Financial Report

For the Fourth Quarter ended December 31, 2012

LAFARGE

bringing materials to *life*™

1. Management Report

The Board of Directors of Lafarge, chaired by Bruno Lafont, met on February 19, 2013 to approve the accounts for the period ended December 31, 2012. The statutory auditors have completed their audit on the consolidated financial statements. Their report is in the process of being issued.

Lafarge operates in a constantly evolving environment, which exposes the Group to risk factors and uncertainties in addition to the risk factors related to its operations. A detailed description of these risk factors and uncertainties is included in the section "Risk factors" of the company's Registration Document. The materialization of these risks could have a material adverse effect on our operations, our financial condition, our results, our prospects or our share price. There may be other risks that have not yet been identified or whose occurrence is not considered likely to have such a material adverse effect as of the date hereof.

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

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

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

Since July 2011, the Group is committed in a disposal project of the main part of the Gypsum Division and disposed of its Gypsum operations in Western Europe, Central and Eastern Europe, Latin America and Asia in the second half of 2011. In accordance with IFRS, until the activities are effectively divested, the contribution of the Gypsum discontinued activities to the Group's consolidated statements of income and statements of cash flows is presented on specific lines for all the periods presented. In the Group's consolidated statement of financial position, Gypsum discontinued assets and liabilities are shown on separate lines for December 2012 and December 2011 data.

1.1 Consolidated key figures

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

Volumes

	12 Months 2012	12 Months 2011	Variation	Variation like-for-like	4th Quarter 2012	4th Quarter 2011	Variation	Variation like-for-like
Cement (MT)	141.1	145.3	-3%	-2%	*34.8*	*36.5*	*-5%*	*-4%*
Pure Aggregates (MT)	188.3	192.7	-2%	-3%	*47.1*	*49.1*	*-4%*	*-5%*
Ready-Mix concrete (Mm3)	31.8	33.8	-6%	-2%	*7.8*	*8.3*	*-5%*	*-3%*

Sales

By geographical zone	12 Months 2012	12 Months 2011	Variation	Variation like-for-like	4th Quarter 2012	4th Quarter 2011	Variation	Variation like-for-like
North America	3,375	3,110	9%	8%	824	802	3%	-
Western Europe	3,181	3,477	-9%	-9%	748	813	-8%	-8%
Central & Eastern Europe	1,270	1,293	-2%	-4%	281	296	-5%	-9%
Middle East and Africa	4,283	4,092	5%	2%	1,017	1,035	-2%	-2%
Latin America	961	905	6%	10%	232	232	-	6%
Asia	2,746	2,407	14%	10%	707	635	11%	8%
By business line								
Cement	10,373	9,975	4%	2%	2,474	2,489	-1%	-1%
Aggregates & Concrete	5,353	5,227	2%	2%	1,313	1,306	1%	-1%
Holding and others	90	82			22	18		
TOTAL	15,816	15,284	3%	2%	3,809	3,813	-	-1%

EBITDA

By geographical zone	12 Months 2012	12 Months 2011	Variation	Variation like-for-like	4th Quarter 2012	4th Quarter 2011	Variation	Variation like-for-like
North America	546	431	27%	16%	163	140	16%	6%
Western Europe (1)	556	669	-17%	-19%	118	147	-20%	-20%
Central & Eastern Europe (1)	255	329	-22%	-22%	41	56	-27%	-29%
Middle East and Africa	1,235	1,131	9%	6%	293	266	10%	9%
Latin America	296	246	20%	22%	85	66	29%	33%
Asia	562	411	37%	31%	156	123	27%	24%
By business line								
Cement (1)	2,960	2,734	8%	6%	737	653	13%	11%
Aggregates & Concrete	474	463	2%	-4%	144	128	13%	6%
Holding and others	16	20			(25)	17		
TOTAL (1)	3,450	3,217	7%	4%	856	798	7%	5%

(1) Impacted by lower sales of carbon credits:
Western Europe: 63 million euros lower proceeds for the full year, 2 million higher proceeds in Q4
Central and Eastern Europe: 15 million euros lower proceeds for the full year, 8 million higher proceeds in Q4
Cement and Total Group: 78 million euros lower proceeds for the full year, 10 million higher proceeds in Q4

Other key figures

	12 Months 2012	12 Months 2011	Variation %	4th Quarter 2012	4th Quarter 2011	Variation %
Current Operating Income	2,440	2,179	12%	603	538	12%
Net income – Group share (1)	**432**	**593**	**-27%**	**100**	**(3)**	
Earnings per share (in euros) (2)	1.50	2.07	-28%	0.34	(0.01)	
Free Cash Flow (3)	884	1,208	-27%	673	701	-4%
Net Debt	11,317	11,974	-5%			

(1) Net income attributable to the owners of the parent of the Group
(2) Based on an average number of shares outstanding of 287.1 million and 286.5 million year-to-date 2012 and 2011, respectively, and 287.1 million and 287.0 million for the fourth quarter 2012 and 2011, respectively
(3) Defined as the net cash generated or used in continuing operating activities less sustaining capital expenditures

1.2. Review of operations and financial results

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

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

Group highlights for the year

- Sales increased 3.5% year-to-date, driven by successful price actions across all product lines to respond to cost inflation and by growth in emerging markets.
- The Group delivered on its cost savings target, achieving 410 million euros in the year; innovation plan roll out is gaining pace and actions generated 80 million euros of EBITDA in 2012.
- EBITDA and current operating income rose 7% and 12% respectively in the periods presented despite the continued slowdown in Europe. Operations outside of Europe generated more than 75% of the Group's EBITDA and rose 17% in the quarter and 19% year-to-date. Group EBITDA margin improved 130 basis points in both periods when excluding carbon credit sales.
- Net income Group share reached 432 million euros for the year, down 27% mainly because of the one-time 466 million euros gain related to gypsum divestments in 2011. Excluding one-offs items[1], net income Group share improved 70% year-to-date to 772 million euros.
- Net debt declined 0.9 billion euros in the fourth quarter, dropping to 11.3 billion euros. The Group has secured close to 900 million euros of divestments, of which 474 million euros were received in 2012, and will shortly exceed its objective of securing 1 billion euros.

---

[1] *Asset impairment in Q2 2012 on Greece and in Q4 2011 on Western Europe and the Emirates, restructuring charges, and one-time gains in 2011 on Gypsum divestments*

Overview of operations: Sales, EBITDA and Current Operating Income

Overall, the year was marked by sales and operating results growth, driven by a combination of higher prices in response to cost inflation and strong cost savings measures.

Cement sales volumes, at 141.1 million tons (34.8 million tons in the quarter), decreased 3% year-to-date and 5% in the quarter, mostly reflecting the effect of the construction slowdown in Europe, increased local supply in Egypt, current situation in Syria and the impact of the US divestments, mitigated by solid domestic growth in Asia, Latin America and most countries of Middle East and Africa. Aggregates sales volumes declined by 2% year-to-date and by 4% in the quarter, primarily reflecting lower construction activity in Western and Eastern Europe. Concrete volumes declined by 5% in the quarter and 6% year-to-date impacted by the sale of US ready-mix assets last year. On a like-for-like basis, ready-mix concrete sales volumes were down 3% in the quarter and slightly down 2% year-to-date, with higher volumes in North America and Middle East and Africa almost compensating for lower volumes in Western Europe.

Consolidated sales, at 15,816 million euros year-to-date, moved higher, up 3% year-to-date, supported by successful price actions to respond to cost inflation across all of our product lines, higher cement volumes in Latin America and Asia, and favorable foreign exchange. Consolidated sales of the fourth quarter, at 3,809 million euros, were stable versus last year.

Net changes in the scope of consolidation had a negative impact on our sales of 1.2% (-1.0% in the fourth quarter), primarily reflecting the effect of the divestment of our South Eastern US assets and of A&C Portugal activities, partially offset by several targeted operations achieved in the aggregates and concrete business lines optimizing our asset portfolio. Currency impacts were favorable (2.9% year-to-date, and 2.1% in the fourth quarter 2012), mainly due to the appreciation against the euro of the US and the Canadian dollar, the British pound, the Chinese renminbi, the Malaysian ringgit, the Philippine peso and the Egyptian pound, partially offset by the effect of the depreciation of the Indian rupee, the South African rand, the Syrian pound and the Brazilian real.

EBITDA improved 7% both in the quarter and year-to-date, and at constant scope and exchange rates, grew 5% for the quarter and 4% year-to-date. EBITDA increases in Asia, Middle East and Africa, Latin America, and North America supported this growth. Declines occurred in Western and Central & Eastern Europe, reflecting 78 million euros of lower proceeds from the sale of carbon credits year-to-date compared to last year, and a challenging economic environment. Selling and administrative expenses as a percentage of the total Group revenue were 9.0% for the year 2012, down 70bps versus last year. Overall, cost reduction actions contributed 410 million euros to the year-to-date results, with efforts put on all levers, while innovation plan roll out is gaining pace and actions generated 80 million euros of EBITDA in 2012.

Current operating income increased 7% year-to-date and 9% in the quarter, at constant scope and exchange rates and when restating the impact of the stoppage of depreciation of the UK assets as of March 1st, 2011 due to their scheduled contribution to the joint-venture with Tarmac UK (9 million euros less depreciation). The depreciation of the combined assets contributing to the joint-venture will restart after the formation of the joint-venture that was announced to be effective on January 7th, 2013.

Review of operations by region

North America

	12 Months 2012	12 Months 2011	Variation	Variation like-for-like	4th Quarter 2012	4th Quarter 2011	Variation	Variation like-for-like
Volumes								
Cement (MT)	12.8	13.5	-5%	4%	3.0	3.3	-7%	-5%
Pure Aggregates (MT)	97.2	97.2	-	2%	24.7	26.4	-6%	-6%
RMX-Concrete (Mm3)	6.5	7.1	-9%	8%	1.7	1.7	-2%	3%
Sales (million euros)	3,375	3,110	9%	8%	824	802	3%	-
EBITDA (million euros)	546	431	27%	16%	163	140	16%	6%
EBITDA Margin	16.2%	13.9%	230bps		19.8%	17.5%	230bps	
COI (million euros)	348	196	78%	41%	113	87	30%	14%

Sales were up 9% year-to-date and 3% in the fourth quarter. The effect of the divestment of our South Eastern US assets in October 2011 reduced sales by 7 percentage points year-to-date, but was almost offset by the appreciation of the Canadian and US dollar against the euro.

At constant scope and exchange rates, sales were up 8% year-to-date, with higher volumes across all activities and higher prices overall. Sales were stable in the fourth quarter, as higher pricing only partly offset the effect of the lower volumes, impacted by adverse weather in our regions in the United States and a higher base comparison.

- **In the United States,** the residential sector improved with housing starts above 770,000, but overall, the construction sector experienced subdued growth in the second half of the year, with a more difficult base comparison and fiscal cliff threat backdrop weighing on civil construction. Cement sales volumes were up 2% year-to-date, but down 10% in the fourth quarter, impacted by tornadoes and bad weather in our regions, while cement prices moved higher. Aggregates and ready-mix concrete sales volumes both decreased 2% year-to-date, with less project works.
- **In Canada,** all three product lines showed volume growth over the year, supported by market dynamism and several major projects in West Canada. Cement, aggregates and ready-mix sales volumes were up 8%, 4% and 12% year-to-date, respectively.

EBITDA was up 115 million euros year-to-date (up 23 million euros in the quarter), driven by higher sales and strong cost-cutting measures, and further helped by a one-time gain of 24 million euros on pensions in the fourth quarter.

Western Europe

	12 Months 2012	2011	Variation	Variation like-for-like	4th Quarter 2012	2011	Variation	Variation like-for-like
Volumes								
Cement (MT)	16.4	18.4	-11%	-11%	3.9	4.2	-9%	-9%
Pure Aggregates (MT)	50.9	58.4	-13%	-12%	12.2	12.9	-6%	-6%
RMX-Concrete (Mm3)	9.8	11.7	-16%	-13%	2.3	2.7	-13%	-13%
Sales (million euros)	3,181	3,477	-9%	-9%	748	813	-8%	-8%
EBITDA(1) (million euros)	556	669	-17%	-19%	118	147	-20%	-20%
EBITDA Margin (1)	17.5%	19.2%	-170bps		15.8%	18.1%	-230bps	
COI (million euros) (1)	365	456	-20%	-25%	69	92	-25%	-26%

(1) Impacted by the variation of the sales of carbon credits:
63 million euros lower proceeds for FY, negligible impact for Q4

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

As a result, sales were down 9% year-to-date, and 8% in the fourth quarter. Sales volumes at constant scope experienced decreases across all business lines, while prices were stable overall.

Net changes in the scope of consolidation had a negligible negative impact on 2012 sales of the region, while the appreciation of the British pound against the euro was slightly positive by 2 percentage point. At constant scope and exchange rates, sales were down 9% year-to-date, and 8% in the fourth quarter.

- **In France**, a slowdown in infrastructure projects and in housing starts affected the building materials sector. Year-to-date, our cement, pure aggregates and ready-mix concrete domestic sales volumes were down 5%, 8% and 5%, respectively.
- **In the United Kingdom**, after a strong 2011 year supported by Olympic construction, construction activity slowed down in 2012, impacted by declines in public sector funding for construction. In this context, cement domestic sales volumes decreased 8% year-to-date. Our pure aggregates and ready-mix concrete sales volumes were down 9% and 15% year-to-date, respectively, reflecting the completion of road projects, notably the A46 and M25 projects. Prices increased across all of our activities in response to higher production costs.
- **In Spain and Greece**, our cement domestic sales volumes decreased respectively 26% and 37% year-to-date, under a persistently challenging economic environment and with the impact of the austerity measures being implemented.

Significant cost-cutting achievements and lower cost inflation helped mitigate the impact of lower volumes and lower carbon credit proceeds. The sales of carbon credits were 73 million euros year-to-date versus 136 million euros in 2011 (17 million euros versus 15 million euros in the fourth quarter 2011).

EBITDA margin improved 140 basis points when excluding carbon credit sales and the impact of a one-time gain of 66 million euros[2] recorded in 2011, reflecting the significant impact of our cost-saving actions, which more than offset the impact of declining volumes.

[2] *One-time gain for a pension curtailment recorded in the fourth quarter 2011*

Central and Eastern Europe

	12 Months 2012	12 Months 2011	Variation	Variation like-for-like	4th Quarter 2012	4th Quarter 2011	Variation	Variation like-for-like
Volumes								
Cement (MT)	13.2	14.1	-6%	-8%	2.8	3.2	-8%	-9%
Pure Aggregates (MT)	22.3	20.8	7%	-3%	5.7	5.9	-3%	-3%
RMX-Concrete (Mm3)	1.5	1.5	-1%	5%	0.3	0.3	7%	1%
Sales (million euros)	1,270	1,293	-2%	-4%	281	296	-5%	-9%
EBITDA(1) (million euros)	255	329	-22%	-22%	41	56	-27%	-29%
EBITDA Margin (1)	20.1%	25.4%	-530bps		14.6%	18.9%	-430bps	
COI (million euros) (1)	174	256	-32%	-28%	21	37	-43%	-39%

(1) Impacted by the effect of carbon credit proceeds in 2012 versus 2011:
15 million euros lower proceeds in 2012, and 8 million euros higher proceeds in Q4

In Central and Eastern Europe, sales were down 5% in the fourth quarter and 2% year-to-date, impacted by a market correction in Poland and adverse weather in the fourth quarter.

Year-to-date, scope effects were positive (+3 percentage points on sales), as the Group strengthened its positions within this region last year through various operations, including the start-up of clinker production at our new cement plant in Hungary, and the strengthening of our aggregates activities in Russia. Foreign exchange had a negative impact on sales of 1 percentage point.

At constant scope and exchange rates, sales were down 9% in the fourth quarter and 4% year-to-date, helped by positive pricing but with sales volumes down for cement and aggregates. Contrasting trends were experienced within the region:

- **In Poland**, building activity slowed down, reflecting the completion of construction projects in advance of the European Cup games in June and lower EU funding. Cement domestic sales volumes were down 21% year-to-date, after the strong increase of 24% recorded in 2011. Our pure aggregates sales volumes were also down 16% over the year, with a high comparison base last year.
- **In Russia,** market trends were positive, but cement volumes were impacted from the second quarter by production limitations at one of our plants close to Moscow.
- **Romania** experienced positive volumes trends across all activities, with notably an increase in cement sales volumes of 7% year-to-date.

Like-for-like EBITDA decreased in both periods, with lower sales in Poland, higher logistics costs in Russia and lower carbon credit proceeds for the year. The sales of carbon credit were 26 million euros in 2012 versus 41 million euros in 2011 (13 million euros versus 5 million euros in the fourth quarter 2011).

Middle East and Africa

	12 Months 2012	2011	Variation	Variation like-for-like	4th Quarter 2012	2011	Variation	Variation like-for-like
Volumes								
Cement (MT)	45.2	48.0	-6%	-3%(1)	11.0	12.2	-10%	-8%(1)
Pure Aggregates (MT)	8.6	8.8	-3%	-5%	2.0	2.1	-6%	-7%
RMX-Concrete (Mm3)	7.0	6.1	14%	7%	1.8	1.7	2%	2%
Sales (million euros)	4,283	4,092	5%	2%	1,017	1,035	-2%	-2%
EBITDA (million euros)	1,235	1,131	9%	6%	293	266	10%	9%
EBITDA Margin	28.8%	27.6%	120bps		28.8%	25.7%	310bps	
COI (million euros)	906	820	10%	7%	211	185	14%	12%

(1) domestic only

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

Overall, sales grew 5% year-to-date and were down 2% in the fourth quarter. Year-to-date, scope effects were slightly positive, mostly reflecting our developing operations in Iraq, while the impact of foreign currency fluctuations also benefited sales (+3% on sales).

At constant scope and exchange rates, sales were up 2% year-to-date, and down 2% in the quarter with overall positive pricing in response to inflation and contrasting volume trends within the region.

- **In Algeria**, domestic cement sales were up 11% year-to-date (15% in the fourth quarter), with strong market trends.
- **Egypt** sales were down 5% year-to-date, with positive pricing but cement domestic volumes down 12% year-to-date, impacted by new cement production capacities started last year in the market and a higher comparison base for the fourth quarter.
- **In Iraq,** domestic sales are supported by strong needs for housing, and we have strengthened our presence with the Kerbala plant located in the South together with the development of our ready-mix activities. Cement domestic sales volumes were up 11% year-to-date, with average prices below 2011 levels.
- **In Kenya**, our cement domestic sales increased 12% year-to-date, bolstered by a strong market, somewhat slowed down in the fourth quarter ahead of elections.
- **In Morocco,** increased local supply combined with a softer market in the second half of the year drove domestic cement sales volumes down both in the quarter and year-to-date.
- **In Nigeria**, dynamic market trends overall and our 2.2MT new line started in the second half of 2011 drove a 32% increase in cement sales year-to-date, despite strong floods and a temporarily softer market growth in the fourth quarter 2012.
- **In South Africa**, all three product lines showed volume growth and price gains in 2012, with domestic cement sales up 5%, aggregates sales up 16% and ready-mix concrete up 6%.
- **Syria** cement sales volumes declined sharply, impacted by the current situation.

At constant scope and exchange rates, EBITDA rose 6% year-to-date and 9% in the quarter, driven by significant cost-saving initiatives and pricing gains in response to cost increases, notably with higher energy costs.

Latin America

	12 Months 2012	12 Months 2011	Variation	Variation like-for-like	4th Quarter 2012	4th Quarter 2011	Variation	Variation like-for-like
Volumes								
Cement (MT)	9.2	8.8	4%	4%	2.3	2.3	3%	3%
Pure Aggregates (MT)	2.7	2.4	15%	15%	0.6	0.6	3%	3%
RMX-Concrete (Mm3)	1.1	0.9	22%	22%	0.3	0.3	15%	15%
Sales (million euros)	961	905	6%	10%	232	232	-	6%
EBITDA (million euros)	296	246	20%	22%	85	66	29%	33%
EBITDA Margin	30.8%	27.2%	360bps		36.6%	28.4%	820bps	
COI (million euros)	256	204	25%	27%	76	56	36%	39%

The construction markets remained strong within the region, and as a result, sales increased 10% year-to-date (+6% in the fourth quarter) at constant scope and exchange rates. Foreign exchange fluctuations negatively impacted the sales by 4 percentage points year-to-date (6 percentage points in the fourth quarter), reflecting the depreciation of the Brazilian real against the euro.

- **In Brazil,** the construction market remained strong. Our cement sales were up 10% year-to-date, with prices well-oriented in response to cost increases, while our aggregates and concrete activities benefited from various infrastructure projects in the region of Rio.
- **Honduras and Ecuador** also experienced cement domestic sales growth, up 6% and 3% year-to date, respectively.

At constant scope and exchange rates, EBITDA experienced a strong 22% increase year-to-date, supported by higher sales, and lower cost inflation coupled with cost-saving actions. The fourth quarter also benefited from one-time gains of 15 million euros.

Asia

	12 Months 2012	2011	Variation	Variation like-for-like	4th Quarter 2012	2011	Variation	Variation like-for-like
Volumes								
Cement (MT)	44.3	42.5	4%	4%	11.8	11.3	4%	4%
Pure Aggregates (MT)	6.6	5.1	30%	15%	1.9	1.2	58%	37%
RMX-Concrete (Mm3)	5.9	6.5	-8%	-2%	1.4	1.6	-11%	1%
Sales (million euros)	2,746	2,407	14%	10%	707	635	11%	8%
EBITDA (million euros)	562	411	37%	31%	156	123	27%	24%
EBITDA Margin	20.5%	17.1%	340bps		22.1%	19.4%	270bps	
COI (million euros)	391	247	58%	53%	113	81	40%	37%

In Asia, market trends were positive in most markets where we operate, and our sales grew 10% like-for-like year-to-date and 8% in the fourth quarter. Foreign exchange fluctuations had a positive effect of on sales, while scope impact was negligible.

- **In China,** cement sales volumes were up 2% year-to-date (+4% in the fourth quarter), while average prices were affected by increased supply.
- **In India**, cement domestic sales rose 22% year-to-date as price actions were successfully implemented to offset higher logistics and power costs. Cement volumes were up 1% year-to-date (+5% in the fourth quarter), impacted by heavy rains in the second and third quarters. Ready-mix sales were stable overall, higher prices offsetting lower volumes.
- **Indonesia** benefitted from steady construction market growth, and our cement domestic sales rose 14% year-to-date and in the fourth quarter, with price gains and higher volumes.
- **In Malaysia**, the construction market was dynamic, especially for the infrastructure segment, and our domestic cement sales were up 7% year-to-date.
- **In the Philippines**, cement construction was bolstered by developing governmental infrastructures projects. Cement domestic sales grew 15% year-to-date (+27% in the fourth quarter) under the combined effect of higher volumes and price gains in response to production cost increases, notably power and logistics costs.
- **In South Korea,** market conditions improved and prices are progressively recovering from low levels, resulting in domestic cement sales being up 21% year-to-date. Cement domestic volumes were down in the fourth quarter, reflecting a market slowdown impacted by a snowy month of December. Production levels are temporarily hampered after a landslide occurred at a quarry at the end of August and exports were reduced to enable us to serve local cement needs.

EBITDA strongly improved both in the quarter and year-to-date, up 151 million euros over the year, with better volumes, higher prices to offset cost inflation and significant cost-saving measures.

Other income statement items

The table below shows our operating income and net income for the period ended December 31, 2012 and 2011:

	12 Months		Variation
	2012	2011	%
EBITDA	**3,450**	**3,217**	**7%**
Depreciation	(1,010)	(1,038)	-3%
Current Operating Income	**2,440**	**2,179**	**12%**
Net gains on disposals	53	45	18%
Other operating income (expenses)	(546)	(541)	1%
Operating Income	**1,947**	**1,683**	**16%**
Net financial (costs) income	(1,031)	(999)	3%
Of which Financial expenses	*(1,191)*	*(1,142)*	*4%*
Financial income	*160*	*143*	*12%*
Share of net income (loss) of associates	5	(8)	
Income before Income Tax	**921**	**676**	**36%**
Income tax	(316)	(432)	-27%
Net Income from continuing operations	**605**	**244**	**148%**
Net income from discontinued operations	16	492	
Net income	**621**	**736**	**-16%**
of which part attributable to:			
- Owners of the parent Company	**432**	**593**	**-27%**
- Non-controlling interests	189	143	32%

Depreciation was 1,010 million euros in 2012 versus 1,038 million euros in 2011, under the combined effect of the stopping of the depreciation of our UK assets and the outsourcing of certain quarry mobile equipment to increase operating flexibility and allow focus on our core business activities.

Net gains on disposals were 53 million euros in 2012 versus 45 million euros in 2011, and mainly comprise the gain on the divestment of most of our minority position in Lafarge Aso Cement in Japan to our partner Aso Corporation, and the gain on the sale of US assets in Missouri and Oklahoma.

Other operating expenses primarily reflect the impact of impairments, restructuring, and legal actions. They amounted to 546 million euros in 2012 versus 541 million euros in 2011. In 2012, the Group recorded 204 million euros (40 million euros in the fourth quarter) of restructuring charges as part of executing its cost-cutting program. Additionally, given the sustained downturn in economic conditions in Greece, an impairment of goodwill and other assets was recorded for a total amount of 200 million euros in the second quarter 2012 while close to 40 million euros of accelerated assets depreciation and write-offs were recorded in 2012 on European assets. In 2011, other operating expenses mainly comprised an impairment of goodwill in Greece and United Arab Emirates for a total of 285 million euros, restructuring expenses, accelerated depreciation of some assets in Western Europe and costs of on-going diposals.

Operating income increased 16% to 1,947 million euros versus 1,683 million euros in 2011, reflecting the improvement in EBITDA.

Net Finance costs, comprised of financial expenses on net debt, foreign exchange, and other financial income and expenses, were 1,031 million euros versus 999 million euros in 2011.

The financial expenses on net debt slightly increased to 889 million euros from 841 million euros, the impact of higher interest rates offsetting the effect of a lower average net debt of 1.6 billion euros. The decision of Standard & Poor's and Moody's to downgrade our credit rating on March 17th, 2011 and August 8th, 2011, respectively, triggered stepup clauses on certain of our bonds, increasing the rate of interest to be paid. The average interest rate on our gross debt was 6.2% in 2012, compared to 5.7% in 2011.

Foreign exchange resulted in a loss of 23 million euros in 2012 compared with a loss of 79 million euros in 2011, mostly relating to loans and debts denominated in currencies for which no hedging market is available.

Other financial costs rose from 79 million euros to 119 million euros, and mainly comprise bank commissions, the amortization of debt issuance costs and fair value adjustments of the debt.

The contribution from our associates represented a net gain of 5 million euros in 2012, versus a net loss of 8 million euros in 2011, benefiting from improved earnings for Unicem (Nigeria) and with the contribution of the 20% ownership in Etex Dryco (Gypsum operations in Europe and Latin America).

Income tax was 316 million euros in 2012 versus 432 million euros in 2011. The effective tax rate was 34%, impacted by the effect of the application of the new French tax law on the partial non-deductibility of financial interests, and by non-recurring elements, notably comprising a non-deductible impairment charge on goodwill recorded in the second quarter 2012 and the impact of the divestment of our Oklahoma and Missouri (US) assets in 2012. The effective tax rate was 63% in 2011, mostly reflecting the non-deductibility of impairments of goodwill, the one-off impact on the Egyptian deferred tax position to reflect the newly applicable tax rate and some other one-off elements such as the impact of the divestment of our South Eastern US assets.

Net income from continuing operations was 605 million euros in 2012 versus 244 million euros in 2011, under the combined effect of improved EBITDA and lower exceptional tax effects.

Net income from discontinued operations was a gain of 16 million euros year-to-date, reflecting the results of our Gypsum operations in North America, helped by improved housing construction and higher pricing. In 2011, net income from discontinued operations was 492 million euros, with a net non-recurring gain of 466 million euros, mostly due to the gain of the divestments of our Gypsum operations in Europe, Latin America and Asia.

Net income Group share[3] decreased to 432 million euros from 593 million euros in 2011, impacted by several non-recurring items. The base comparison for 2011 was higher due to a 466 million euros non-recurring net gain on Gypsum discontinued operations in 2011, partly offset by an impairment of goodwill on Greece and United Arab Emirates for a total of 285 million euros and by 61 million euros of restructuring charges. In 2012, net income was impacted by a 200 million euros second quarter impairment charge on Greek assets and by 204 million euros of restructuring charges recorded as part of the Group cost saving initiatives (40 million euros for the fourth quarter). Excluding these items, net income Group share improved 70% year-to-date, reflecting the strong improvement in operating results.

Non controlling interests increased to 189 million euros in 2012 compared with 143 million euros in 2011, as 2011 third quarter minorities were negatively impacted by a retroactive effect to reevaluate the opening deferred tax position of Egypt after an increase of the tax rate in this country.

Basic earnings per share was 1.50 euro in 2012, compared to 2.07 euros in 2011, reflecting the decrease in net income attributable to the owners of the parent company, while the average number of shares was relatively stable.

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

Cash flow statement

Net operating cash generated by continuing operations was €1,276 million in 2012, versus €1,597 million in 2011.

Net operating cash provided by continuing operations decreased 0.3 billion euros, primarily reflecting the evolution of the change in working capital, while cash flow from operations was stable. Indeed, the higher EBITDA generated over the period was offset by the payment of non-recurring restructuring charges in the context of the implementation of our cost-saving program.

The variation of working capital increased by 0.3 billion euros, primarily due to inventory building ahead of maintenance shutdown expected in the first quarter 2013 and with lower than expected volumes in December for certain countries due to bad weather. In 2012, we continued to optimize our strict working capital that was maintained at a low level, representing 34 days sales at the end of December 2012.

Net cash used in investing activities from continuing operations was €323 million, compared with €891 million of net cash provided in 2011.

Sustaining capital expenditures were contained at 392 million euros compared to 389 million euros in 2011.

Capital expenditures for productivity projects and for the building of new capacity were strongly reduced to 364 million euros versus 665 million euros in 2011, as part of our strict capex management.

Including the acquisitions of ownership interests with no gain of control[4], and the debt acquired, acquisitions had a net impact of 61 million euros on the net debt, versus 145 million euros in 2011.

Net of debt disposed of, and including the proceeds of the disposals of ownership interests with no loss of control, the divestment operations performed in 2012 have reduced, net of selling costs, the Group's financial net debt by 474 million euros (2,226 million euros in 2011). They were mainly related to the sale of some assets in Missouri and Oklahoma (US) to Eagle Materials, the divestment of most of our minority position in Lafarge Aso Cement in Japan to our partner Aso Corporation, together with the fourth instalment of the divestment of our Venezuelan operations.

Consolidated statement of financial position

At December 31, 2012, total equity stood at €17,750 million (€18,201 million at the end of December 2011) **and net debt at €11,317 million** (€11,974 million at the end of December 2011).

The decrease of the total equity by 0.5 billion euros mostly reflects the net income for the period (0.6 billion euros), more than offset by the negative impact of currency translation adjustements on the equity (0.5 billion euros) and by dividends (negative impact of 0.3 billion euros).

Net debt decreased 0.7 billion euros, with net cash provided by operating activities and divestments as of December 31, 2012 totalling 1.8 billion euros and largely offsetting the capital spending (0.8 billion euros) and the dividends paid over the period (0.3 billion euros).

Further divestments were secured and will generate additional proceeds to be received in 2013. On November 16, 2012, Lafarge and Anglo American announced the sale of a portfolio of assets in the United Kingdom generating cash up to £285 million. This agreement is expected to close in 2013. The sale of these assets was the principal condition to receiving final clearance from the Competition Commission for the formation of a 50:50 joint venture. This joint venture was completed on January 7, 2013, and combines Tarmac's and Lafarge's cement, aggregates, ready-mix concrete, asphalt and asphalt surfacing and maintenance services, and waste services businesses in the United Kingdom. On January 10, 2013, Lafarge announced the sale of some aggregates assets located in Georgia (US) for a total enterprise value of 160 million US dollars. As at February 20, 2013, the Group has secured close to 900 million euros, with some further binding agreements signed in February.

The Group also further strengthened its strong liquidity through the issuance of 815 million euros mid-term bonds with no financial covenants and interest rates below 6 percent and with the renewal of three bilateral credit facilities initially expiring in 2013 for a total of 450 million euros.

---

[4] The acquisitions of ownership interests with no gain of control represented €60m in 2012 and €49m in 2011, excluding third-party puts, already recorded as debt, exercised in the period (a €51m put and a €111m put exercised in the first and third quarters 2011, respectively, and a €28m put and a €59m put exercised in the second and fourth quarters 2012, respectively).

Outlook

Overall the Group sees cement demand moving higher and estimates market growth of between 1 to 4 percent in 2013 versus 2012. Emerging markets continue to be the main driver of demand and Lafarge benefits from its well-balanced geographic spread of high quality assets.

We expect higher pricing for the year and that cost inflation will continue, although at a slightly lower rate than in 2012.

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

2. Consolidated financial statements

Consolidated statement of income

	YEARS ENDED DECEMBER 31,	
(million euros, except per share data)	**2012**	**2011**
REVENUE	**15,816**	**15,284**
Cost of sales	(11,945)	(11,627)
Selling and administrative expenses	(1,431)	(1,478)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	**2,440**	**2,179**
Net gains (losses) on disposals	53	45
Other operating income (expenses)	(546)	(541)
OPERATING INCOME	**1,947**	**1,683**
Financial expenses	(1,191)	(1,142)
Financial income	160	143
Share of net income (loss) of associates	5	(8)
INCOME BEFORE INCOME TAX	**921**	**676**
Income tax	(316)	(432)
NET INCOME FROM CONTINUING OPERATIONS	**605**	**244**
Net income / (loss) from discontinued operations	**16**	492
NET INCOME	**621**	**736**
Of which attributable to:		
Owners of the parent Company	**432**	**593**
Non-controlling interests	189	143
EARNINGS PER SHARE *(euros)*		
ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		
Basic earnings per share	1.50	2.07
Diluted earnings per share	1.50	2.06
FROM CONTINUING OPERATIONS		
Basic earnings per share	1.44	0.36
Diluted earnings per share	1.44	0.35
BASIC AVERAGE NUMBER OF SHARES OUTSTANDING *(in thousands)*	**287,079**	**286,514**

Consolidated statement of comprehensive income

	YEARS ENDED DECEMBER 31,	
(million euros)	2012	2011
NET INCOME	621	736
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains / (losses)	(331)	(345)
Income Tax on items that will not be reclassified to profit or loss	88	145
Total items that will not be reclassified to profit or loss	**(243)**	**(200)**
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets	-	-
Cash-flow hedging instruments	4	1
Foreign currency translation adjustments	(492)	(400)
Income Tax on items that may be reclassified to profit or loss	(2)	2
Total items that may be reclassified to profit or loss	**(490)**	**(397)**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	**(733)**	**(597)**
TOTAL COMPREHENSIVE INCOME	**(112)**	**139**
Of which attributable to :		
Owners of the parent Company	(248)	**(6)**
Non-controlling interests	136	145

Consolidated statement of financial position

	AT DECEMBER 31,	
(million euros)	2012	2011
ASSETS		
NON CURRENT ASSETS	**30,180**	**31,172**
Goodwill	12,184	12,701
Intangible assets	620	652
Property, plant and equipment	14,992	15,542
Investments in associates	470	604
Other financial assets	698	755
Derivative instruments	27	80
Deferred tax assets	1,149	804
Other receivables	40	34
CURRENT ASSETS	**9,284**	**9,547**
Inventories	1,662	1,531
Trade receivables	1,762	1,765
Other receivables	779	824
Derivative instruments	68	61
Cash and cash equivalents	2,733	3,171
Assets held for sale	2,280	2,195
TOTAL ASSETS	**39,464**	**40,719**
EQUITY & LIABILITIES		
Common stock	1,149	1,149
Additional paid-in capital	9,695	9,684
Treasury shares	(11)	(17)
Retained earnings	6,546	6,219
Other reserves	(992)	(751)
Foreign currency translation	(719)	(280)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	**15,668**	**16,004**
Non-controlling interests	2,082	2,197
EQUITY	**17,750**	**18,201**
NON CURRENT LIABILITIES	**14,449**	**15,260**
Deferred tax liabilities	973	933
Pension & other employee benefits	1,490	1,295
Provisions	637	637
Long-term debt	11,261	12,266
Derivative instruments	8	46
Other payables	80	83
CURRENT LIABILITIES	**7,265**	**7,258**
Pension & other employee benefits	102	167
Provisions	127	125
Trade payables	1,985	1,964
Other payables	1,567	1,499
Current tax payables	220	165
Short term debt and current portion of long-term debt	2,823	2,940
Derivative instruments	53	34
Liabilities associated with assets held for sale	388	364
TOTAL EQUITY AND LIABILITIES	**39,464**	**40,719**

Consolidated statement of cash flows

(million euros)	YEARS ENDED DECEMBER 31, 2012	2011
NET CASH PROVIDED (USED IN) BY OPERATING ACTIVITIES		
NET INCOME	**621**	**736**
NET INCOME FROM DISCONTINUED OPERATIONS	**16**	**492**
NET INCOME FROM CONTINUING OPERATIONS	**605**	**244**
Adjustments for income and expenses which are non cash or not related to operating activities, financial expenses or income tax:		
Depreciation and amortization of assets	1,010	1,038
Impairment losses	212	388
Share of net (income) loss of associates	(5)	8
Net (gains) losses on disposals	(53)	(45)
Financial (income) / expenses	1,031	999
Income tax	316	432
Others, net (including dividends received from equity-accounted investments)	(95)	(59)
Change in working capital items, excluding financial expenses and income taxes (see analysis below)	(304)	20
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS BEFORE IMPACTS OF FINANCIAL EXPENSES AND INCOME TAX	**2,717**	**3,025**
Cash payments for financial expenses	(954)	(944)
Cash payments for income tax	(487)	(484)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS	**1,276**	**1,597**
NET OPERATING CASH GENERATED BY DISCONTINUED OPERATIONS	**22**	**22**
NET CASH GENERATED BY OPERATING ACTIVITIES	**1,298**	**1,619**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(775)	(1,071)
Investment in subsidiaries and joint ventures (1)	21	(47)
Investment in associates	(3)	(4)
Acquisition of available-for-sale financial assets	(1)	(3)
Disposals (2)	413	2,084
Net (increase) decrease in long-term receivables	22	(68)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	**(323)**	**891**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS	**(4)**	**(48)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(327)**	**843**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Capital increase (decrease) - owners of the parent company	9	18
Capital increase (decrease) - non controlling interests	2	-
Acquisitions of ownership interests with no gain of control	(147)	(211)
Disposals of ownership interests with no loss in control	21	87
Dividends paid	(145)	(288)
Dividends paid by subsidiaries to non controlling interests	(154)	(199)
Proceeds from issuance of long-term debt	1,069	622
Repayment of long-term debt	(1,928)	(2,442)
Increase (decrease) in short-term debt	(75)	(42)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	**(1,348)**	**(2,455)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS	**-**	**(74)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(1,348)**	**(2,529)**

	YEARS ENDED DECEMBER 31,	
(million euros)	**2012**	**2011**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	**(395)**	**33**
Increase (decrease) in cash and cash equivalents from discontinued operations	18	(100)
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts	(61)	(56)
Reclassification of cash and cash equivalents from discontinued operations	-	-
Cash and cash equivalents at beginning of year	3,171	3,294
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**2,733**	**3,171**
(1) Net of cash and cash equivalents of companies acquired	*-*	*3*
(2) Net of cash and cash equivalents of companies disposed of	*1*	*117*
ANALYSIS OF CHANGES IN OPERATING WORKING CAPITAL ITEMS	***(304)***	***20***
(Increase)/decrease in inventories	*(183)*	*(89)*
(Increase)/decrease in trade receivables	*(107)*	*(193)*
(Increase)/decrease in other receivables – excluding financial and income taxes receivables	*(44)*	*(33)*
Increase/(decrease) in trade payables	*24*	*302*
Increase/(decrease) in other payables – excluding financial and income taxe payables	*6*	*33*

Consolidated statement of changes in equity

	OUTSTANDING SHARES	OF WHICH TREASURY SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY SHARES	RETAINED EARNINGS	OTHER RESERVES	FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	NON CONTROLLING INTERESTS	EQUITY
	(number of shares)										(million euros)
Balance at January 1, 2011	**286,453,779**	**363,558**	**1,146**	**9,640**	**(26)**	**5,816**	**(555)**	**123**	**16,144**	**2,080**	**18,224**
Net income						593	-	-	**593**	143	**736**
Other comprehensive income, net of income tax						-	(196)	(403)	**(599)**	2	**(597)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						**593**	**(196)**	**(403)**	**(6)**	**145**	**139**
Dividends	-	-	-	-	-	(288)	-	-	**(288)**	(199)	**(487)**
Issuance of common stock	*793,739*	-	3	24	-	-	-	-	**27**	26	**53**
Share based payments	-	-	-	20	-	-	-	-	**20**	-	**20**
Treasury shares	-	*(130,110)*	-	-	9	(9)	-	-	-	-	-
Changes in ownership with no gain / loss of control	-	-	-	-	-	109	-	-	**109**	145	**254**
Other movements	-	-	-	-	-	(2)	-	-	**(2)**	-	**(2)**
BALANCE AT DECEMBER 31, 2011	**287,247,518**	**233,448**	**1,149**	**9,684**	**(17)**	**6,219**	**(751)**	**(280)**	**16,004**	**2,197**	**18,201**
BALANCE AT JANUARY 1, 2012	**287,247,518**	**233,448**	**1,149**	**9,684**	**(17)**	**6,219**	**(751)**	**(280)**	**16,004**	**2,197**	**18,201**
Net income	-	-	-	-	-	432	-	-	**432**	189	**621**
Other comprehensive income, net of income tax	-	-	-	-	-	-	(241)	(439)	**(680)**	(53)	**(733)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**-**	**-**	**-**	**432**	**(241)**	**(439)**	**(248)**	**136**	**(112)**
Dividends	-	-	-	-	-	(145)	-	-	**(145)**	(170)	**(315)**
Issuance of common stock	*7,984*	-	-	-	-	-	-	-	-	1	**1**
Share based payments	-	-	-	11	-	-	-	-	**11**	-	**11**
Treasury shares	-	*(76,165)*	-	-	6	(6)	-	-	-	-	-
Changes in ownership with no gain / loss of control	-	-	-	-	-	46	-	-	**46**	(93)	**(47)**
Other movements	-	-	-	-	-	-	-	-	-	11	**11**
BALANCE AT DECEMBER 31, 2012	**287,255,502**	**157,283**	**1,149**	**9,695**	**(11)**	**6,546**	**(992)**	**(719)**	**15,668**	**2,082**	**17,750**