advised that the following agreements and commitments, approved in prior financial years, remained effective during this financial year.

1. With BNP Paribas

Board members concerned

Mr. Pébereau and Ms. H. Ploix

a. Domiciliation agent agreement

At its meeting on 24 May 2006, the Board of Directors authorized the domiciliation agent agreement between your company and BNP Paribas concerning the commercial paper program.

The amounts paid by your company in 2009 in respect of this agreement totaled 12,542 euros.

b. Loan of €.2.4 billion guaranteed by BNP Paribas for the acquisition of Orascom Building Materials Holding

At its meeting on 9 December, 2007, the Board of Directors authorized a loan agreement totaling €7.2 billion between your company and BNP Paribas and two other financial institutions to finance the acquisition of the share capital of the Egyptian company Orascom Building Materials Holding.

BNP Paribas had originally guaranteed to finance an amount of 2.4 billion euros. Under this agreement, the costs relating to the implementation of this line of credit correspond to the 13.8 million euros paid in commissions by your company to BNP Paribas in 2007.

As a result of this commitment, a 768 million euros debt was recorded in your company's balance sheet as at 31 December 2009, of which 256 million euros payable to BNP Paribas.

c. Transfer of defined-benefit retirement plans for French executives, senior executives and members of the Executive Committee to Cardif Assurance Vie, a subsidiary of BNP Paribas

The Board of Directors authorized the conclusion of insurance contracts between your company and Cardif Assurance Vie, a subsidiary of BNP Paribas, the purpose of which was to transfer defined-benefit retirement plans that provide, under certain conditions, a retirement payment based on the last salaries received irrespective of any other legal retirement benefits received by the retired individual. These agreements were authorized by the Board of Directors at its meetings of 1 August 2007 and 6 November 2008 and approved by the Shareholders' Meetings of 7 May 2008 and of 6 May 2009.

As these agreements remained in effect in 2009, the total amount of contributions (allocated to pension capital, expenses and other taxes) paid by your company in respect of the three current contracts with Cardif Assurances amounted to 22.1 million euros for the financial year ended 31 December 2009.

d. Agreement covering the management of its investments department with BNP Paribas Securities Services, a subsidiary of BNP Paribas

At its meeting on 8 September 2004, the Board of Directors authorized an agreement covering the management of its investments department, shareholders' meetings, employee shareholding plans and stock option plans with BNP Paribas Securities Services, a wholly owned subsidiary of BNP Paribas.

The amounts paid by your company in 2009 in respect of this agreement totaled 7.2 million euros.

2. With Mr. Bruno Lafont

Supplementary pension plan of Mr. Bruno Lafont

At its meeting on 16 December 2005, the Board of Directors authorized an amendment to Mr. Bruno Lafont's employment contract, whereby he would benefit from a supplementary pension plan guaranteeing a pension based on his Group Chief Executive Officer's salary. The employment contract was suspended as from 1 January 2006, the date of Mr. Bruno Lafont's appointment as Chief Executive Officer. However, as a Director, he will continue to benefit from the supplementary retirement benefit.

Moreover, at its meeting on 6 November 2008, the Board of Directors authorized the adaptation of two supplementary benefit plans. One of these adaptations consists in including the company's Executive Directors as potential beneficiaries of these benefit plans, which would provide, under certain conditions, a retirement payment based on the last salaries received, irrespective of any other legal retirement benefits received by the retired individual. The Shareholders' Meeting of 6 May 2009 had approved this agreement which remains without impact to date.

Neuilly-sur-Seine and Paris-La Défense, 24 February 2010

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG Audit	
French original signed by		*French original signed by*	
Frédéric Gourd	Pascal Pincemin	Christian Mouillon	Alain Perroux

AMF Cross-Reference table

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The introduction of Chapter 5 and Sections 2.2, 5.1, 5.3, 5.4, 8.5.5 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 data on health and safety, environment and employees contained in Sections 3.5 to 3.7 and in our Sustainable Development Report and (iii) comments on the statutory accounts of Lafarge S.A. set out in page F80.

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, 2008, including the notes to the financial statements and the reports of the statutory auditors, set out on pages F-1 to F-88 of the 2008 *Document de Référence* filed with the Autorité des marchés financiers on March 16, 2009 under number D.09.0122;
- 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.

The sections of the *Document de Référence* 2008 and 2007 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*.

Personal notes

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Lafarge Board of Directors

FROM LEFT TO RIGHT
Bernard Kasriel, Pierre de Lafarge, Thierry de Rudder, Oscar Fanjul, Michel Bon, Philippe Dauman, Bertrand Collomb, Gérald Frère, Juan Gallardo, Bruno Lafont, Jean-Pierre Boisivon, Hélène Ploix, Philippe Charrier, Paul Desmarais Jr, Jérôme Guiraud, Nassef Sawiris, Michel Rollier, Michel Pébereau.

Group Executive Committee

FROM LEFT TO RIGHT
Jean-Carlos Angulo, Thomas Farrell, Eric Olsen, Guillaume Roux, Bruno Lafont, Jean Desazars de Montgailhard, Sara Ravella, Christian Herrault, Isidoro Miranda, Gérard Kuperfarb, Jean-Jacques Gauthier.

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