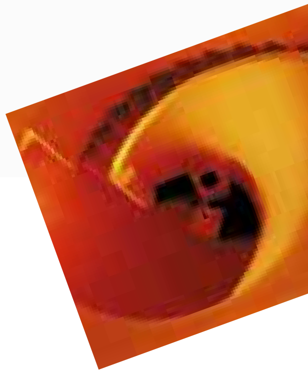
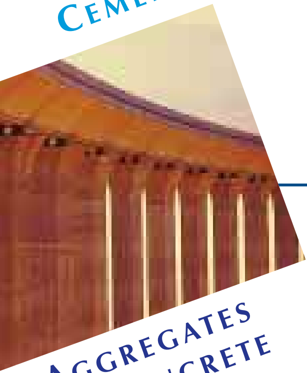
Annual Report 1998



LAFARGE

Materials for building our world

CEMENT



World no. 2*

34% of total sales

AGGREGATES & CONCRETE

World no. 2 in Aggregates*

World no. 2 in Concrete*

32% of total sales

ROOFING

World no. 1*

16% of total sales

GYPSUM

World no. 6*

7% of total sales

SPECIALTY PRODUCTS

World no. 1 in Aluminates*

11% of total sales

* Source: Lafarge

BRINGING GREATER SAFETY, COMFORT AND AESTHETIC APPEAL TO OUR EVERYDAY LIVES

The choice of construction materials plays a role in the improvement of our everyday surroundings. The solidity and durability of constructions, the reliability of urban developments, prevention of – and protection of buildings from – fire, noise, damp and cold, improving the appearance of buildings, decorating them and integrating them into the environment, renovating and restoring old buildings… all of these contribute to the security of end-users and improve their living conditions. Lafarge is meeting these expectations through its technology and expertise.

CONTENTS

Business profile

9.8 billion euros of annual sales

66,000 employees

65 countries

1833 creation of Lafarge

168,000 stockholders

World leader in construction materials, the Lafarge Group holds top-ranking positions in each of its divisions: Cement, Aggregates & Concrete, Roofing, Gypsum and Specialty Products.

Active in 65 countries, Lafarge employs 66,000 people, generating sales of 9.8 billion euros (64.3 billion French francs). Over more than 160 years, the Group has developed expertise in efficient industrial processes which it now applies around the world, supporting the preservation of natural resources and respecting the needs of society and the environment.

Through its commitment to the development of materials and the advancement of the construction industry, Lafarge brings greater safety, comfort and beauty to our everyday lives.

CHAIRMAN'S MESSAGE

BERTRAND COLLOMB

- 1998 SAW THE SUCCESSFUL INTEGRATION OF REDLAND, ACHIEVED IN A VERY SHORT TIMEFRAME
- STRONG INCREASES IN BUSINESS LEVELS AND IN INCOME
- A YEAR OF MANY ACQUISITIONS WHICH REINFORCE OUR LEADERSHIP POSITIONS AROUND THE WORLD
- 1999 WILL BE A FURTHER YEAR OF PROGRESS

1998 proved to be a very important year for the development of Lafarge. The year saw the successful integration of Redland, the definition of a new organization in five divisions, significant strategic developments in all of our business areas and a substantial improvement in our results. All these achievements constitute a further step in Group development intended to create greater shareholder value.

A strong rise in our results

1998 saw a significant improvement in Lafarge's figures. Annual sales stood at 9.8 billion euros (64.3 billion French francs), 53% higher than in 1997. This increase is primarily accounted for by structural changes (with an impact of 50.9%), by growth in business (3.6%), and by negative impact of parity changes (1.7%).
In spite of the economic crisis in Asia and a downturn on the construction market in Germany, Lafarge enjoyed what were generally positive market trends: increased business levels in Western Europe and Latin America and an excellent economic climate in North America combined with a favorable context for prices. The Asian crisis did not impact us very badly in view of the low percentage

of sales we generate in the zone; on the contrary, it presented us with further opportunities for investment.

On the stock markets, the Lafarge share performed very well in 1998. A strong increase in the share price of 37% by comparison with 1997, higher than the average increase in stocks included in the CAC 40 index, reflects the confidence of investors in the Group's long-term prospects.

Successful integration of Redland

One of the most critical challenges of the year was the integration of Redland. We set ourselves the ambitious goal of achieving this in six months. In this timeframe, we were able to determine action programs and strategies, put organizations in place, and introduce Lafarge methods and policies.

Integrating more than 18,000 new employees and entering the new sector of roofing constituted an enormous challenge for the Group. The success of the integration owes much to the dedication of our teams, to whom I must pay tribute. Their success has not only been financial, as our 1998 results testify, but also human, with Redland teams integrating smoothly into their new Group.

Promising strategic developments

Looking beyond Redland, we continued to strengthen our worldwide positions in 1998, taking advantage of exceptional opportunities for growth by acquisition. We made substantial investments, totaling approximately FRF 12.2 billion, in many countries, including the Philippines, the United States, Brazil, Italy, South Africa, Germany, South Korea, Jordan, China, Indonesia, Poland and Honduras.

Strengthening our leadership positions worldwide

These investments have enabled us not only to develop our international positions, but also to improve the balance of our worldwide spread. The acquisition of Redland strengthened the Group in its Roofing and Aggregates & Concrete divisions with operations geographically concentrated in Europe and North America, but we were then able to develop the Cement, Gypsum and Specialty Products divisions, especially on growth markets.

In line with the strategic guidelines we announced last year, it is our plan to increase the proportion of our business in emerging countries, which in 1998 constituted 21% of our sales.

In particular, the Asian crisis provided us with the opportunity to take up a powerful position on the Philippines cement market, and we also acquired two gypsum wallboard manufacturers in Korea.

With our progressive entry on Chinese markets and our programmed entry into India and Bangladesh, we will be well placed to benefit from future growth in Asia. This will not involve the Group in excessive risk, inasmuch as our investments in Asia constitute no more than 6 to 7% of our total assets.

In each one of our new acquisitions, we are carrying out integration and modernization programs that will see them improving their productivity and performance and achieving the desired return on investment and creation of value.

These investments were financed by the Group's cash flow, the disposal of non-strategic assets, a FRF 3.2 billion rights issue undertaken during the course of the year, and by recourse to our capacity for indebtedness.

Chairman's message

A new organization for a remodeled Group

In view of the new dimension of Lafarge and our objectives for constant improvements in performance, we decided to implement a new organization, structuring the Group in five divisions: Cement, Aggregates & Concrete, Roofing, Gypsum and Specialty Products.
This year, the Executive Committee was given a more international complexion, and the corporate core of the Group has been streamlined. The objectives of these measures were to make Group units more accountable and more responsive and to improve performance in all of our business areas while ensuring the coherence of the Group's strategies, principles and policies.
These changes are supported by a transformation of our culture and our style of management, which needs to show more responsiveness, ever greater attention to the needs of our customers and still more determination to achieve excellence and to create value.
The new organization will mean that all Lafarge employees, recent arrivals and long-serving personnel alike, will more easily see for themselves the results of all the efforts they put in, to which we owe our success.

1999 will be a year of progress

In spite of the uncertainties affecting the world financial and economic situation, 1999 has begun auspiciously. Trends in Europe and North America, where three quarters of our business is still situated, appear favorable, although the Asian crisis is not over and Latin America will no doubt face another difficult year.
Having completed the greater part of the development program that we launched in 1998, we now intend to concentrate on integrating our acquisitions, lowering our costs and improving our performance. If we do all three, 1999 will be another year of progress.

Bertrand Collomb
Chairman and Chief Executive Officer

Executive Committee

Lafarge Senior Executives
Left to right:
Jacques Lefèvre, Vice Chairman and Chief Operating Officer
Bernard Kasriel, Vice Chairman and Chief Operating Officer
Michel Rose, Senior Executive Vice President
Bertrand Collomb, Chairman and Chief Executive Officer

Yves de Clerck
Executive Vice President, Cement

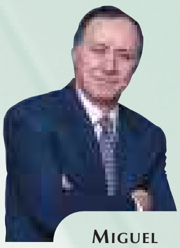
Charles de Liedekerke
Executive Vice President, Aggregates & Concrete

N. Erich Gerlach
Executive Vice President, Roofing

Bruno Lafont
Executive Vice President, Gypsum

Olivier Legrain
Executive Vice President, Specialty Products

John Piecuch
Executive Vice President, North America



Miguel del Campo
Executive Vice President, Finance

Christian Herrault
Executive Vice President, Human Resources & Organization

Group Organization

With the aim of creating the value that its customers, stockholders and employees expect it to produce, the Lafarge Group remains committed to its strategy of international leadership and profitable growth in each of its business areas. To support its growth program, Lafarge has introduced a new organization which places the accent on decentralization in each business area.

The Group is now structured in five divisions: Cement, Aggregates & Concrete, Roofing, Gypsum and Specialty Products. Each division consists of local decentralized business units. The implementation of this divisional structure, scheduled for completion by the end of the first half of 1999, is intended to facilitate the exchange of experience and the introduction of operational excellence programs in each business area.

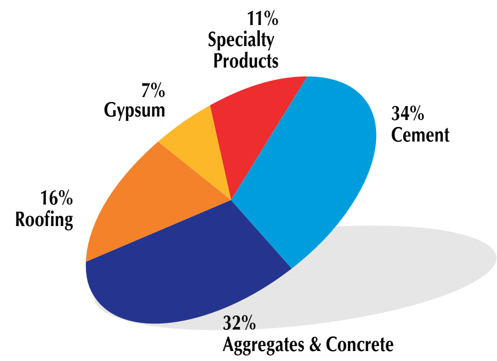
In this new organization, the role of the Executive Committee, which now has a more international complexion, is to define the Group's strategic guidelines and policies and to incite improvements in performance.

KEY FIGURES

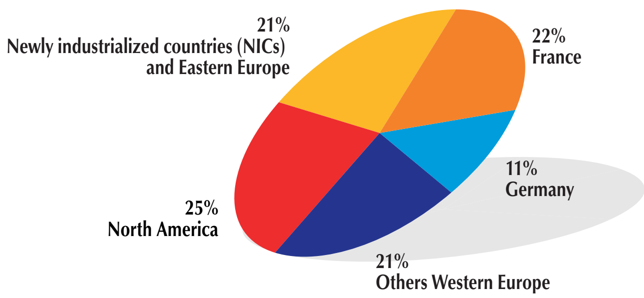
1998 IS THE FIRST YEAR FOR WHICH LAFARGE'S RESULTS HAVE BEEN CONSOLIDATED WITH THOSE OF REDLAND. THE RESULTS OF REDLAND, ACQUIRED IN DECEMBER 1997, WERE NOT CONSOLIDATED IN 1997. ONLY BALANCE SHEET ITEMS (NET INDEBTEDNESS AND SHAREHOLDERS' EQUITY) INTEGRATED THE ACQUISITION.

THE FIGURES FOR 1998 THEREFORE REFLECT THE NEW DIMENSION OF THE LAFARGE GROUP.

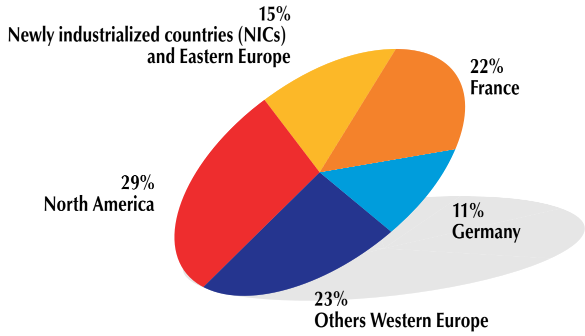
SALES BY DIVISION



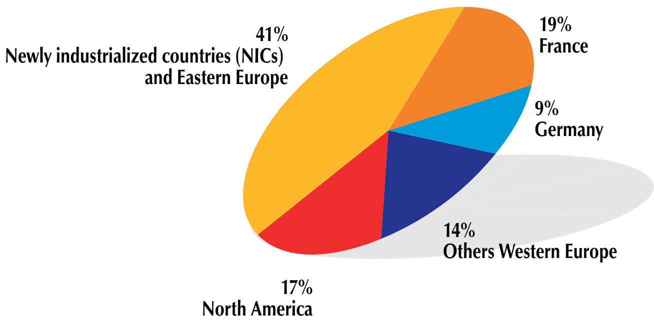
SALES BY GEOGRAPHICAL ZONE



OPERATING INCOME BY GEOGRAPHICAL ZONE



EMPLOYEES BY GEOGRAPHICAL ZONE



Group sales
(in millions)

	FRF	euros
1994	32,841	5,007
1995	33,218	5,064
1996	35,262	5,376
1997	42,066	6,413
1998	64,294	9,802

Operating income excluding extraordinary items
(in millions)

	FRF	euros
1994	4,037	615
1995	4,040	616
1996	4,169	636
1997	5,630	858
1998	9,164	1,397

Total net income
(in millions)

			Group share	
	FRF	euros	FRF	euros
1994	2,724	415	2,225	339
1995	3,034	463	2,350	358
1996	2,700	412	1,846	281
1997	3,664	559	2,432	371
1998	5,308	809	3,059	466

Net earnings per share
(adjusted)

	FRF	euros
1994	25.9	3.95
1995	26.6	4.06
1996	20.5	3.13
1997	27.2	4.15
1998	32.3	4.92

Investments
(in millions)

	FRF	euros
1994	5,591	852
1995	5,942	906
1996	7,009	1,069
1997	29,235*	4,457*
1998	16,625	2,534

* Including acquisition of Redland, for FRF 21.4 billion (3.3 billion euros)

Cash flow from operating activities
(in millions)

	FRF	euros
1994	5,227	797
1995	4,796	731
1996	4,774	728
1997	6,126	934
1998	8,862	1,351

Net indebtedness
(in millions)

	FRF	euros
1994	1,972	301
1995	2,938	448
1996	9,317	1,420
1997	32,274*	4,920*
1998	34,904	5,321

* Including Redland

Stockholders' equity
(in millions)

	FRF	euros
1994	29,705	4,528
1995	30,794	4,695
1996	29,613	4,514
1997	35,066*	5,346*
1998	40,072	6,109

* Including Redland

1998 RESULTS

Lafarge's full-year results for 1998 showed a sharp rise by comparison with 1997, primarily accounted for by the integration of Redland operations.

+ 53% for sales:
9,802 million euros (FRF 64,294 million)

+ 63% for net operating income:
1,397 million euros (FRF 9,164 million)

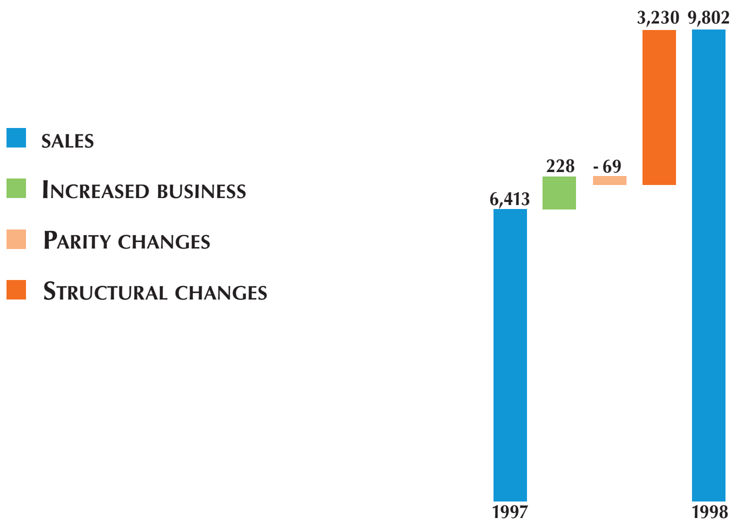
+ 45% for cash flow from operating activities:
1,351 million euros (FRF 8,862 million)

+ 26% for net income, Group share:
466 million euros (FRF 3,059 million)

+ 19% for net earnings per share:
4.92 euros (FRF 32.3)

BREAKDOWN OF INCREASE IN SALES

(in millions of euros)

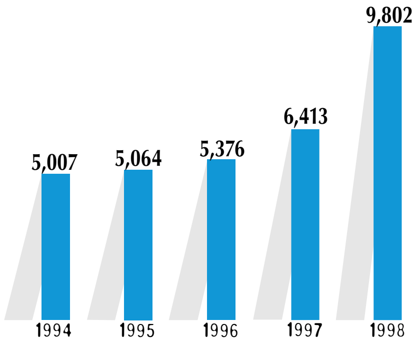


LAFARGE AND THE EURO

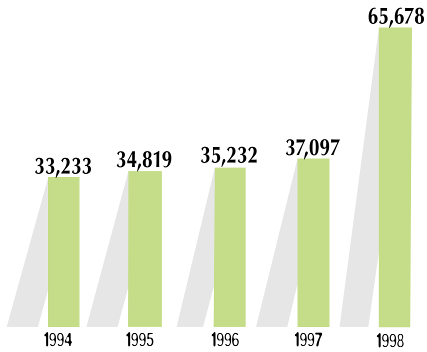
In order to present the new dimension of the Group with the greatest possible clarity and comprehensibility, the 1998 accounts, for the first time incorporating Redland in the consolidation, are presented in French francs. Key figures are presented in both French francs and euros.

Group sales

in millions of euros



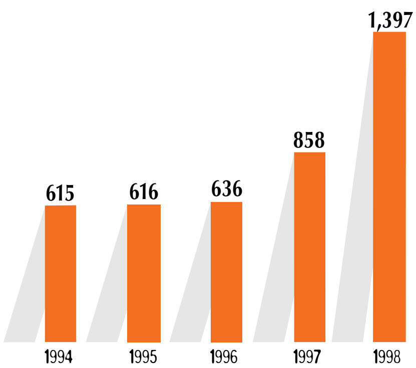
Group employees



Operating income

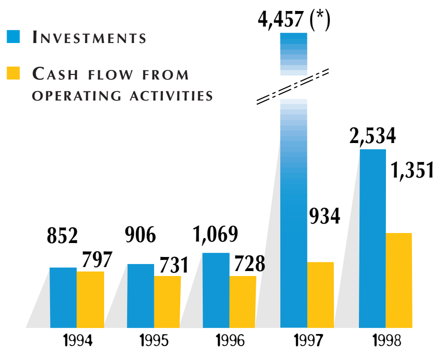
EXCLUDING EXTRAORDINARY ITEMS

in millions of euros



Investments and cash flow from operating activities

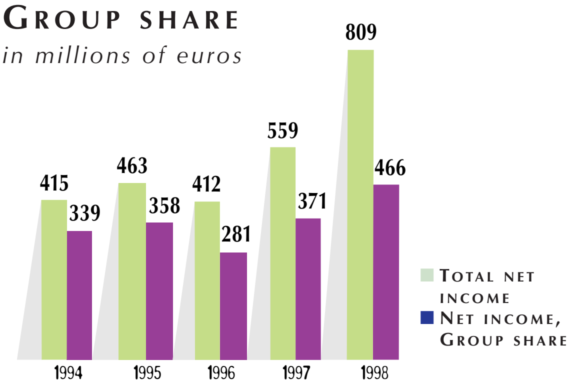
in millions of euros



* Including acquisition of Redland, for 3.3 billion euros

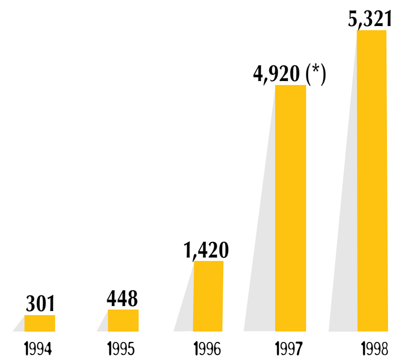
Net income, Group share

in millions of euros



Net indebtedness

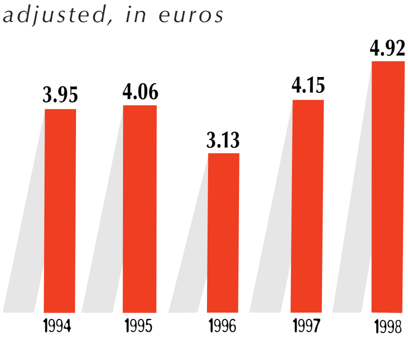
in millions of euros



* Including Redland

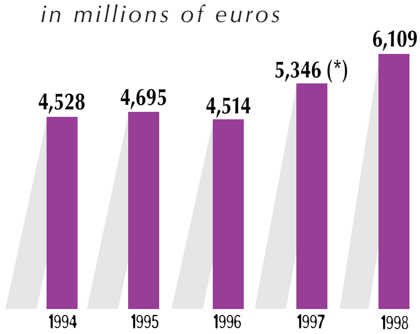
Net earnings per share

adjusted, in euros



Stockholders' equity

in millions of euros



* Including Redland

Euros

HIGHLIGHTS

JANUARY

Romania

The contribution of equity from the EBRD for projects for Group construction materials plant renovation in Europe Central and Eastern Europe is increased from US$ 90 million to US$ 160 million. In this context, the EBRD takes a 38% stake in the capital of Lafarge Romania, for an amount of FRF 460 million.

FEBRUARY

Norway

Lafarge Refractories, a Specialty Products division business line, sells the Scandinavian company Höganäs Bjuf AB. In line with its policy of disinvestment of non-strategic assets, Lafarge is pulling out of the refractory brick market in Scandinavia, so as to concentrate on refractory concrete.

GERMANY
The Sötenich cement plant in the region of North Rhine-Westphalia - Lafarge Zement

Honduras

Lafarge strengthens its position in Central America by taking control of Industria Cementera Hondurena (Incehsa), the country's leading cement producer with 60% of the domestic market. The annual capacity of its plant, located near Tegucigalpa, will be increased from 600,000 tonnes to 1 million tonnes.

MARCH

United States

Lafarge Applications Routières, a Specialty Products division business line, acquires Centerline Industries Inc., a leader on the American road marking market. With this new acquisition, sales of Lafarge Applications Routières attain FRF 750 million.

North America

In conjunction with its North American subsidiary, Lafarge Corporation, Lafarge concludes the divestment of most of its aggregates assets previously held by Redland in North America, for a price of US$ 690 million. The sale involves Western Mobile, Redland Genstar and Redland Quarries, whose 1997 sales totaled US$ 539 million.

Ukraine

Acquisition of 40% of the capital of Mykolaiv Cement, which operates a cement plant with an annual capacity of 3.1 million tonnes, for which Lafarge envisages a 5-year modernization program.

Rights issue

Lafarge launches a FRF 3.2 billion rights issue in order to strengthen its financial capacity to pursue its international development strategy.

APRIL

France

The Group sells off its Hybrinova subsidiary to the DuPont Group. This disposal brings to an end the process of Lafarge's disinvestment in bio-technology, of which the key element was the 1994 sale of Orsan.

JUNE

Brazil

Acquisition of a 60% stake in the Maringa cement plant (annual capacity: 300,000 tonnes), which is established on Brazil's largest regional cement market, the state of São Paulo.

UNITED STATES
Cement plant in Seattle, Washington – Lafarge Corporation

Italy

Group Italian cement subsidiary Lafarge Adriasebina acquires a 20% share in Sacci. With sales of FRF 600 million, the company owns three cement plants and a grinding plant. It also operates in the ready-mix concrete sector.

JULY

Italy

Lafarge Peintures, a business line of the Specialty Products division, purchases the decoration paints business lines of Max Meyer Duco, market leader with its two household-name brands, Max Meyer and Duco. The acquisition establishes Lafarge Peintures as number one on the decoration paints market in Italy.

SOUTH AFRICA
The Lichtenburg cement plant to the west of Johannesburg – Lafarge South Africa

North America

Lafarge and Carmeuse, one of the world leaders in the lime, industrial limestone and dolomitic lime sector, announce plans to form a joint venture (60% Carmeuse, 40% Lafarge) to combine their North American operations in the sector. This decision confirms Lafarge's determination to become a major international lime industry player.

South Africa

Agreement for the acquisition of Blue Circle South Africa, the country's number three cement producer which also occupies leading positions on the concrete and aggregates markets. The company numbers among its assets a cement plant with capacity of 2.4 million tonnes yearly, a grinding plant and the controlling interest of a cement plant in Namibia.

AUGUST

Germany

Lafarge acquires a number of industrial assets in Germany from the British RMC Group in the form of a cement plant, a grinding plant and a number of ready-mix plants. This operation strengthens Group positions in Germany, the largest of the Lafarge European markets after France.

United States

Lafarge Applications Routières pursues its development with the acquisition of Linear Dynamics Inc. (L.D.I.), a leader in the American road marking products and equipment sector. This new development, following on the acquisition of Centerline, strengthens the leading position of Lafarge Road Marking in the United States with over 15% of the overall road marking products market and 30% of the road paints segment.

SEPTEMBER

North America

New assets in lime, as Carmeuse North America launches a friendly take-over bid for Dravo Corp., the largest American company in lime and environmentally friendly lime applications. Dravo will form part of the Carmeuse Lafarge joint venture. The new entity will have sales in the order of US$ 400 million, and will become lime number one in the United States and Canada.

China

Lafarge concludes an agreement with the Chinese company Cheng-du Dujiangyan Building Materials Corp. to build a cement plant in the province of Sichuan by 2001, an investment of US$ 150 million. With an annual capacity of 1.3 million tonnes, the plant will be the largest and most modern cement plant in the South-West of China and will give Lafarge and its partners a key competitive edge on a market with strong growth potential.

OCTOBER

South Korea

The Gypsum division finalizes agreements with two companies leading to acquisition of the gypsum division of the Dongbu Group (one gypsum plant) and the production facility of Byucksan Corp., with which it is also setting up a commercial partnership for marketing its brand-name wallboard. These moves make Lafarge leader on the South Korean wallboard market, the second largest East Asia market (after Japan).

Philippines

The Group makes two major acquisitions in conjunction with local financial partners for a global amount of US$ 460 million. Assets of Continental and Seacem, the two companies acquired, include four production facilities representing an estimated global production capacity of 4.6 million tonnes in 1999. Lafarge now ranks as the Philippines' number 2 cement producer.

United States

Lafarge Corporation, North American subsidiary of Lafarge, acquires a cement plant and other industrial assets in Seattle, Washington (annual capacity of 420,000 tonnes of clinker). The cement plant, the Group's fifteenth in North America, complements Lafarge's existing production capacity.

SOUTH KOREA
Wallboard plant at Ulsan, located near the port of Pusan – Lafarge Gypsum Korea

PHILIPPINES
The Continental cement plant in the Manila area – Lafarge Philippines

United States

Bertrand Collomb is voted "1998 Person of the Year" by the New York Franco-American Chamber of Commerce. The title is awarded every year to the business personality who has most contributed to the growth of trade between France and the United States.

Jordan

Lafarge acquires a 33% interest, subsequently increased to 40%, in the capital of Jordan Cement Factories (JCF), sole Jordanian cement producer (two plants with a capacity of 4.2 million tonnes). This investment of around FRF 600 million represents the first development in the Middle East for Lafarge.

NOVEMBER

China

A new development involving a joint venture agreement between the Chinese company Beijing Xingmi Merchant Service Centre and Lafarge China. The companies have agreed start up operation of an aggregates site located 50 km from Beijing, with a capacity of 1.2 million tonnes yearly.

Romania

Following a takeover bid targeted at 100% of the capital of its Lafarge Romcim subsidiary, the Group now holds 40% of Romcim capital directly and 51% through its 62%-owned subsidiary, Lafarge Romania. Lafarge Romcim, the country's leading cement producer, supplies 40% of the domestic market with four high-capacity plants.

DECEMBER

United States

Lafarge sells Redland Stone Products Company, the largest aggregates and asphalt producer in Texas, for US$ 272 million. This transaction forms part of the divestment program of Redland assets that was announced at the moment of Redland's acquisition.

India

Lafarge announces that an agreement has been concluded to acquire the cement division of Tisco, India's leading steel producer, for an amount of around FRF 725 million. Tisco, which has a cement plant and a grinding plant (giving it overall production capacity of 1.8 million tonnes) is strongly established on the Western Bengal (Calcutta) and Bihar markets.

South Africa

Lafarge Braas Roofing, the Group's Roofing division, acquires all of the capital of Coverland Roof Tiles Ltd, in which Lafarge already owned a 33.3% stake. With six production sites, Coverland produced 5 million m^2 of tiles in 1997.

Malaysia

Lafarge Braas Roofing announces the acquisition of the totality of the concrete roof tiles and blocks business lines of Hume Redland Industries (eleven plants), in which Lafarge already held a 29% stake. At the same time, Lafarge disposes of the 29% interest which it already held in the sectors of quarries, ready-mix and asphalt to CI Holding.

SOUTH AFRICA
Concrete roof tile plant in the north-east of the country – Coverland

REDLAND INTEGRATION

Following the acquisition of Redland businesses at the end of 1997, the Lafarge Group proceeded to integrate its FRF 19 billion of sales and 18,200 employees throughout the first half of 1998. An immense project, covering the definition of strategic guidelines, organization and the launch of short-term action programs for reducing costs and implementing best practice and Group policies, was carried out rapidly. With the acquisition of Redland, Lafarge not only strengthened its Aggregates & Concrete division but also made its entry into the new business area of Roofing, becoming world number one. With effect from 1998, this acquisition has made a positive contribution to net Group income.

HUMAN RESOURCES & OR

IMPLEMENTING A POLICY OF DECENTRALIZATION AND MAINTAINING STRONG COHESION WITHIN THE GROUP

ENCOURAGING ACCOUNTABILITY AND INITIATIVE

IN 1998, 28,600 PEOPLE OF 30 NATIONALITIES JOINED THE GROUP

IN ITS PRINCIPLES OF ACTION, LAFARGE MAKES ITS EMPLOYEES THE HEART OF THE COMPANY.
Wherever the Group operates, all its personnel share the same objectives for growth and excellence.

The integration of Redland, continuing Group development in new countries (particularly in Asia), and the increased globality of its business activities have meant that the actions launched by Lafarge in previous years have been speeded up, particularly with regard to:

- setting up a division-based organization,
- simplification, formalization and implementation of human resources policies,
- increasing the international dimension of teams,
- integration of recently acquired companies.

The new organization

The new organization of the Group was announced at the end of 1998, and implementation is scheduled for completion at the end of the first half of 1999. The transformation involves structuring Group activities into five divisions: Cement, Aggregates & Concrete, Roofing, Gypsum and Specialty Products. Each of these divisions will be responsible for its own strategy and performance management, in accordance with the strategic guidelines laid down by the Group.

Behind this decentralization lies a determination to maintain a strongly unified Group benefiting from shared values and strategies that are known and understood by everyone, common information systems and clearly defined targets and performance indicators.

GANIZATION

Implementation of the Human Resources policies

The quality of our teams and the way in which their work is structured (organization, training, remuneration, etc.) are obviously determinant factors in a company's success.

In this domain, Lafarge has a culture of long-established policies and practices. However, the extremely fast growth that the Group has enjoyed over the last few years – half of the employees were not in the Group two years ago – necessitates considerable work on clarification, simplification and formalization of the principles of management and human resources.

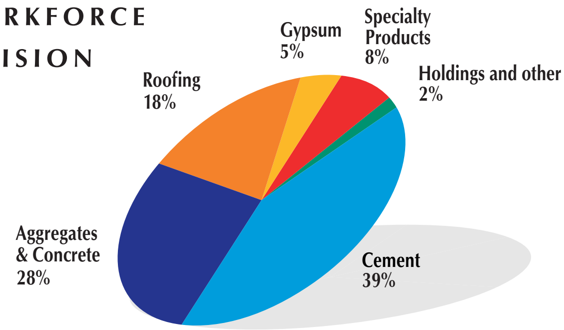
This task is not only the responsibility of Human Resources managers, but of all operational managers. A major part of the activity of the Executive Committee is dedicated to this task.

MORE THAN 80% OF GROUP EMPLOYEES WORK OUTSIDE OF FRANCE.
Lafarge Prestia in Thailand, control room of the Chonburi industrial plasters plant.

Number of managers and movements in 1998

- **Managers represented 12% of the Lafarge workforce**
- **340 hirings, 30% of which were managers under age 30**
- **160 inter-unit transfers**
- **530 intra-unit transfers**

BREAKDOWN OF WORKFORCE BY DIVISION



Increasingly international teams

Ten years ago, almost one half of Group employees were French; today French nationals represent only 19% of the total workforce. To become a truly international Group while still maintaining a strong corporate culture, Lafarge is committed to developing employee career paths that involve international mobility. In application of this policy, in 1998, 8% of Lafarge managers were working outside of their countries of origin.

Integration of recently acquired companies

Lafarge has had experience of numerous acquisitions over the last few years, leading the Group to set up an integration handbook. The handbook is a methodological guide to facilitate the process of integration of new acquisitions. It lists the actions to be undertaken and their corresponding timeframes, leading to a faster, more comprehensive and more successful integration experience.

The handbook was widely used in 1998, a year in which 28,600 employees (including those coming from Redland) of 30 different nationalities joined the Group. It is continuously updated with the benefit of additional experience gained during new integration operations.

R&D: MARKET-DRIVEN ORGANIZ

ONE FUNDAMENTAL AIM: ANTICIPATING TRENDS ON THE CONSTRUCTION INDUSTRY

MORE THAN 500 SPECIALISTS AND A BUDGET OF OVER FRF 400 MILLION

MAJOR INNOVATIONS IN ALL FIVE DIVISIONS

Working in conjunction with the Group's marketing teams, Lafarge Research and Development helps the five divisions to respond to new types of customer requirement that correspond to trends in the construction industry. Among these are:

• reduction of overall construction costs,
• ease and reliability of application, which have today become major competitive issues,
• increased protection for the environment,
• improved appearance of materials to contribute to the quality of everyday surroundings.

To make improvements to existing products, extending their areas of application, and to create new ones, the Group has a major in-house research resource consisting of a Central Research Laboratory and some twenty application and development labs at the level of the divisions and operating units. The whole R&D structure has call on more than 500 specialists and a budget of over FRF 400 million in 1998.

Cement division

The emphasis placed on the quality and regularity of products has been supported by the development of new binders that conform to specific conditions of use. For example, Durabat, launched in France, is a cement with technical characteristics for concrete and mortar that is designed to withstand an aggressive environment. In the United States, the Whitehall plant has developed a cement-silica fume mix that is particularly suitable for high-strength concrete.

The use of technical innovations to improve service to customers has had an effect on all the Group's business units. In Turkey, for example, Lafarge is the first cement producer to equip its sales force with a database enabling it to provide a faster response to customer questions.

Aggregates & Concrete division

Investment in R&D over the past few years has resulted in the development of a new generation of higher-strength concretes with improved appearance and greater use value that feed changes in construction market needs and open up new horizons.

For example, Lafarge pumped self-placing and self-leveling con-

DUCTAL, an ultra-high strength concrete, with exceptional mechanical characteristics and superior aesthetics, will revolutionize architecture and the construction industry.

cretes are easy to apply, require no vibration and no crane. They contribute to the flexibility of site organization and shorten construction times by their excellent surface states. A major French construction project was awarded the 1998 Groupe Spie Award for Commercial Innovation. In Austria, one of the first applications of the new techniques was for the prestigious "Millennium Tower" contract.

Ductal, which is a new concrete material developed jointly with the Bouygues Group and Rhodia, constitutes a technological leap forward. It ushers in the era of industrially produced ductile concrete, capable of withstanding very high stresses both in tension and compression. This ultra-high strength concrete, which is fluid in its application phase, is extremely hard. It requires no use of reinforcements and makes it possible to reduce the section of structural elements. This material will contribute to bringing down the overall cost of construction and architecture in the 21st century.

Roofing division

Combining diversity of solutions and optimization of costs, an innovative "all-purpose" roofing system has been developed. It allows made-to-measure roofs to be constructed from standardized modular elements. The system was developed by a project team which, at the international level, involved the entire Roofing division.

A new-generation concrete roof tile has been designed for the Dutch market, with a hard-wearing surface that is particularly smooth and attractive.

To bring down the logistics cost of sites, Braas Dachsysteme, a business unit of the Roofing Division, has implemented an original delivery process which allows tiles to be pre-positioned in terms of the space that they will occupy on the roof. The system has already been used successfully in the Netherlands.

Gypsum division

Demand for high performance and quality at lower cost has led to the development of a new partitioning system for multiplex cinemas. It meets the three-fold technical requirements of fire resistance, acoustic performance and adaptability for extra-height partitioning.

Improving its service to customers yet further, Lafarge Plâtres has produced new versions of its Archibald specification tool software. It is now available in four versions, designed to meet the specific needs of building materials wholesalers, design offices, architects and masons.

Specialty Products division

Developed by the Mortars business line for renovating old buildings, Parexal facade coating, with a hydraulic lime base, has improved application performance combining modern, single-coat application with a traditional-style finish.

Central to its product development drive, the Aluminates business line has now finished broadening the Ternal range, which meets building chemicals formulators' most exacting standards of regularity and color matching.

Research work on the mastery of organo-mineral interaction has also led to major progress. Chrysofluid Optima 100, a superplasticizer developed by the Chryso business unit and applied by Concrete units, for example, has allowed concrete maintained in a homogenous state to be pumped over a world record distance of over 2.7 kilometers.

PREGYMÉTAL SLA,
is a wallboard system that complies with the technical requirement of cinema auditoriums.

Environment: ensuring

Lafarge gives top priority to the respect of our everyday surroundings

More than FRF 400 million was devoted to the environment in 1998

Environmental protection is a factor of long-term competitiveness

Lafarge considers that the Group's industrial activity must fall within the framework of a "sustainable development" concept. In line with this, the Group devoted more than FRF 400 million to environmental measures in 1998. Pro-environmental initiatives included:

- Rapid upgrading to current standards of recently acquired plants.
- Progressive application by all the business units of the Group's own system of internal standards, based on industrialized country norms, to be applied throughout the world.
- Conservation of natural resources by reducing energy consumption and recycling waste.
- Visual integration of production facilities to blend with natural or urban landscapes.

Rehabilitation of quarries

A quarry must be no more than a phase in the life of land. Whenever possible, the quarry is returned to nature section by section, while it is still being worked.

To ensure the landscape quality of its rehabilitated quarries, Lafarge has call on a team of experts and uses simulation software that predicts how landscapes will evolve. This allows Lafarge to choose from among a number of solutions, to find the one most suitable for each site and its geographical context:

– replenishment of topsoil, seeding and planting of species adapted to the soil and the climate (e.g. 36,000 trees were planted on the site of the former Lestaillat quarry in France),

– creation of different forms of artificial lake that encourage the development of specific flora and fauna,

– setting up of conditions that favor spontaneous recolonization of land by native species.

Rehabilitated milieus, such as those at Bamburi, Kenya, and Dörtendorf, Germany have contributed to the conservation of wildlife. Every year, Lafarge wins many awards and accolades for the quality of its quarry rehabilitation projects. For instance, the Shalersville, Canada, rehabilitation project has been certified a "Wildlife Habitat" by the Canadian authorities.

Reduction of CO_2 emissions

To bring down emissions of CO_2 gas, chief contributor to the greenhouse effect, Lafarge is improving

China

The Beijing Chinefarge Cement Company. Lafarge takes particular care to ensure that its plants blend in well with the surrounding natural or urban landscape.

the energy efficiency of its plants and using alternative sources to fossil fuels.

At Cizkovice, in the Czech Republic, a new heat-exchanger is reducing the amount of fuel consumed. This advance has contributed to reducing CO_2 emissions and has therefore been recorded for 1998 by the United Nations Secretariat of the Framework Agreement on Climate Change as a pilot project.

In all its modernization programs, such as those at Sugar Creek and Richmond in North America, Lafarge gives major importance to the improvement of energy efficiency and uses production techniques optimized for the best possible performance.

Both to supply sites and to deliver its products, Lafarge makes as much use as possible of waterborne transport, thus helping to reduce road traffic and the CO_2 emissions it entails. At Le Teil, in France, building of new waterfront installations means that waterborne transport will replace road traffic of 12,000 trucks yearly.

FRANCE
Rehabilitation of the Sandrancourt quarry.

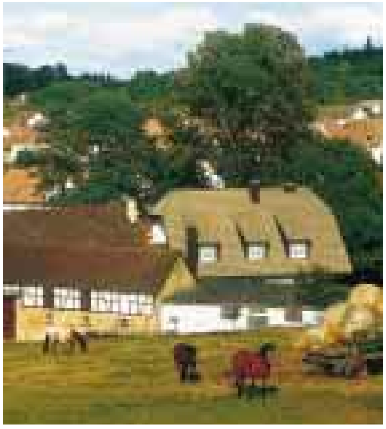
Recycling

Lafarge pays great attention to the husbanding of natural resources and is widely developing its recycling practices. In both the Aggregates & Concrete and Gypsum divisions, production waste such as cleansing water is recovered, treated and re-utilized in the production cycle. The "zero waste" target has already been achieved in many cement plants and should be attained by all Cement division business units during 2000.

Group business units make use of waste from other Group divisions or industrial or household waste from outside sources as secondary raw materials. The Gypsum division recycles wallboard waste from building sites and expanded polystyrene produced by other industries. The Lübbenau plant in Germany, like other wallboard plants in the Division, uses a substitute raw material, fluegas desulfurization gypsum (FGD) produced by the neighboring coal-fired electric power plant. The Roofing division has produced a recycled roofing tile in which the sand is replaced by ground used tile.

Calcium sulfate, a by-product from the manufacturing of superplasticizers for concrete, slag from steel industry blast furnaces, and iron filings from steel mills are all used as secondary raw materials for the production of cement in France and Brazil.

Lafarge also uses industrial waste as a source of alternative energy.



GERMANY
Roof tiles made from recycled tile. Made from crushed recycled roof tiles, this roof tile has the same levels of quality and durability as a traditionally manufactured tile.

The Cement division incinerates industrial and household waste, such as plastic packaging at Mannersdorf (Austria), and used tires at La Malle (France), Wössingen (Germany), Whitehall (Pennsylvania, USA) and Saint Constant (Quebec Province, Canada).

Other forms of environmental impact that are issues for Lafarge are levels of dust, atmospheric emissions and plant water consumption, all of which must be reduced to the minimum. Actions such as these form part of a policy of sustainable development for the Group and its environment. These are the necessary conditions for its long-term competitiveness and its longevity.

Stockholder relations

Creating value for its stockholders is a key objective for Lafarge

A policy of active communication

The Lafarge share price rose 37% in 1998, above the rate of growth of the CAC 40

Creating value for its 168,000 stockholders is the Group's top priority. It is also the basis for the confidence they show in Lafarge.
Throughout 1998, Lafarge pursued its campaign intended to give individual stockholders a better knowledge of the Group, with the active collaboration of the Stockholders' Consultative Committee.
A number of major events that took place in the Autumn of 1998 created excellent opportunities for contact and dialogue. Lafarge had a booth at Actionaria, the first private stockholders' fair held in Paris, where many stockholders visited the stand to talk to Group representatives and members of the Stockholders' Consultative Committee.

Following this, on November 24, Lafarge organized its annual stockholders' meeting in Nice, where an audience of almost 800 people were able to put questions to Bertrand Collomb and the Group's operational managers concerning Lafarge's activities and its international development strategy. Members of the Stockholders' Consultative Committee were also able to discuss the Group's information policy for private stockholders with the Chairman.
Elsewhere in Europe, the Group continued to meet its non-French stockholders and held information meetings in a number of countries such as Germany, England, Scotland, Ireland, Switzerland and the Netherlands, as well as the United States.
The Lafarge Internet site is a further way of providing stockholders with Group financial information and is also a direct access point to the Group Stockholder Information Service.

Meeting of Shareholders at Nice in November, 1998.

The Lafarge share

Lafarge share stood at FRF 531 (80.95 euros) at 1998 year-end, an increase of 30% on the FRF 410 subscription price for the March rights issue, in which almost 90% of private stockholders participated. By comparison with the share price at December 31, 1997, the increase was 37.1%*. This made Lafarge's share the 14th best performer on the CAC 40 share index, which rose 31.5% overall in the same period.

The Lafarge share attained its historical high in June 1998, at FRF 658.

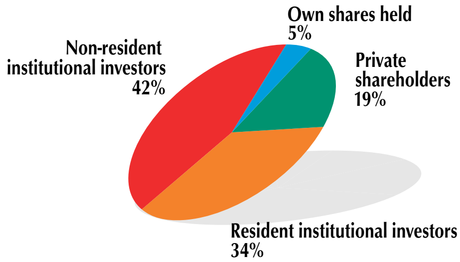
After performing below the level of the CAC 40 index in January 1999, the Lafarge share made up ground in February in highly volatile climate. It closed at 83 euros (FRF 544) on March 8, 1999, an increase of 2.5% by comparison with the price at December 31, 1998.

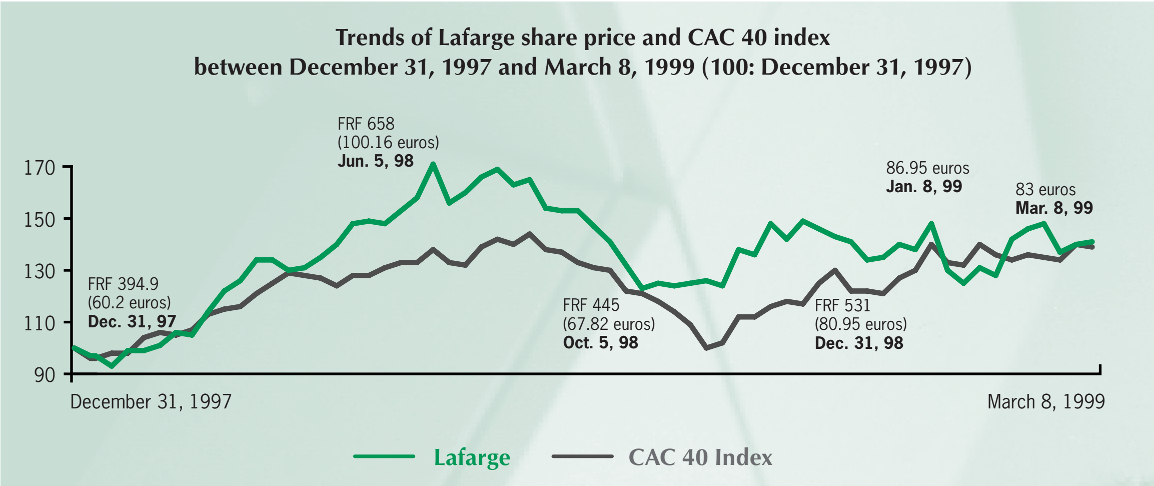
The daily volume of shares traded continued to increase, reaching 326,000 in 1998, against 290,000 in 1997 (up 12%).

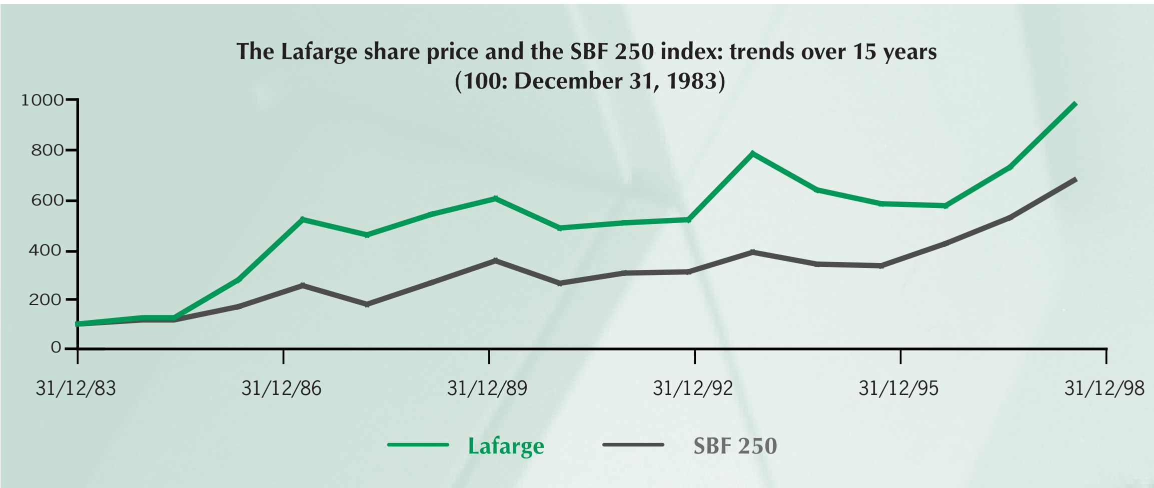
At December 30, 1998, market capitalization of Lafarge stood at FRF 54.5 billion (8.3 billion euros), ranking it 25th in the CAC 40 share index.

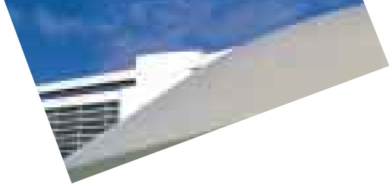
** Calculated on the basis of a share price of FRF 387.4, adjusted after the rights issue.*

Breakdown of capital at December 31, 1998









Pointers

◗ In 1998, Lafarge pursued its strategy of growth and constant improvement in its operations with the aims of attaining higher levels of performance and creating greater shareholder value.

◗ The successful integration of Redland, our entry into the roofing sector and the numerous growth through acquisition operations finalized during 1998 allowed the Group to expand its international business, broaden its range of products and strengthen its world leadership in the construction materials industry.

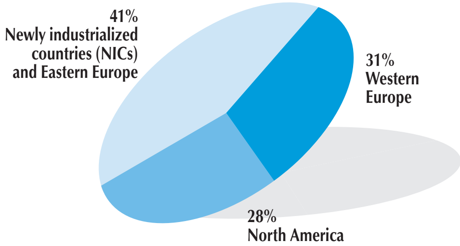
Cement

World no. 2

34 %
of Group sales

26,163
employees including 92% outside France

International scope*



Business lines**

◗ A wide range of cements and hydraulic binders designed to meet the needs of construction industry players (construction and civil engineering contractors, masons, materials wholesalers, prefabricated unit manufacturers, ready-mix concrete producers, specifiers, etc.).

Targets

◗ Maintain and build on cement leadership by strengthening the Group's market positions.

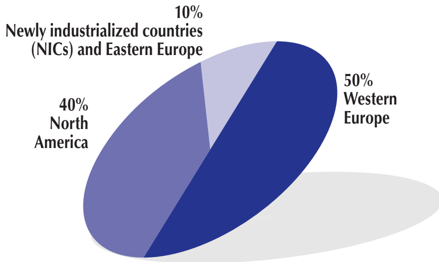
Aggregates & Concrete

World no. 2 in Aggregates
World no. 2 in Concrete

32 %
of Group sales

18,140
employees including 77% outside France

International scope*



Business lines**

◗ Dedicated to the construction, civil engineering and public works industries, the aggregates business line combines technical quality, the guarantee of excellence for structural engineering performance, and the conservation of our surrounding environment.

◗ The concrete business line offers its customers a wide range of ready-mix concretes (specialty, decorative, etc.) and prefabricated units from a network of plants conveniently located close to users.

Targets

◗ Develop Aggregates market positions and optimize Concrete business line profitability.

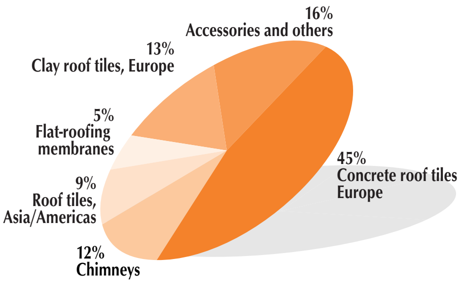
Roofing

World no. 1

16%
of Group sales

11,668
employees including
91% outside France

Breakdown by business line*

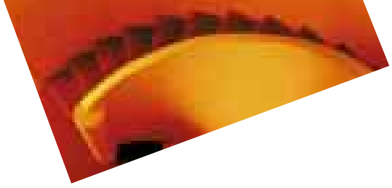


Business lines**

- A complete range of roofing products and accessories in all styles, in addition to a range of chimney systems.

Targets

- Strengthen the market positions of concrete and clay roof tiles and attain operational excellence throughout the whole of this new division.



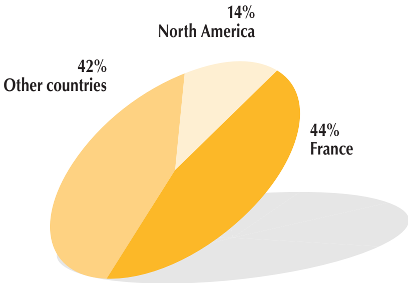
Gypsum

World no. 6

7%
of Group sales

3,143
employees including
48% outside France

International scope*



Business lines**

- A complete range of gypsum-based products and systems for construction finishings, new buildings and renovation.

Targets

- Become a world leader in gypsum and broaden the Division's international product offering.

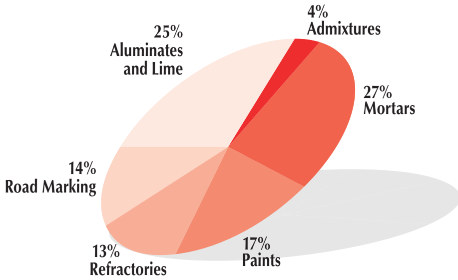
Specialty Products

World no. 1 in Aluminates

11%
of Group sales

5,175
employees including
44% outside France

Breakdown by business line*



Business lines**

- Calcium aluminates, industrial lime, admixtures for construction materials, refractory products, paints and road marking products, facade mortars, special mortars, floor adhesives and mortars, exterior and interior paints.

Targets

- Strengthen market positions in the aluminates, refractory and road marking business lines. Build international market positions in the other businesses.

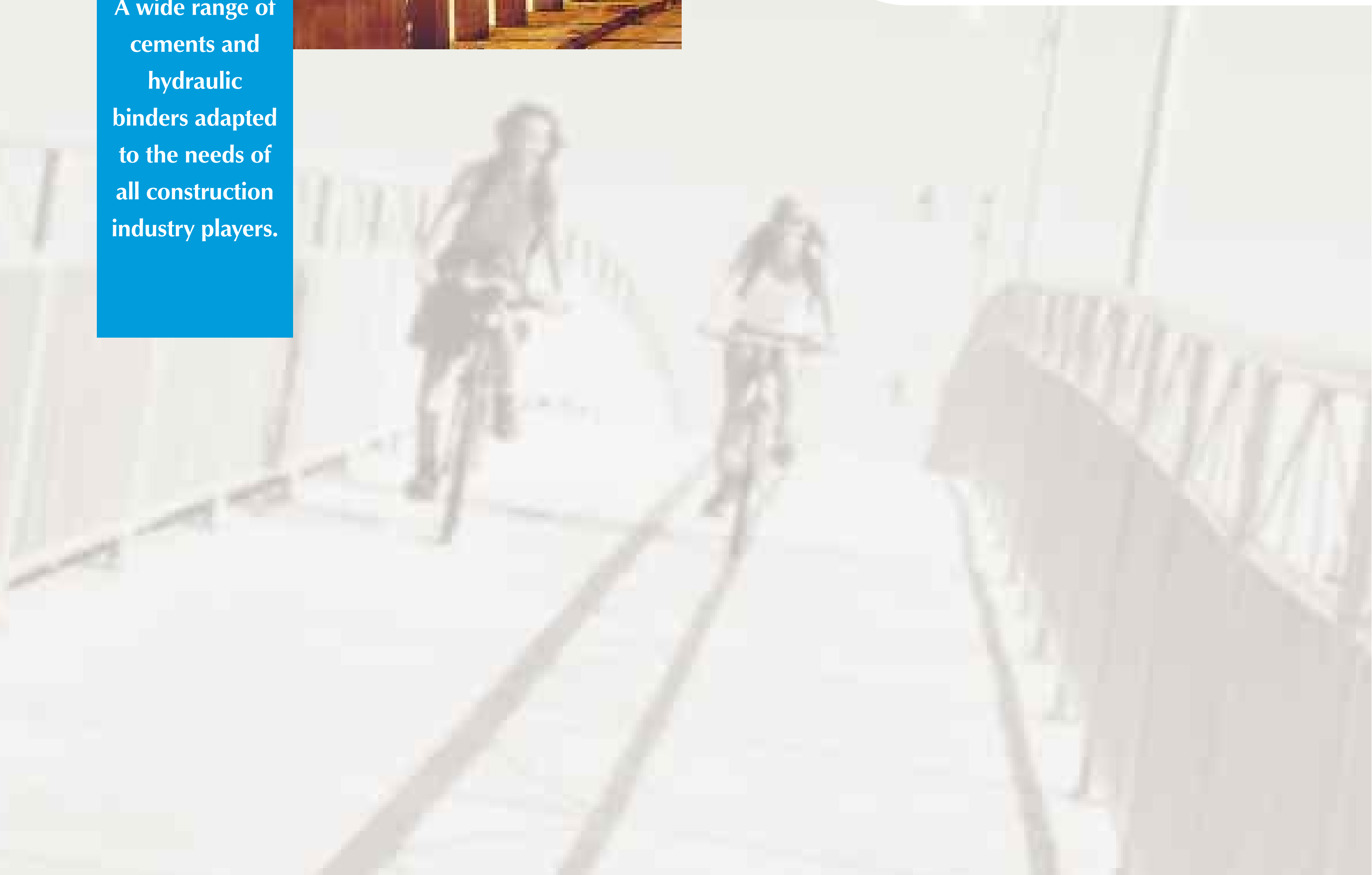
* Breakdown of 1998 sales.

** Lafarge has sufficient raw material reserves, held either directly or through operating licenses, to guarantee long-term supplies for all production plants in compliance with local legal or contractual restrictions. Provisions have been set aside to cover rehabilitation of sites. The Group fully controls all stages of the production process.

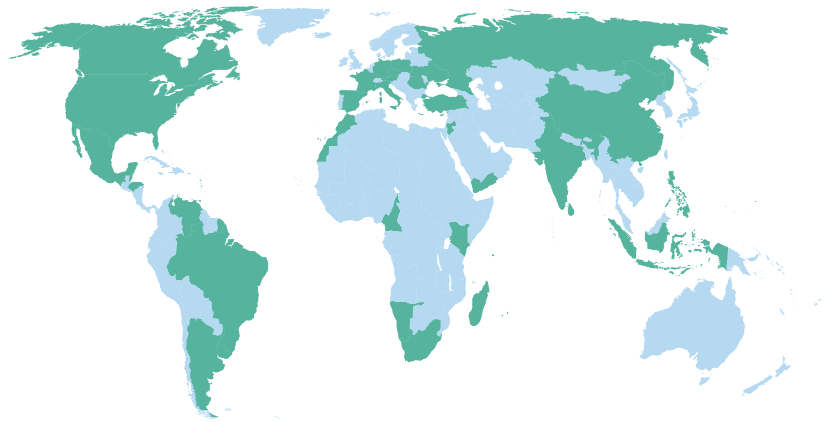
Cement

- Improvement in results
- Continuing international expansion, particularly in emerging countries (South Africa, the Philippines, Jordan, etc.)
- More than 80 million tonnes of capacity at 1998 year-end, almost 60% of which is in emerging countries

A wide range of cements and hydraulic binders adapted to the needs of all construction industry players.



INTERNATIONAL PRESENCE



96 production sites

Countries with Lafarge production facilities

In 1998, as in the previous year, Lafarge's Cement division enjoyed a sharp rise in its results. This strong performance was achieved thanks to a healthy increase in volumes sold, good price trends overall and the positive impact of measures taken to reduce costs.

In 1998, certain significant acquisitions were made in the Cement division (particularly in South Africa and the Philippines), constituting more than fifteen million tonnes of annual capacity and raising the Group's total annual production capacity to more than 80 million tonnes.

Total Group volumes in 1998 totaled 56.6 million tonnes, an increase of 14% by comparison with 1997. On an unchanged reporting basis (i.e. excluding figures from companies that entered the consolidation in 1997 or 1998), the increase amounts to roughly 2%, reflecting a higher level of business in North America and Western Europe and a slowdown in volumes in Kenya and Indonesia.

The breakdown of volumes was as follows:

- Western Europe (France, Germany, Austria, Spain, Italy): 17.8 million tonnes, as against 16.5 million tonnes in 1997, an increase of 8%,
- North America (United States, Canada): 12.3 million tonnes, as against 11.7 million tonnes in 1997, an increase of 5%,
- 26.5 million tonnes for all countries in Eastern Europe (Poland, Romania, Czech Republic, Russia), newly industrialized countries (Turkey, Morocco, Latin and Central America, Caribbean, Africa, Asia, Indian Ocean) and Group trading activities.

Cement division sales (after elimination of intra-Group transactions)

CUSTOMERS

- **Building materials wholesalers**
- **Concrete and ready-mix producers**
- **Mortar producers**
- **Prefabrication: blocks, architectural concrete, facades, three-dimensional structures, roofing, drains, roads, etc.**
- **Mining industry**
- **Petrol industry**
- **Road building and earthworks contractors**
- **Building contractors**
- **Civil engineering and public works contractors**

PRODUCTS

- **A full range of products for use in all conditions (e.g. in seawater or exposed to sulfates)**
- **Special cements (silica fume cements, white cement, oil-well cements, pozzolanic cements, slag cements)**
- **Road surfacing materials: cement, Rolac, Barlac**
- **Lime and hydraulic binders**
- **Masonry cements**

for the year stood at FRF 21.6 billion, an 11% increase by comparison with 1997 (FRF 19.5 billion).
Operating income amounted to FRF 5,260 million, an improvement of FRF 788 million by comparison with 1997 (+18%), resulting from:
• an increase of FRF 438 million in Western Europe (+24%), to FRF 2,266 million, chiefly due to a very substantial rise in profits in Spain and an increase in France,
• further improvement in North America (up FRF 138 million or 10% by comparison with 1997),
• an improvement of 16% in the newly industrialized countries and Eastern Europe (FRF 1,509 million as against FRF 1,297 million). This increase mainly results from improved profits in Turkey and Brazil.
It is also accounted for by the inclusion for the first time of Honduras and of interests purchased in Latin America by Molins (consolidated by the equity method).
Lafarge South Africa (South Africa) entered into the consolidation on July 1, 1998, as did Romcim (Romania) on January 1, 1998.
The newly industrialized countries and the Eastern European countries together accounted for 29% of total Cement division operating income in 1998.
The year's investments in the Cement division totaled FRF 11.2 billion (compared with FRF 5.3 billion in 1997). FRF 9 billion of this amount was spent on development and efficiency improvements.

Volumes	1996	1997	1998
thousands of tonnes			
Western Europe	15,232	16,464	17,797
of which France	*6,475*	*6,730*	*6,685*
North America	11,423	11,708	12,283
Latin and Central America and Caribbean	3,459	4,862	5,963
Asia	2,083	2,222	1,994
Eastern Europe	2,552	3,550	5,877
Other NICs	9,869	10,770	12,721
TOTAL	**44,618**	**49,576**	**56,635**

Sales *	1996	1997	1998	1998
in millions of French francs				*of euros*
Western Europe	6,341	6,537	6,707	1,022
North America	4,367	5,295	5,954	908
Latin and Central America and Caribbean	1,331	2,228	2,750	419
Asia	432	462	181	28
Eastern Europe	459	1,053	1,794	273
Other NICs	3,075	3,912	4,178	637
TOTAL	**16,005**	**19,487**	**21,564**	**3,287**

** Sales after elimination of intra-Group transactions*

Net operating income	1996	1997	1998	1998
in millions of French francs				*of euros*
Western Europe	1,707	1,828	2,266	346
North America	1,023	1,347	1,485	226
Latin and Central America and Caribbean	137	343	618	94
Asia	7	6	(120)	(18)
Eastern Europe	69	106	40	6
Other NICs	572	842	971	148
TOTAL	**3,515**	**4,472**	**5,260**	**802**

Total investments	1996	1997	1998	1998
in millions of French francs				*of euros*
	4,523	5,288	11,241	1,714

Division workforce	1996	1997	1998
	15,706	16,782	26,163

Western Europe

Cement volumes in Western Europe (France, Germany, Austria, Spain, Italy) reached 17.8 million tonnes in 1998, up 8% by comparison with 1997. They constitute 31% of the Group's total volumes. They rose substantially in Spain, where the construction market enjoyed an excellent year, but fell in Germany, where there was a drop in the eastern part of the country.
Cement imports in those countries where the Group operates were contained, and price trends were generally favorable.

Net operating income for the zone amounted to FRF 2,266 million, an increase of 24% by comparison with 1997.

France

- 10 cement plants
- 1 lime plant
- 3 grinding plants
- 1 technical and training center

With eleven production sites for cement and hydraulic lime and three grinding plants, Lafarge Ciments is leader on the French market, maintaining an industrial and commercial base covering most of metropolitan France.
With the aim of retaining its position of leadership, Lafarge Ciments continued to implement its strategies of reducing costs and redeploying its production facilities in 1998. In particular, the modernized Port-la-Nouvelle cement plant (near Narbonne) was brought on stream at the start of the year, and cement production at the Cormeilles plant, close to Paris, was halted. This plant will eventually be replaced by a new production unit located to the south of Paris. It is proving longer and more difficult than anticipated to obtain the administrative permits needed for the project to advance, and the building schedule has been put back accordingly.
In 1998, the French cement market reached a level of just over 19 million tonnes (1.3% higher than in 1997). This slight rise results chiefly from an upward trend in the house construction market, which was bolstered by lower interest rates and improved tax incentives under the "Périssol" scheme. In 1998, there were more than 280,000 new housing starts, representing an increase of 3% by comparison with 1997. Public spending on infrastructure and construction of public housing, meanwhile, remained at 1997 levels.
Volumes sold by Lafarge Ciments in France (including inter-divisional sales) totaled 6.7 million tonnes, 0.7% less than in 1997. This slight drop is explained by the fact that Lafarge Ciments benefited in 1997 from the construction of the TGV South-East railroad line, a project that was completed during 1998.
Operating income rose as a result of cost reductions and improved average selling prices.

FRANCE
LAFARGE CIMENTS
At Sausset-Les-Pins high school (Bouches du Rhône), super-white cement was used in the concrete for the architectural pre-cast units elements such as the columns and facade.

Germany

- 3 cement plants
- 1 grinding plant

During 1998, Lafarge Zement acquired a cement plant located at Sötenich (North Rhine-Westphalia), a grinding plant at Coswig (Saxe-Anhalt), and several ready-mix concrete plants from the British group RMC. These acquisitions substantially strengthened Lafarge's positions in Germany, raising the Group's annual production capacity in the country to four million tonnes.
The slowdown of the construction sector in the eastern part of Germany continued in 1998, and the cement market plunged by more than 10%. Lafarge volumes

in the region fell by roughly 13%, to 2.1 million tonnes. This decline is partly due to lower imports supplied by the Group's Polish production units.
Construction markets in Baden-Württemberg remained at 1997 levels, and Wössingen plant volumes increased marginally by 1%. Average selling prices were virtually unchanged.
Once again, significant cost reduction measures were implemented in 1998.

Austria

- 3 cement plants
- 1 grinding plant
- 1 technical center

In spite of growth both in gross domestic product and in the construction market, cement consumption in Austria fell by a further 1.6% in 1998, following a 3% drop the previous year.
This falloff is accounted for by a 2% slump in the residential construction market, which represents roughly one third of domestic cement consumption.
Against this difficult background, and in spite of persistent pressure from imports, Lafarge Perlmooser recorded sales of 2.1 million tonnes on the Austrian market, slightly higher than in 1997. Thanks to a strong marketing drive and a higher standard of customer service, the company was able to enforce price rises for the first time in three years. Income was higher than in 1997.

SPAIN
LAFARGE ASLAND
High-strength cement was used in the construction of the Valence Conference Center, and rapid-setting cement used for the pre-cast roof elements. The building was designed by British architect Norman Foster.

Spain

- 5 cement plants

Spain enjoyed strong economic growth in 1998, and inflation was significantly lower than in past years.
Under the incentive of lower interest rates, construction markets experienced substantial expansion, in both the building and infrastructure sectors.
The cement market rose by more than 15% to the record level of 31 million tonnes.
Lafarge Asland gained market share at the expense of importers. Its volumes on the domestic market stood at 4.6 million tonnes, an increase of 26% compared with 1997.
Lafarge Asland results are substantially improved by comparison with 1997. For the first time, they incorporate income from Molins.

Italie

- 2 cement plants

In June 1998, Lafarge Adriasebina acquired a 20% stake in Sacci, a company owning three cement plants with annual capacity totaling 1.6 million tonnes and a grinding plant. Sacci also operates in the ready-mix concrete sector, and its commercial positions closely complement those of Lafarge Adriasebina.
With consumption of 34 million tonnes in 1998, the Italian cement market is one of the largest in Europe. It expanded marginally by comparison with 1997, although as in previous years, there were strong regional disparities, with a slight fall of 1% in the North but a marked increase of 4% in the center, which benefited from a high-speed railroad construction site and preparations for the Jubilee.
In a fiercely competitive environment, average selling prices fell by around 10%. In spite of continuing efforts to optimize costs, it was not possible to compensate for this.

Eastern Europe

In the space of a few years, Lafarge has built up first-rate positions in Eastern Europe that now make the Group the leading cement producer in the region:
- in the Czech Republic, with the Ciskovice plant, one of the Lafarge Group's best performing facilities, which supplies the markets of Bohemia and Eastern Germany,
- in Poland, where the Group acquired three plants in 1995 and 1996, giving it domestic market share of slightly more than 20%,
- in Romania, where the Group controls roughly 40% of the domestic market through Romcim,

- in Russia, where Lafarge acquired two plants and quarries in the Moscow region in 1996.

In 1998, Lafarge's volumes in Eastern Europe totaled 5.9 million tonnes.

After deduction of holding company expenses for the zone, net operating income for 1998 stood at FRF 40 million, as against FRF 106 million in 1997.

Czech Republic

- 1 cement plant

The Czech construction market suffered a downturn of 6% in 1998, in a context of particularly severe economic recession in the second half of the year. Decision-taking by investors was impeded by an uncertain political climate surrounding a change of government in mid-year, which was followed by the Russian crisis.

The cement market fell by 5%, slipping once again below the four million tonne barrier.

In spite of this difficult environment, the Ciskovice plant managed to maintain its level of volumes and to raise prices in line with local inflation.

Significant savings were made on production costs as the plant reaped the benefits of the modernization program and the reorganization measures taken since the acquisition of the plant.

Poland

- 3 cement plants
- 1 lime plant

Following strong growth in 1997, the Polish cement market expanded by a further 5% in 1998. Volumes at the Group's three plants (Kujawy, Malogoszcz and Wierzbica) declined slightly, to 3.1 million tonnes.

In a climate of fierce competition, prices were significantly lower during the first half of the year. This climate eased towards the end of the year, however, and price trends were more favorable.

The greater part of investments in 1998 were devoted to modernizing the means of production. Cost reductions were already felt in 1998, with lower energy costs in particular.

Customer services were once again improved.

Romania

- 4 cement plants

The volumes and income of Lafarge Romcim were included in the consolidation in 1998 for the first time.

Following the Group's acquisition of Romcim in 1997, Lafarge launched a tender offer to purchase all remaining shares. The success of this operation meant that Lafarge strengthened its stake in the subsidiary, in which it now holds a 91% interest, directly or indirectly.

A plant modernization program was launched early in the year, mainly funded by investment subsidies granted to the company. This is expected to result in a rapid improvement in performance, and should lead to significant cost savings in 1999.

In a difficult economic and political climate, the Romanian cement market rose slightly in 1998 from its 1997 level. Lafarge Romcim's volumes on the domestic market totaled 1.3 million tonnes.

Russia

- 2 cement plants

The volumes and income of Lafarge Russia were included in the consolidation in 1998 for the first time.

The combined volume of the two plants, both located in the Moscow region, was 1.1 million tonnes in 1998.

North America

- 15 cement plants
- 2 grinding plants
- 1 technical center

The Group's cement industry facilities in North America include fifteen cement plants (eight in the United States and seven in Canada), two grinding plants, and a vast distribution network by water and land, with almost one hundred riverside terminals and silos.

One of the leading North American cement producers, Lafarge Corporation is pursuing a strategy of repositioning its industrial assets and boosting performance levels. In this perspective, and with a view to further strengthening its leadership on the markets on which it operates, the company made several significant investments in 1998:

- a modernization program was launched at its plant in Woodstock, Ontario,
- a mothballed kiln was brought back

on line at Brookfield, Nova Scotia,
- modernization programs continued at two plants: Richmond (near Vancouver, Canada), scheduled for start-up in mid-1999, and Sugar Creek (near Kansas City, United States), due to come into service in December 2000,
- a cement plant was purchased in Seattle, Washington (United States), supplementing the three-plant network the Group already operates in Western Canada.

Thanks to relatively mild weather conditions during the first quarter and an economy that remains in a healthy state, construction markets expanded in 1998 in the United States.

Lafarge Corporation's volumes in the United States stood 7% higher than in 1997, at 9.5 million tonnes.

The situation in Canada was more contrasted, with a slowdown in British Columbia, whose economy was affected by the Asian crisis. Business levels in the eastern Canadian provinces (Ontario, Quebec, Maritimes) were up on 1997 levels, however.

For Canada as a whole, overall volumes stood at 2.8 million tonnes, a slight drop of 1% by comparison with 1997.

Price trends were also positive, with prices rising on all of Lafarge Corporation's market (by 4% in the United States, 3% in Western Canada and 4% in Eastern Canada).

Under these conditions, net operating income once again rose significantly in 1998 to FRF 1,485 million, an increase of 10% compared to 1997.

Newly industrialized countries

In 1998, Lafarge considerably extended its network of commercial positions in the newly industrialized countries.

In the first place, taking advantage of the economic crisis that has hit a large number of countries in South-East Asia, the Group was able to take a position in the Philippines. In conjunction with local partners, Lafarge acquired two cement producers, Continental and Seacem, together accounting for roughly 20% of the domestic market. These two acquisitions, which represent total annual capacity of 4.6 million tonnes, establish Lafarge as one of the country's market leaders, with first-choice positions on the island of Luzon (the Manila market) and a strong presence on the island of Cebu, the country's second largest market. The overall investment for the Group and its partners was slightly above FRF 3 billion (US$ 500 million).

Midway through the year, Lafarge also acquired Blue Circle South Africa, subsequently re-baptized Lafarge South Africa. It is one of only three cement producers operating in South Africa, and owns a cement plant with capacity of over 2.4 million tonnes located at Lichtenburg, a grinding plant under construction at Richards Bay, a 33% stake in a cement plant located near Durban (Natal Portland Cement), and a controlling interest in a cement plant in Namibia. Lafarge South Africa also holds significant positions in concrete and aggregates. The price of the acquisition amounted to US$ 250 million.

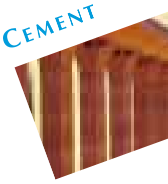
In Jordan, the Group purchased a 40% stake in the country's sole cement manufacturer, Jordan Cement Factory (JCF), which operates two plants with combined capacity of 4.2 million tonnes. The volumes and income of JCF were not included in the consolidation for 1998.

Finally, Lafarge acquired the cement producer Incehsa in Honduras. With a plant situated close to the capital, Tegucigalpa, the company controls roughly 60% of the domestic market. Neither the plant nor the members of Incehsa's personnel suffered badly from the ravages wrought on the country by Hurricane Mitch in 1998.

Lafarge's volumes throughout the newly industrialized countries (Turkey, Morocco, Latin and Central America, the Caribbean, Africa, Indian Ocean and Asia) totaled

UNITED STATES LAFARGE CORPORATION

The cement used for the architectural pre-cast panels of the Charleston Courthouse was chosen for its early release strengths and consistent light color.



26.6 million tonnes in 1998, a 24% improvement over 1997.
Net operating income for all these countries stood 16.3% higher than in 1997, at FRF 1,509 million.

Turkey

- 4 cement plants
- 5 grinding plants
- 1 lime plant

The political instability experienced by Turkey in 1998 did not have an adverse impact on the country's economic growth, which reached 3.5%. The cement market expanded at a similar rate, although there was relative disparity between different regions, with growth strong in Central Anatolia but more attenuated on Marmara Sea markets.
Group cement volumes in Turkey rose 2% to 3.9 million tonnes, and prices expressed in dollars, although volatile, were on average higher than in 1997 (1% higher for the Istanbul plant and 4% higher in Central Anatolia).
Increased volumes, higher prices and the beneficial effects of cost-containment measures (lowering electricity costs, using cheaper fuels) all contributed to a growth in income.

Latin and Central America and the Caribbean

Brazil

- 6 cement plants
- 1 grinding plant

In spite of higher interest rates imposed by the Brazilian government at the end of 1997 to protect the country's currency, the real, construction markets once again expanded, although more slowly than in 1997. This is mainly explained by foreign investment and a surge in consumption in the northern and north-eastern regions following an earlier fall-off.
The Brazilian cement market grew by 5% in 1998 to a level of 40 million tonnes. There were striking regional variations, however: the market shrank in the south-east by 1%, for instance, while the Bahia market expanded by 27%.
Lafarge's volumes amounted to 3.3 million tonnes, 8% up on 1997. This rise reflects a slightly increased market share as well as the integration of the Maringa plant (in the state of São Paulo), purchased during the year.
Prices continued their upward trend, and net operating income was substantially improved by comparison with 1997.
The renovated cement plant at Arcos (in the state of Minas Gerais), with annual capacity of 730,000 tonnes, came into service in the early part of 1999.

Venezuela

- 2 cement plants
- 1 grinding plant

Following a good first quarter, the Venezuelan economy progressively degenerated through the rest of the year because of the drop in international oil prices, the country's largest source of revenues.
Benefiting from an excellent first quarter, the cement market ended the year 11% up on 1997, at 4.6 million tonnes.
Operating income of Fabrica Nacional de Cementos (FNC) was up under the effect of favorable trends in volumes and prices.
1998 saw the closure of the La Vega grinding plant and the launch of investments in a modernization program for the Ocumare plant.

Honduras

- 1 cement plant

In 1998, Honduras suffered the devastating effects of Hurricane Mitch, with dramatic consequences for many of the population.
Most of the country's infrastructures were destroyed, substantially affecting volumes during the final quarter.
After ten years of growth at an average annual rate of 10%, the cement market fell by about 5% in 1998 to around 1 million tonnes.
Volumes of the Comayagua plant on the domestic market were down by about 7%.

Caribbean - Guyana

- 2 grinding plants

As a result of the lack of any major construction projects and the effect of heavy rains during the second half of the year, volumes of Ciments Antillais dipped by about 5% by comparison with the previous year.
The business level of Ciments Guyanais remained stable year-on-year.

Asia-Pacific, Indian Ocean and trading

Indonesia

- 1 cement plant
- 1 technical center

Indonesia was badly affected by the crisis that hit the countries of South-East Asia in 1998. The cement market plummeted by more than 20%, and volumes of the Aceh plant dropped by a similar rate. Lower levels on the domestic market were not offset by export sales.
In this particularly difficult environment, with prices falling by comparison with 1997 (expressed in hard currency), Lafarge Semen Andalas posted negative results in 1998.

China

- 1 cement plant

1998 was a year of strong progress for Chinefarge. Volumes were up 10% by comparison with 1997, totaling 331,000 tonnes. Prices held steady.
Meanwhile, Lafarge announced plans to build a new 1.3 million-tonne capacity cement plant near Chengdu, capital of the province of Sichuan, for a total investment of almost FRF 900 million. The plant is scheduled to come on stream by 2001.

Philippines

- 3 cement plants
- 1 grinding plant

Through Seacem and Continental, acquired late in 1998, the Group controls around 20% of the Philippines cement market.
Neither company's volumes and income were included in the consolidation for 1998.

Trading

- A fleet of 8 ships
- 7 sea terminals in Mauritius, Reunion Island, the Seychelles, Sri Lanka and Yemen

Cementia Trading successfully continued to perform its trading activities on behalf of Group companies in 1998. There was an increase in volumes sold on markets outside the Group.
An increase in volumes for Marine Cement on the majority of markets, combined with favorable purchase prices from certain plants located in South-East Asian countries, contributed to a rise in income.

Morocco

- 4 cement plants

Following a year of mild recession, the Moroccan economy recovered in 1998, enjoying growth of over 6.5%.
Construction markets experienced a disappointing year, however.
The cement market once again exceeded 7 million tonnes, but it was slightly down on 1997.
Lafarge Maroc recorded sales volumes of 3 million tonnes, a level equivalent to the previous year.
With further growth in the market forecast for the coming years,

HONDURAS - INCEHSA
Offices of Banffaa Bank in Tegucigalpa were built with pozzolanic cements. Whether natural or synthesized, pozzolan is used as the same way as fly-ash, slag and fillers, as a secondary component of cement.

SOUTH AFRICA
LAFARGE SOUTH AFRICA
A house that has been built with state-of-the-art cement technology, combining architectural creativity with artistry and durability of materials.

increases in capacities and projects to build new cement plants have been announced. Lafarge Maroc has confirmed its intention of building a new facility at Tétouan and has decided to launch engineering studies with a view to building a cement plant between Casablanca and Marrakech.

Kenya

- 2 cement plants
- 1 grinding plant

The national economy suffered 2% recession in 1998. Against this backdrop, worsened by the damaging effects of the El Niño weather phenomenon on some of the country's infrastructures, the cement market shrank by nearly 6%. Bamburi Cement's volumes also fell. Average selling prices were slightly lower.

A new grinding plant was brought into service late in the year. The facility will strengthen Bamburi Cement's leadership both on the domestic market and on the neighboring Ugandan market.

Cameroon

- 1 cement plant
- 1 grinding plant

Both the Cameroon cement market and volumes posted by Cimencam saw sharp increases in 1998. Contribution to net income was higher.

South Africa

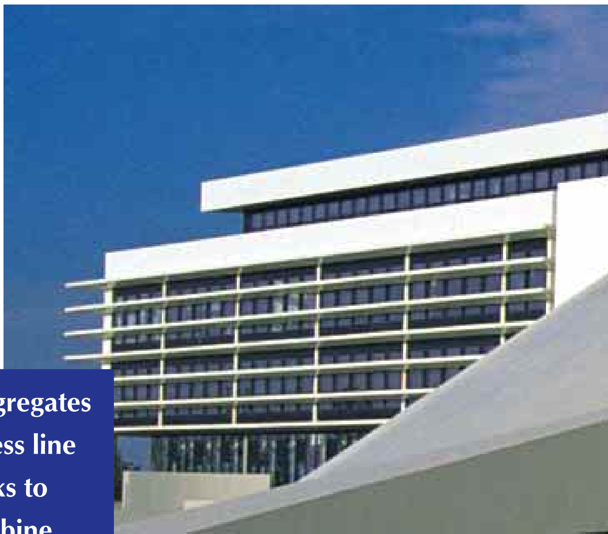
- 1 cement plant
- 1 grinding plant

Lafarge South Africa was consolidated with effect from the second half of 1998.

The 20% devaluation of the South African rand and a rise in interest rates seriously impacted the country's economy during the second half-year. The domestic cement market totaled 8.5 million tonnes in 1998. With a view to strengthening its competitive position, Lafarge South Africa pressed ahead with the construction of a grinding plant at Richards Bay, on the country's east coast. The plant will be brought on stream in the first half of 1999.

AGGREGATES &

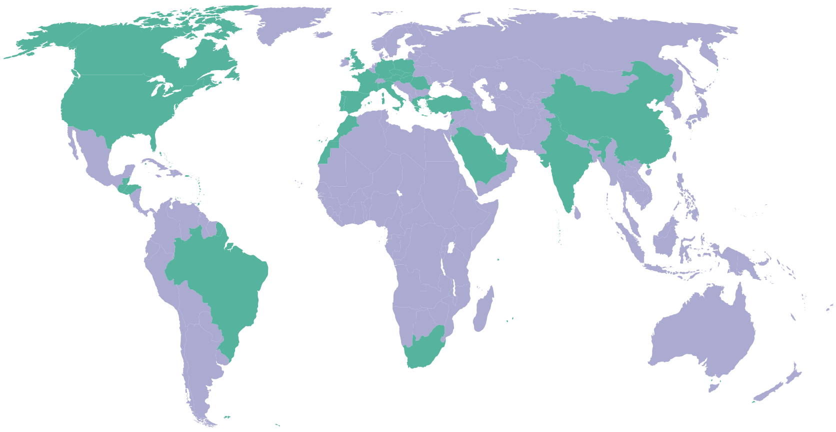
- STEEP RISE IN SALES AND INCOME
- AMALGAMATION OF LAFARGE AND REDLAND ASSETS IN FRANCE
- SALE OF FORMER REDLAND ASSETS IN NORTH AMERICA TO LAFARGE CORPORATION (EXCEPT FOR OPERATIONS IN TEXAS, WHICH WERE DIVESTED)



The Aggregates business line seeks to combine technical quality with conservation of our surrounding environment. The Concrete business line offers an extensive range of concretes (specialty, decorative, etc.).

CONCRETE

INTERNATIONAL PRESENCE



Aggregates: 638 industrial sites

Concrete: 1,029 industrial sites

■ Countries with Lafarge production facilities

Following the acquisition of Redland, Lafarge considerably strengthened its positions in concrete, aggregates and road building materials, particularly in France, the United Kingdom, the United States and Canada. Lafarge also acquired significant positions in the Middle East.

As part of the new Group organization, Lafarge has decided to create an Aggregates & Concrete division, in order to derive maximum benefit from its new scale and to achieve operational excellence in both sectors. It is under the authority of an Executive Vice President who sits on the Group's Executive Committee.

In 1998, a number of significant events punctuated the life of the newly created division. North American industrial assets in the aggregates sector included in the Redland acquisition (with the exception of a Texas business, Redland Stone Products, which was divested) were sold to the Group's North American subsidiary, Lafarge Corporation. Positions in aggregates and concrete in France were integrated into Lafarge Granulats and Lafarge Bétons, while in the United Kingdom, Redland Aggregates and Ennemix, a company acquired by Lafarge in 1996, were integrated.

Initiatives were launched in 1998 throughout the Group to boost performance in both businesses, with, in particular, the Top 2000 program for the concrete sector and Roc 2002 for the aggregates sector.

CUSTOMERS

Aggregates

- Road building contractors
- Concrete asphalt producers
- Ready-mix concrete producers
- Building materials wholesalers
- Building contractors
- Construction and civil engineering contractors
- DIY users
- Builders and farmers
- Prefabricated products manufacturers
- Concrete roof tile producers
- Water utilities
- Manufacturing industries
- Railroad and public-sector companies
- Government departments and local authorities

Concrete

- Building contractors
- Civil engineering and public works contractors
- Road building contractors
- Masons
- DIY users
- Building materials wholesalers
- Building renovation contractors
- Government departments and local authorities
- Farmers
- Tile layers and flooring screed specialists

Aggregates volumes	1996 (*)	1997 (*)	1998
thousands of tonnes			
Western Europe	40,286	43,498	94,466
North America	36,423	39,076	71,253
Other countries	5,544	5,466	12,473
TOTAL	**82,253**	**88,040**	**178,192**

* *1996 and 1997 data excludes Redland*

Concrete volumes	1996 (*)	1997 (*)	1998
thousands of m^3			
Western Europe	11,746	12,793	15,884
North America	5,322	5,711	7,873
Other countries	4,480	4,896	7,180
TOTAL	**21,548**	**23,400**	**30,937**

* *1996 and 1997 data excludes Redland*

Aggregates & Concrete sales	1996 (*)	1997 (*)	1998	1998
in millions of French francs				*of euros*
Western Europe	4,712	5,113	10,202	1,555
North America	4,261	5,233	8,221	1,253
Other countries	1,214	1,676	2,025	309
TOTAL	**10,187**	**12,022**	**20,448**	**3,117**

* *1996 and 1997 data excludes Redland*

Net operating income	1996 (*)	1997 (*)	1998	1998
in millions of French francs				*of euros*
Western Europe	182	273	655	100
North America	241	379	932	142
Other countries	(15)	(28)	(11)	(2)
TOTAL	**408**	**624**	**1,576**	**240**

* *1996 and 1997 data excludes Redland*

Total investments	1996 (*)	1997 (*)	1998	1998
in millions of French francs				*of euros*
	1,026	805	1,404	214

* *1996 and 1997 data excludes Redland*

Division workforce	1996 (*)	1997 (*)	1998
	10,544	11,166	18,140

* *1996 and 1997 data excludes Redland*

Total sales volumes in concrete amounted to 31 million m³ in 1998, a 32% increase by comparison with 1997. Volumes in aggregates stood at 178 million tonnes, 102% higher than in 1997.

The division generated sales of FRF 20.4 billion, an increase of 70% by comparison with 1997.

Net operating income was 153% higher than in the previous year, standing at FRF 1,576 million as against FRF 624 million in 1997.

Products

Aggregates

- Alluvial, calcareous and igneous materials
- Sand
- Gravel (natural or processed)
- Rip-rap
- Ballast
- Manufactured sand
- Marine aggregates
- Recycled materials
- Sand in sacks and big bags
- Calcareous fines and castings for industry and agriculture
- Production and application of asphalt concrete and surface dressings

Asphalt

- All types of road surfacing

Concrete

Ready-mix concrete

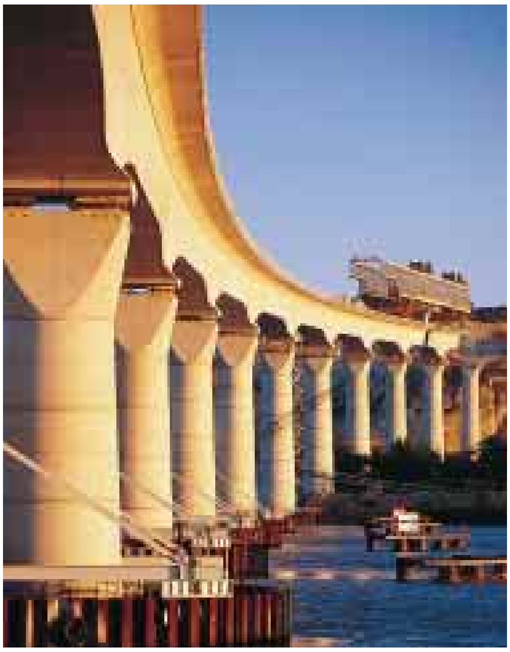
- Standard concrete
- Special concrete
- High-flow concrete (high-flow, rapid hardening, retarded set, placing in high ambient conditions)
- High-strength concrete
- Fiber concrete (metallic, synthetic)
- Lightweight concrete
- Floor screeds
- Facing concrete
- Partitioning and decorative concrete
- Road concrete
- In-filling (BC Trench fill, BC Drainage, BC In-fill)

Prefabricated units

- Pipes, blocks, floors, etc.

Mortars

- Ready-mix mortars (wet spray, dry spray)



France

Lafarge took part in every stage of construction of 500 structures (bridges, tunnels and viaducts) for the 295-kilometer Mediterranean TGV high-speed railroad link between Valence and Marseilles. The project called for the use of innovative technologies and for adaptation of normal methods to meet exceptional requirements.

Western Europe

Concrete volumes in Western Europe totaled 15.9 million m^3. The 24% rise by comparison with 1997 was chiefly due to Redland volumes in France and the United Kingdom.
Volumes in aggregates stood at 94.5 million tonnes, an increase of 117% compared to 1997. Here again, the integration of Redland was the principal factor.
Net operating income of aggregates and concrete businesses in Western Europe in 1998 totaled FRF 655 million, compared with FRF 273 million the previous year, an increase of 140%.

FRANCE
LAFARGE BÉTONS
LA GARDE ADHEMAR
By adapting production methods, installing in-site ready-mix plants and pouring at night, it was possible to meet the exceptional requirements of the contract for the Mediterranean TGV link between Valence and Marseilles, involving 500 bridges and structures.

France

- Aggregates: 247 industrial sites
- Concrete: 293 industrial sites

With Redland, Lafarge has become number two in the French concrete market and leader on the French aggregates market. These positions provide opportunities to exploit significant synergies between operations.
In 1998, Redland and Lafarge teams were united in a single joint organization, which was more efficient and better adapted to the new scale of the structure.
The French construction market was stable in 1998, sustained by the building sector. The ready-mix concrete market followed the same trend. The volumes of Lafarge excluding Redland were at a comparable level to those of 1997, with the addition of Redland volumes creating an increase of 23%.
The aggregates market expanded slightly, in spite of depression on the road building markets and, more generally, on public spending on infrastructures. Including Redland, Lafarge volumes increased by 107%, but without Redland, they would have risen by 1%.

United Kingdom

- Aggregates: 89 industrial sites
- Concrete: 105 industrial sites

The increase in Lafarge's volumes in the United Kingdom also reflects the integration of Redland.
During the course of the year, the assets of Redland Aggregates were

UNITED KINGDOM
LAFARGE REDLAND AGGREGATES
Red Macamit colored asphalt adds interest and durability to residential driveways.

totally integrated within Lafarge. Redland Aggregates absorbed Ennemix, a small concrete producer, acquired by Lafarge in 1996. Results of Lafarge Redland Aggregates improved appreciably by comparison with 1997 (the company was not consolidated by Lafarge).

Other countries in Western Europe

- Aggregates: 36 industrial sites
- Concrete: 231 industrial sites

In Spain, increases of 31% in concrete volumes and of 24% in aggregates volumes by comparison with 1997 levels reflected the excellent health of the construction sector in 1998.
Concrete volumes also rose in both Italy and Greece. On the other hand, there were appreciable falls in concrete and aggregates volumes in Germany.

North America

- Aggregates: 233 industrial sites
- Concrete: 223 industrial sites

The year's largest project consisted in integrating Redland's assets into the Lafarge Corporation industrial network. The sites in question are geographically concentrated in the states of Colorado, New Mexico, Maryland and New York in the United States and in the Canadian province of Ontario. Lafarge Corporation now holds leadership positions in Maryland, Colorado and New Mexico, three states that are expected to benefit substantially as of 1999 from a highway construction program spread over the next six years.

Net operating income for the new structure in 1998 amounted to FRF 932 million, an increase of 146% by comparison with 1997.

This increase is accounted for by both the integration of Redland and growth in profits from Lafarge Corporation operations mainly stemming from increased volumes in the United States and the East of Canada, as well as the impact of continuing cost-reduction measures.

Concrete volumes sold by Lafarge Corporation in 1998 totaled 7.9 million m^3, while aggregates volumes stood at 71.3 million tonnes.

Other countries

- Aggregates: 33 industrial sites
- Concrete: 177 industrial sites

Total volumes in concrete for all other countries amounted to 7.2 million m^3, and volumes in aggregates to 12.4 million tonnes.

In Turkey, volumes in concrete rose, but those in aggregates declined.

In Brazil, a slowdown in construction markets late in the year did not prevent an increase in both concrete and aggregates volumes for the year taken as a whole.

Lafarge South Africa, a company purchased by Lafarge in 1998, holds significant positions on both concrete and aggregates markets in South Africa.

Net operating income of aggregates and concrete businesses in all these countries for the financial year amounted to a loss of FRF 11 million, as against a loss of FRF 28 million in 1997.

**UNITED STATES
LAFARGE CORPORATION**

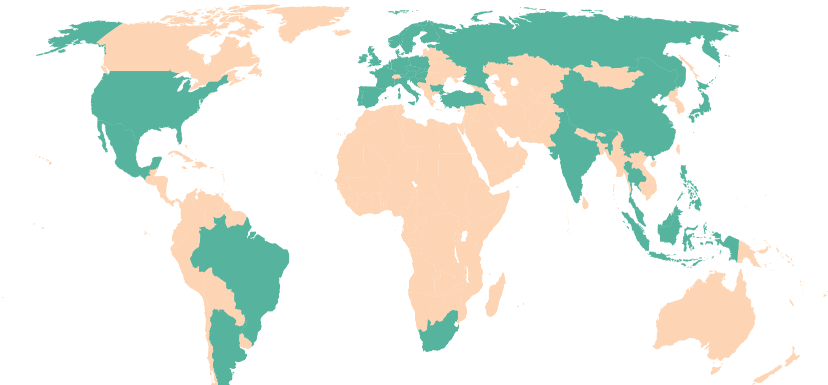
**The Seattle airport center was built using tilt-up concrete construction techniques consisting of large concrete panels which are poured in situ and then assembled.
The widely-used tilt-up construction method produces durable, high-quality buildings and lends itself to variety of decorative treatments.**

Roofing

- A new management structure organized by product line
- Numerous initiatives taken to strengthen worldwide leadership positions
- Stable results overall, in spite of lower volumes on the Division's largest European market, Germany

A comprehensive product offering of roofing products and accessories in every style, and of chimney systems.

International presence



Countries with Lafarge production facilities

The Roofing division, acquired at the end of 1997 with Redland, comprises the structures of Lafarge Braas (which is 56.5% owned by Lafarge) and businesses in North and South America (United States, Mexico, Brazil and Argentina), Asia (Japan, China, Indonesia, Malaysia, the Philippines, Thailand and India) and South Africa. It was integrated into Lafarge results for the first time in 1998.

Lafarge Braas Roofing, the Roofing division of Lafarge, is world number one for roofing products. It is market leader in the majority of European countries, holds significant positions in North America (in partnership with the Australian Boral group), and operates growing businesses in other countries.

Lafarge Braas Roofing develops know-how for all forms of roofing. It chiefly operates in the following sectors:

- pitched roofs (concrete roof tiles, clay roof tiles, roofing accessories), constituting 78% of annual sales,
- chimney systems, which account for 13% of annual sales,
- flat-roofing membranes, representing a further 5% of annual sales.

In 1998, Lafarge Braas Roofing generated consolidated sales of FRF 10.3 billion, which was 4% below the 1997 level. This drop is mainly accounted for by the poor performance of the German market, particularly in the eastern part of the country.

In this context, and, in particular, in order to maintain a high level of profitability, a certain number of actions were undertaken in the early part of 1998.

In the first place, a new, more streamlined management structure was implemented, incorporating a worldwide organization by product line (concrete roof tiles, clay roof tiles, chimneys), along with the creation of a central Performance department given the task of spreading

Customers

- Roofers
- Retailers
- Building contractors
- Renovation contractors
- Prefabricated housing manufacturers
- Chimney constructors
- Individuals

Products

Roofing materials

- Concrete roof tiles
- Clay roof tiles
- Flat-roofing membranes
- Roofing accessories
- Rainwater systems

Chimneys

- Ceramic chimney systems
- Steel chimney systems
- System accessories

221 plants, including:
- 171 in Europe
- 18 in North and South America
- 26 in Asia
- 6 in South Africa

Roofing

best practices throughout all operating units around the world.

At the same time, significant steps were taken to reduce costs throughout the entire organization (in particular, concrete roof tile plants were closed in Germany and other European countries) and to reinforce the division's technical, marketing and commercial leadership. A program seeking to slice almost FRF 350 million off costs over three years was implemented.

In order to strengthen its market leadership, Lafarge Braas Roofing also launched numerous new products intended to provide an even better response to its customers' expectations. These included a new clay roof tile in Germany ("Achat"), a new concrete roof tile in France ("Evolution"), a new concrete roof tile in Benelux ("Cisar") and new chimney systems. In Germany, 50% of 1998 sales volumes in clay roof tiles were generated by products that have been launched in the course of the last three years.

Finally, in order to ensure that the entire division functions with maximum efficiency, Lafarge has assigned management of operations outside Europe to Lafarge Braas, so that all roofing operations worldwide are under the leadership of a sole management team.

Net operating income of the Roofing division totaled FRF 1,555 million in 1998. The business was not consolidated in 1997.

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Volumes	**1998**
millions of m^2	
Concrete roof tiles, Europe	81.3
Clay roof tiles, Europe	21.6
Concrete roof tiles, Asia / Americas	70.1
Flat-roofing membranes	17.2
Chimneys (km)	2,771

Sales	**1998**	**1998**
in millions	*of French francs*	*of euros*
Concrete roof tiles, Europe	4,684	714
Clay roof tiles, Europe	1,378	210
Concrete roof tiles, Asia / Americas	901	137
Flat-roofing membranes	542	83
Chimneys	1,203	183
Accessories and others	1,583	241
TOTAL	**10,291**	**1,569**

Net operating income	**1998**	**1998**
in millions	*of French francs*	*of euros*
Europe	1,543	235
Asia / Americas	12	2
TOTAL	**1,555**	**237**

Total investments	**1998**	**1998**
in millions	*of French francs*	*of euros*
	1,132	173

Division workforce	**1998**
	11,668

Concrete roof tiles

Concrete roof tiles are particularly appreciated in Northern European countries, for both their appearance and their mechanical qualities.
They are also in a significant phase of development in Latin American and Asian certain countries.
Lafarge Braas is leader on all of these markets. Total volumes in Europe (excluding operations consolidated proportionally) amounted to 81.3 million m^2 in 1998.
In Germany, Lafarge Braas Dachsysteme volumes dropped in a pitched roofing market which itself fell by 2%. The decline was appreciable in the eastern part of the country, particularly in the public housing segment in which concrete roof tile penetration is the greatest. In response to this situation, rigorous measures were taken to control costs (in particular, it was decided to concentrate tile production on fifteen sites, as against twenty-one at the start of 1998), and the product range was restructured.
Volumes were also down for Lafarge Dakprodukten (Netherlands), where the market fell away by more than 10%. In this context, one plant was closed, the sales networks of several companies were amalgamated, and new products were launched. On the other hand, volumes of Redland Roofing Systems in the United Kingdom increased, as did those of Lafarge Couverture in France.
Volumes in Poland also enjoyed strong growth.
Volumes of concrete roof tiles in the United States were boosted by an upward trend in the house construction market, and rose by 7%.

In the emerging countries, where Lafarge Braas Roofing has developed promising positions, there were contrasting situations: while operations in China and Brazil experienced strong growth, volumes fell in Japan, Indonesia and Malaysia, three countries badly affected by the economic crisis which struck the region in 1998.
Commercial initiatives were also taken in a number of countries, with the aim of penetrating European renovation markets more effectively.

Clay roof tiles

Clay roof tiles are particularly popular in Southern European countries, although in recent years they have also gained market share in Germany.
Lafarge Braas is the largest European manufacturer of clay roof tiles, and holds key positions on all of its markets.
The new product line-based organization of Lafarge Braas Roofing will result in substantial synergies between units, in particular improving the productivity of the fifty European production sites.
In 1998, total volumes rose steeply to almost 22 million m^2. This increase attests to the success of the strategy of winning market share, particularly in Germany, supported by a policy of innovation and improving the services offered to customers.
Volumes rose sharply particularly in Germany, chiefly as a result of the introduction of the new "Achat" range, RuppKeramik significantly raising its market share.
Good progress was achieved in terms of production and performance.

GERMANY
RUPPKERAMIK
Roofing in copper-red Rubin clay roof tiles.

Volumes also increased in the United Kingdom, in the Scandinavian countries and in France.
Volumes fell in Italy in the context of a market slowdown by comparison with 1997, but market share increased.

Chimneys

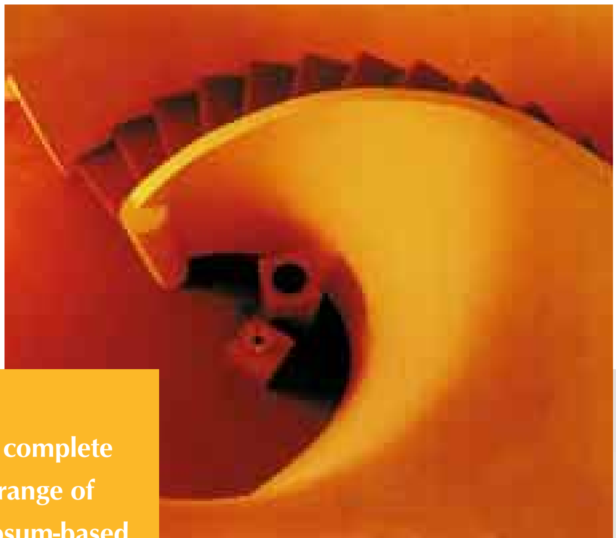
Schiedel is the European leader for chimney systems, with first-choice positions on the majority of European markets.
All chimney markets in Western Europe stagnated in 1998. In this environment, and with the help of new product launches and further improvements made to customer service, market share rose and sales stood 2% higher.

Flat-roofing membranes

As a result of lower volumes in Germany not completely offset by improved volumes in Eastern Europe, total volumes of Braas Flachdachsysteme fell marginally in 1998.

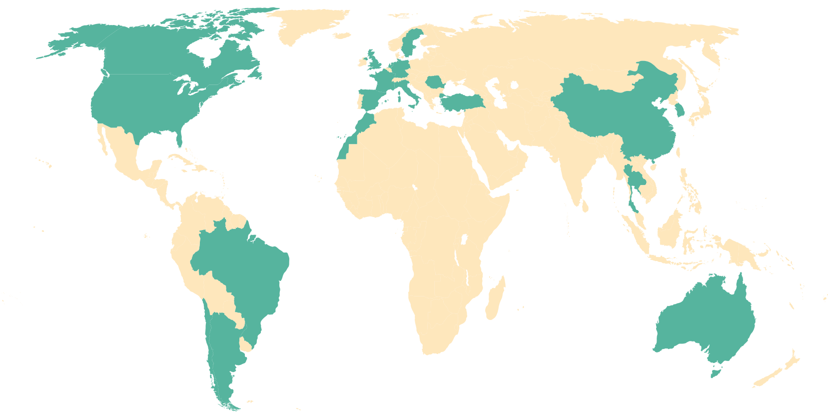
GYPSUM

- Increase in income, particularly owing to excellent market trends in the United States
- Continuing international expansion, particularly in China, South Korea and the United States



A complete range of gypsum-based products and systems for all types of finishing and interior works.

INTERNATIONAL PRESENCE



63 plants, including:
- **46 in Europe and the Mediterranean basin**
- **3 in North America**
- **7 in Latin America**
- **7 in Asia-Pacific**

■ **Countries with Lafarge production facilities**

By pressing ahead with the drive to develop its production facilities, launching new products on the market and offering its customers constantly improved services, the Gypsum division made further progress in 1998 towards its objective of becoming one of the international leaders in gypsum wallboard.

Thanks to generally favorable market trends and to gains achieved in performance, the Gypsum division's results once again improved in 1998. The Division posted sales of FRF 4.4 billion, an increase of 4% by comparison with 1997. Net operating income totaled FRF 509 million, as against FRF 462 million the previous year, a rise of 10%.

Simplified income statement	1996	1997	1998	1998
in millions of French francs				*of euros*
SALES	**3,356**	**4,235**	**4,395**	**670**
NET OPERATING INCOME	**288**	**462**	**509**	**78**
of which Western Europe	294	380	394	60
of which North America	13	68	109	17
of which other countries	(19)	14	6	1
INVESTMENTS	**943**	**826**	**1,105**	**168**
DIVISION WORKFORCE	**3,199**	**3,255**	**3,143**	

CUSTOMERS

Building
- Building materials wholesalers, plus indirect supplies to:
  - Building contractors
  - Craftsmen
  - Stucco specialists
  - Decoration and plasterers
  - Major retailers
  - Individuals
- Floor screed installers

Industry
- Bathroom fixtures and ceramics manufacturers
- Surgical and dental supplies
- Modeling
- Transformers
- Jewelry makers

Public works
- Road building contractors

PRODUCTS
- Wallboard for partition walls, insulation panels, dry lining, ceilings and floors
- Accessories used in application
- Plasters for indoor wall coverings
- Anhydrite floor screeds
- Plaster blocks
- Expanded and extruded polystyrene and polyurethane used in thermal and acoustic insulation
- Thermal and acoustic insulation systems
- Expanded polystyrene block fillers for load bearing
- Special plasters

GYPSUM

European markets

Volumes in gypsum wallboard increased by 7%, with rises in all countries where the Division operates with the exception of Benelux. The strongest growth was recorded in countries where wallboard penetration is the least pronounced, such as Italy and Spain, as well as Poland, which is supplied by the Group's Lübbenau plant in Germany (located near Berlin).

Volumes in gypsum blocks in France and Germany resisted well, but consumption of building plaster fell slightly.

In the majority of countries, gypsum wallboard selling prices either held steady or suffered slight erosion. There was a more appreciable price reduction in Germany, however, where it averaged 14%.

Business in screeds increased on all markets, with the exception of Eastern Germany. It benefited from the substitution of traditional solutions by self-leveling applications.

In product innovation, Lafarge Plâtres developed the concept of the Cinema SLP partitioning, which offers a better performance-to-price ratio than previous traditional solutions. Based on gypsum wallboard, this system satisfies the triple technical demands of fire resistance, acoustic performance and adaptability for extra-height partitioning.

In Germany, the range was supplemented with higher added value products, such as DekoPlus systems and prefabricated products based on gypsum wallboard.

Four new versions of Archibald, the specification tool software developed by Lafarge Plâtres in 1996, were launched in 1998. They are geared to the specific needs of wholesalers, design offices, architects and masons.

Significant strides were taken in cutting logistics costs, increasing plant efficiency, reducing consumption of raw materials (paper and gypsum) and boosting procurement performance. The improvement in performance of the Bristol plant was particularly marked.

There was redeployment of the French sales network to increase its presence in each region and to provide support and service functions as part of a customer relations department, giving added value to the customer.

Following strong growth in 1997, there was a slight rise in net operating income for the European zone, the advances that were made offsetting the fall in prices mentioned above, particularly in Germany.

UNITED KINGDOM
LAFARGE PLASTERBOARD
The flexibility of today's drywall systems is shown in the Round House, Huddersfield, a former Victorian water-tank converted into a home, where they have been adapted to provide curved finishes.

Markets in other countries

In North America, sustained by strong trends in the construction market in both the domestic and commercial sectors, Lafarge Gypsum recorded volumes in gypsum wallboard that were a further 4% up on what was already a high level in 1997. In this context, it was possible to increase prices. Sales posted for the year were therefore 13% higher than in 1997, while net operating income rose 60% by comparison with the previous year, at FRF 109 million.

Although the pace slowed, growth in both markets and volumes in Brazil, Argentina and Chile remained comfortably in double figures. Our partnership with the Etex group in these countries also benefited from the successful start-up of a new gypsum wallboard plant in Chile.

In China, the Shanghai plant, built a year ago, sold its first wallboard in June. Volumes developed rapidly, with the support of a carefully selected network of distributors. The plant intends to supply the principal Chinese markets.

Our Australian joint venture operation, Pioneer Plasterboard, enjoyed strong demand (up 14% on the previous year) and steady selling prices. Net operating income for all these companies was FRF 33 million (or 40%) higher than in 1997.

CHINA
LAFARGE ONODA
GYPSUM IN SHANGHAI
In the Shanghai Opera House, the work of French architect Jean-Marie Charpentier, gypsum wallboard has been used for the interior partitions.

Developments

The Gypsum division continued its international expansion program, making a number of significant moves in 1998 and in the first few months of 1999.

In Spain, apart from the start-up of a very modern plaster plant in Madrid by Yesos Ibericos, a joint subsidiary with Uralita, the Division boosted its reserves of natural gypsum by acquiring a large quarry near Almeria. This quarry now supplies our British plant in Bristol.

In Turkey, Lafarge Plâtres took a 50% stake in a family-owned company, Dalsan, which is a major plaster producer. The company is in the process of constructing a gypsum wallboard plant in Ankara to keep pace with a fast-growing market.

In South Korea, an opportunity was taken to acquire two wallboard plants constituting more than half of the country's total installed capacity. South Korea is the second-ranking country in Asia for gypsum wallboard (after Japan). Following the crisis that has struck the region, the country has high potential for recovery and growth.

Turning to North America, Lafarge Corporation purchased a plant and associated gypsum reserves at Corner Brook, Newfoundland, in Canada. Lafarge Corporation will invest in this facility, and develop its volumes in the Maritime provinces and in Quebec.

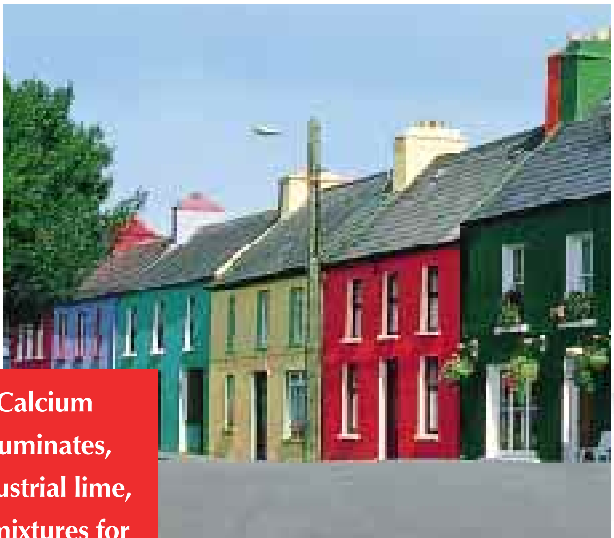
Early in 1999, Lafarge Gypsum also announced plans to build a major gypsum wallboard plant for an investment of US$ 90 million (FRF 520 million). Located in Silver Grove, Kentucky, near Cincinnati, Ohio, the facility is scheduled to come on line in the first half of 2000 and will have annual capacity of more than 80 million m^2. This will bring Lafarge Gypsum's total annual production to 150 million m^2.

All the developments that have occurred in the last few years have profoundly altered the complexion of the Gypsum division. It now has operations on all five continents, and it has doubled its production capacity in the last five years.

Sales generated outside France now constitute 56% of total sales.

SPECIALTY PRO

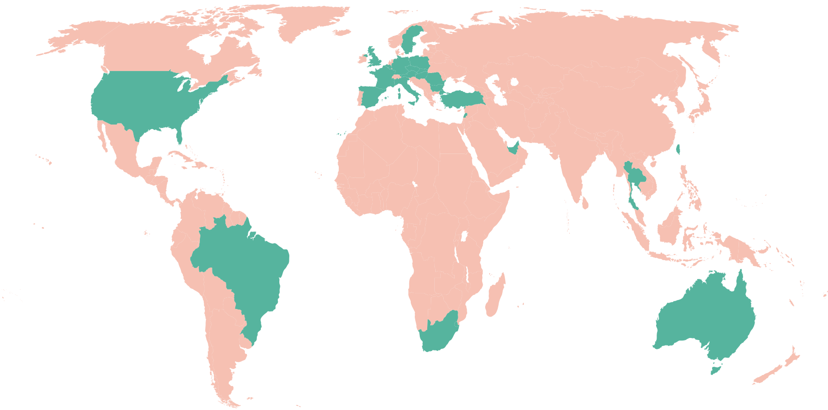
- Growth in all business lines
- Integration and development of lime operations, particularly in North America in conjunction with the Belgian Group, Carmeuse



Calcium aluminates, industrial lime, admixtures for construction materials, refractories, road-marking paints and products, facing mortars, special mortars and adhesives and flooring systems, interior and exterior paints.

DUCTS

International presence



74 plants

Countries with Lafarge production facilities

Business lines

- Aluminates and Lime
- Mortars
- Admixtures
- Refractories
- Paints
- Road Marking

Lafarge Specialty Products once again enjoyed a year of growth in 1998, both in sales, which totaled FRF 7.4 billion as against FRF 6.3 billion the previous year, and in net operating income, which rose by 38% by comparison with 1997 to FRF 511 million.

Simplified income statement *in millions of French francs*	1996	1997	1998	1998 *of euros*
Sales	5,708	6,310	7,365	1,123
Net operating income	225	369	511	78
Investments	250	656	670	102
Division workforce	4,878	5,005*	5,175	

* Excluding Redland

Specialty Products

Aluminates

◗ 7 plants

1998 was a good year for Lafarge Aluminates, in spite of a reversal of refractory market trends occurring mid-way through the year. While pressing on with measures to improve productivity, Lafarge Aluminates focused on offering services corresponding better to its customers' needs. In particular, it introduced new operating methods both for Research and Development and for sales and technical assistance in 1998.

In February 1999, Lafarge Aluminates announced plans to build a new plant in Tianjin, China, which will enable the Group to strengthen its positions in Asia. The facility, which is scheduled to start up in 2001, constitutes an investment of more than US$ 25 million.

◗ Customers

- **Industries using refractory products**
- **Industries using chemicals for the building industry**
- **Steel mills**
- **Pipe producers**
- **Mining companies**
- **Waste treatment specialists**
- **Public works contractors**

◗ Products

- **Calcium aluminates**
- **Mineral reactants**
- **Synthetic aggregates (Alag)**

Lime

◗ 6 plants

The creation of Lafarge Lime and developments in North America with the constitution of an alliance with Carmeuse and the joint acquisition of Dravo attest to Lafarge Specialty Products' strong desire to develop the lime sector.

Apart from North America, Lafarge Lime operates plants in the United Kingdom, Poland, Hungary, Romania and Turkey. A new management team will now concentrate on expanding the business on international markets.

◗ Customers

- **Steel mills**
- **Industries using refractory products**
- **Construction industry**
- **Glass-making industry**
- **Chemical industry**
- **Environmental protection applications**
- **Paper industry**
- **Road building companies**
- **Agriculture**

◗ Products

- **High-calcium and hydrated lime**
- **Hydraulic lime**
- **Fired dolomite**
- **Dolomite lime specialist products**

Mortars

◗ 24 plants

All companies operating in formulated products, coatings, adhesives and mortars both in France and in other countries were united during the course of 1998, leading to the creation of a new entity, Lafarge Mortars, on January 1, 1999.

The business represents annual sales of FRF 2 billion. Operations are located worldwide, in 24 production facilities.

◗ Customers

- **Masons**
- **Wall-surfacing specialists**
- **Tile layers**
- **Flooring specialists**
- **General and civil engineering contractors**
- **Flexible floor covering installers**
- **Building materials wholesalers**
- **Wholesalers in specialist wall-surfacing, tiling, painting or decorating materials**
- **DIY superstores**

◗ Products

- **Facing mortars (hydraulic renders, surface finishes, external thermal insulation systems)**
- **Adhesives and flooring (support preparation, tile adhesives, wallpapering adhesives)**
- **Specialty mortars(finishing, repairs, sealing, impermeability, jointing, fixing, additives, assembly)**

Admixtures

◗ 9 plants

Lafarge Specialty Products markets a whole range of cement additives and concrete admixtures as well as manufacturing resins.

In France, Chryso's volumes increased appreciably on a market that expanded slightly in spite of construction of the TGV South-East high-speed railroad coming to an end.

Business outside France also improved.

Customers

- Public works contractors
- Ready-mix concrete producers
- Prefabricated products manufacturers
- Cement producers
- Gypsum plants

Products

- Range of admixtures for concrete, cement, mortars and gypsum
- Coloring agents for concrete
- Resins for floor finishes

Refractories

9 plants

The integration of the Swedish company, Höganäs Eldfast, acquired in 1997, and the acquisition in December of the German company, Basalt Feuerfest GmbH, provided the highlights of 1998.

A major player in the European refractories sector, Basalt Feuerfest operates plants in Germany, Austria and Italy. Annual sales of Lafarge Monolithiques, excluding Basalt (not consolidated in 1998), stood at FRF 1.3 billion.

Volumes in refractory concretes were stable in 1998, even though the European market slowed down in the fourth quarter.

Customers

- Industries using high-temperature technologies

Products

- Refractory concrete

Paints

7 plants

The main events of 1998 were:

• development in Italy, where the acquisition of the Max Meyer Duco decorative paints business from American Group PPG established Lafarge Peintures as market leader in Italy,

• a projected alliance with the paints division of Petrofina, which was aborted with the announcement of a merger between the Total and Petrofina Groups.

The year also saw Lafarge Peintures post improved figures.

The French market recorded slight growth for the first time in four years. Gains were made in profitability and measures to restructure operations and lower costs were again enforced. In particular:

• the Dutch plant of Breda was closed, and its production transferred to two facilities in France, Wormhout (near Dunkirk) and Champagné (near Le Mans),

• cost reductions were made in the Agora retail network, which was also revitalized commercially.

Customers

- Painting contractors
- Wholesalers in paints and decorating products
- DIY superstores

Products

- Interior and exterior paints
- Decorating products
- Anti-corrosion and industrial paints

United States Lafarge Road Marking
has applied road markings to over 725,000 miles of roads in the United States.

Road Marking

12 plants

The successive acquisitions of Centerline and Linear Dynamics in the United States established Lafarge Road Marking as the U.S. market leader, with a market share of more than 15%.

The annual sales of Lafarge Road Marking now total more than FRF 1 billion, of which over one half is generated outside France.

Customers

- Town and country planning departments
- Local authorities
- Municipal and local technical services
- Equipment pools
- Toll motorway operators
- Private-sector contractors

Products

- Paints and products for road marking
- Road safety systems
- Road-marking equipment
- Highway and urban road-marking operations

Outlook 1999

In 1999, as in 1998, the majority of Lafarge's markets are expected to continue to expand.
In Western Europe, the major trends of 1998 should continue, with a slight increase in overall volumes and favorable price trends. The German market should finally stabilize towards the end of the year.
We forecast another good year for North America, particularly with regard to cement, concrete and road materials businesses in the United States, where the "TEA 21" long-term highways construction program is expected to ensure a high level of business. Business in Canada should be stable.
In Eastern Europe, the trends of 1998 are expected to be prolonged. Lafarge will press ahead with its restructuring and plant modernization programs in the region, particularly in Romania.
We anticipate the following trends in the newly industrialized countries:

- a satisfactory level of business in the Mediterranean Basin,
- a slowdown in business in Brazil and Venezuela,
- recovery in business in Africa, especially in Kenya, which experienced a difficult year in 1998.

In Asia, South Korea is expected to return to growth, and growth should continue in India and in China. No improvement is anticipated in the Indonesian economy. In the Philippines, construction markets are likely to stabilize at 1998 levels.

Lafarge intends to continue with its development program, certain acquisitions being scheduled for the first half-year (in India, Egypt, etc.).
For the year as a whole, forecasts for 1999 development investment are set at FRF 6 to 8 billion. This will be funded primarily by cash flow from operating activities and the operations still remaining in the asset divestment program begun in 1998.
The Group's objective is to maintain indebtedness at 1999 year-end at the same level as at the end of 1998, i.e. roughly FRF 35 billion.
Under these conditions, and in view of an expected increase in stockholders' equity, the debt-to-equity ratio, which stood at 87% on December 31, 1998, should be at a level of below 80% at the end of 1999.

Year 2000 compliance

As early as 1997, the Group set about the task of protecting its computer systems and electronic equipment from all risks of error arising out of lack of Year 2000 compliance. This has taken the form of:

- implementing a prevention program which has already been launched and will be concluded before the end of 1999,
- drawing up emergency action plans lining up potential measures to be taken at the start of 2000.

The prevention program is built around the following three phases:

1. inventory and assessment of risks,
2. upgrading or replacement of current systems,
3. testing and deployment of solutions.

The implementation and coordination of the program is managed and controlled by a task force which reports directly to the Group Executive Committee and which extends to all divisions and production centers.
At this stage, the risks have been inventoried and assessed. All IT systems and electronic equipment have been reviewed, as planned. Critical points have been identified, and a schedule of compliance programs has been established.
In parallel, steps have been taken to ensure that all key suppliers have themselves taken the necessary measures to protect themselves from risks of errors relating to non-Year 2000 compliance.
The second phase of the program has now been launched, and is following a normal course. The preparation of emergency action plans is also under way.
In addition to dealing with these issues, the program has provided the opportunity to verify that the Group's various computer systems will accept the transition to the euro without difficulty.
The Group considers that these measures, representing an estimated cost of FRF 250 million over 1998 and 1999, will ensure that Lafarge will be able to cross the threshold into the next millennium with no significant disruption to its business.

ORGANIZATION CHART

CORPORATE STAFF

Corporate Strategy
Olivier Legrain

Corporate Finance
Miguel del Campo
- **Finance:**
  Jean-Pierre Cloiseau
- **Legal Affairs:**
  André-Gilles Taithe
- **Information Technology:**
  Dominique Malige

Human Resources & Organization
Christian Herrault

Corporate Communication
Denis Berthu

Research & Development
Christian Sacchetti

Strategic Marketing
Philippe Gruat

Environment and Public Affairs
Patrick Nodé-Langlois

DIVISIONAL MANAGERS

Cement
(Yves de Clerck)

France
Jean Carlos Angulo

Spain
Isidoro Miranda

Central Europe
Philippe Rollier

Euro Mediterranean/Middle East/ West Africa
Jean-Charles Blatz

Turkey
Benoît Madre

Morocco
Jean-Marie Schmitz

Brazil
Albert Corcos

Central and Latin America
Fernando Santos

China
Jean-Marc Lechêne

Asia-Pacific
Jean Desazars de Montgaillard

East Africa/Indian Ocean
Jean-Claude Hillenmeyer

North America
Duncan Gage, United States
Peter Cooke, Canada

Aggregates & Concrete
(Charles de Liedekerke)

France
Aggregates: Bernard Le Bras
Concrete: Pierre-Yves Périgois

United Kingdom
Ian Reid

Spain - Portugal
Isidoro Miranda
Antonio Sobral Cruz

Central Europe
Philippe Rollier

Euro Mediterranean/Middle East/ West Africa
Jean-Charles Blatz

Turkey
Benoît Madre

Morocco
Jean-Marie Schmitz

Brazil
Albert Corcos

Central and Latin America
Fernando Santos

China
Jean-Marc Lechêne

East Africa/Indian ocean
Jean-Claude Hillenmeyer

North America
Ted Balfe

Roofing
(N. Erich Gerlach)

Product Group Concrete Roof Tiles
Ulrich Glaunach

Product Group Clay Roof Tiles
Paul Kolowratnik

Asia - Americas
Didier Riou

Chimney systems business line
Mario Wallner

Gypsum
(Bruno Lafont)

France
Bernard Lekien

North Central Europe
Jean-Christophe Barbant

Euro Mediterranean
Philippe Questiaux

United Kingdom, Asia Pacific and South America
David Calow

China
Nicolas Fournier

Screeds business line
Jacques Sarrazin
Alain Arrecgros

Specialty Products
(Olivier Legrain)

Mortars business line
Patrick de Belloy

Aluminates and Lime business lines
Alain Crouÿ

Refractories business line
Richard Germain

Road Marking business line
Denis Maître

Paints business line
René Riu

Admixtures Business Unit
Marcel Jacquoletto

Legal and financial information statements

Contents

Consolidated income statement for the year ended December 31, 1998

(in millions of French francs unless indicated otherwise)

	Notes	1998	1997	1996
Sales	**2**	**64,294**	**42,066**	**35,262**
Cost of sales		(42,192)	(27,902)	(23,478)
Selling and administrative expenses		(9,191)	(6,036)	(5,562)
Gross operating income		**12,911**	**8,128**	**6,222**
Depreciation and amortization		(4,113)	(2,571)	(2,153)
Share of earnings of equity affiliates	3	366	73	100
Gross operating income on ordinary activities		**9,164**	**5,630**	**4,169**
Gains (losses) on disposals		455	351	116
Other revenues (expenses)		(315)	(460)	(238)
Operating income		**9,304**	**5,521**	**4,047**
Net financial expenses	4	(1,890)	(604)	(522)
Income before tax		**7,414**	**4,917**	**3,525**
Income tax	5	(2,106)	(1,253)	(825)
Net income of consolidated companies		**5,308**	**3,664**	**2,700**
Minority interests		(1,549)	(962)	(662)
Amortization of goodwill		(700)	(270)	(192)
Net income, Group share		**3,059**	**2,432**	**1,846**
Net income per share (in French francs)		**32.3**	**27.2**	**20.5**
Average number of shares outstanding		94,587	89,524	90,287

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1998

(after appropriation, in millions of French francs)

	Notes	1998	1997	1996
Intangible assets	6	5,185	4,479	3,872
Goodwill	7	17,510	13,432	4,611
Property, plant and equipment	9	43,420	43,636	23,526
FIXED ASSETS, NET		**66,115**	**61,547**	**32,009**
Investments in equity affiliates	10	2,074	1,865	756
Other investments	10	5,907	3,039	4,129
Long term loans and receivables		2,456	2,575	1,513
OTHER LONG TERM ASSETS		**10,437**	**7,479**	**6,398**
Inventories and work-in-progress	11	6,969	6,758	4,088
Accounts and notes receivable, trade		10,265	9,968	6,897
Other receivables		4,536	4,104	1,843
Accounts and notes payable, trade		(5,985)	(5,480)	(3,542)
Other Payables		(10,087)	(10,645)	(5,138)
WORKING CAPITAL REQUIREMENTS		**5,698**	**4,705**	**4,148**
TOTAL ASSETS		**82,250**	**73,731**	**42,555**
Common stock	12	2,570	2,366	2,360
Additional paid-in capital		15,177	12,130	12,069
Reserves	13	14,686	12,855	11,666
Translation differences		(2,912)	(1,230)	(1,935)
STOCKHOLDERS' EQUITY GROUP SHARE	**14**	**29,521**	**26,121**	**24,160**
Minority interests		9,668	8,776	5,305
Other equity		883	169	148
TOTAL EQUITY		**40,072**	**35,066**	**29,613**
PROVISIONS	**15**	**7,274**	**6,391**	**3,625**
Long- and medium-term debt		27,150	33,012	10,637
Current portion of long- and medium-term debt		1,673	3,020	1,805
Short-term bank borrowings		12,444	1,920	169
Cash and cash equivalents		(6,364)	(5,678)	(3,294)
NET INDEBTEDNESS	**16**	**34,904**	**32,274**	**9,317**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**82,250**	**73,731**	**42,555**

Consolidated cash flow statement for the year ended December 31, 1998

(in millions of French francs)

	Notes	1998	1997	1996
Cash flow from operating activities		**8,862**	**6,126**	**4,774**
Changes in working capital requirements		61	280	(433)
Net cash from operating activities		**8,923**	**6,406**	**4,341**
Purchase of property, plant and equipment		(6 940)	(3 985)	(3 064)
Investment in consolidated companies (1)	7	(5 461)	(23 917)	(2 250)
Investment in non-consolidated companies		(4 224)	(1 333)	(1 695)
Movements in treasury stock		(218)	(158)	(661)
Net book value of assets sold (2)		2 728	1 544	603
Net increase in loans and other long-term receivables		(51)	(327)	(152)
Net cash used in investing activities		**(14 166)**	**(28 176)**	**(7 219)**
Proceeds from issuance of common stock		3,966	555	659
Increase (decrease) in other equity		38	19	(2,813)
Dividends paid		(1,483)	(1,223)	(1,092)
Net cash used in financing activities		**2,521**	**(649)**	**(3,246)**
Decrease (increase) in net indebtedness		**(2,722)**	**(22,419)**	**(6,124)**
Decrease (increase) in gross debt		(3,860)	(25,113)	(5,011)
Increase (decrease) in cash and cash equivalents		**1,138**	**2,694**	**(1,113)**
Cash and cash equivalents at beginning of the year		5,678	3,294	4,366
Effect of exchange rate changes		(452)	(310)	41
Cash and cash equivalents at end of the year		**6,364**	**5,678**	**3,294**
(1) Including net indebtedness of companies acquired		*(539)*	*(4,075)*	*(639)*
Including cash balances of companies acquired		*1*	*1 582*	*2*
(2) Including net indebtedness of companies disposed of		*362*	*12*	*(13)*
Including cash balances of companies disposed of		*(253)*	*-*	*(18)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ALL FIGURES ARE IN MILLIONS OF FRENCH FRANCS UNLESS INDICATED OTHERWISE)

1 - ACCOUNTING POLICIES

The consolidated financial statements have been drawn-up in accordance with the provisions of French accounting legislation (law of January 3, 1985 relating to consolidated financial statements and decree of February 17, 1986).
They are prepared in accordance with International Accounting Standards, with the exception, from January 1, 1995, of the standard which defines the maximum amortization period for goodwill (see note 1-a), and, from January 1, 1998, of the standards n°12 revised relating to income taxes (see note 1.l) and n°33 relating to earnings per share. Although the IASC has actively pursued its work, a certain number of issues still pending, in particular the standard relating to financial instruments, prevent from applying consistently the full core standards. Thus, in order to keep a proper financial communication, the group is willing to ensure the continuity of the accounting policies and wait until the IAS program is stabilized to consider its implementation.

a) Consolidation policy

CRITERIA FOR CONSOLIDATION AND CONSOLIDATION METHODS

Companies over which Lafarge has exclusive control are fully consolidated.
Companies over which Lafarge has significant influence are accounted for by the equity method.
Companies over which control is exercised jointly with another group are consolidated on a proportional basis.

BASIS OF CONSOLIDATION

The accounting period for the financial statements of all companies included in the consolidation ends on December 31. The individual companies' financial statements are adjusted, where necessary, to comply with Group accounting policies.

FOREIGN COMPANIES

The financial statements of foreign companies are translated using the closing rate of exchange method: translation of all assets and liabilities in the balance sheet at the year-end rate of exchange, and of all income statement items at the average annual rate of exchange. Translation gains and losses are shown separately under stockholders' equity.

For companies in countries with high inflation, as an exception to the above, fixed assets, investments, inventories and the corresponding income statement items are not revalued and the original values are translated at historical rates of exchange. Translation gains and losses are included on the relevant line in the income statement.

GOODWILL

The difference between the cost of investments (including related acquisition costs) in consolidated companies and the corresponding share of the fair value of net assets at the date of acquisition is accounted for as goodwill. Goodwill includes intangibles which cannot be valued with sufficient accuracy or which are difficult to monitor. Negative goodwill is recorded within provisions.

• The excess of fair value over book value is assigned to the relevant balance sheet classification and subsequently subjected to the corresponding accounting treatment. It can include particular non-amortizable intangibles such as market shares and trademarks, to the extent that they can be valued using a sufficiently accurate and objective method based on average profitability. Changes in the value of such intangibles in future periods are monitored using the same criterion and where necessary a diminution in the value of such assets provided.
Minority interests are credited with their share of the revaluation of recorded assets in acquired companies.

• The Group continues to amortize its goodwill balances over periods not exceeding 40 years. IAS 22, which came into force on January 1, 1995 laid down a maximum amortization period of 20 years, and the revised standard becomes operative for annual financial statements covering periods beginning on or after July 1, 1999. The latter allows in particular for the adoption of longer periods of amortization subject to performance of an annual impairment test.

Negative goodwill is released to the income statement on a systematic basis, in accordance with a schedule which takes into account the objectives and the acquired company's prospects at the time of acquisition.

Lafarge allows one year before finalizing its analysis of the allocation of the differences between cost of acquisition and net assets acquired.

These accounting policies have been applied to acquisitions which have taken place since January 1, 1989. Before this date the value of market shares, trademarks and positive and negative goodwill were not capitalized but written off against reserves.

Effective date of acquisitions and disposals

Only post-acquisition results of companies consolidated for the first time during the year are included in consolidated income.

Similarly, only the share of results realized prior to the sale of investments disposed of during the year is included in consolidated income.

b) Sales

Consolidated sales represent the value, net of tax, of goods and services sold by Group companies in the normal course of operations, after intercompany eliminations.

c) Other revenues (expenses)

Other revenues (expenses) result from operations and include in particular net reorganization expenses and provisions against investments in non-consolidated companies and for disputes.

d) Financial instruments

Derivative products (interest rate and foreign exchange) are used solely to limit exposure to risk.

- Foreign exchange:

Foreign exchange derivative instruments used to hedge commercial and financial transactions recorded in the balance sheet or representing firm commitments are not revalued at the year end. Hedged transactions are recorded in the financial statements using the hedging rate.

- Interest rate:

Income and expenses on interest rate swaps entered into to modify the interest rate terms and conditions of financial assets and liabilities are taken to the income statement on a time-apportioned basis. Income and expenses on derivative instruments are taken to the income statement in line with the income and expenses on the underlying hedged instrument.

e) Property, plant and equipment

The gross value of property, plant and equipment is calculated in each country using the historical cost method except in the case of non-depreciable land owned by French companies which was revalued in 1976. The corresponding revaluation adjustment is included in the Revaluation reserve.

Long-term capital leases are capitalized.

Interest on borrowings directly related to the financing of major construction projects and incurred during the construction phase is included within the acquisition cost.

Depreciation is calculated as follows:

- land on which quarries are located is depreciated on a depletion basis; other land is not depreciated,
- buildings are depreciated using the straight-line method over estimated useful lives varying from twenty years for industrial buildings to fifty years for offices or residential properties,
- cement works plant and equipment are depreciated using the straight-line method over international industry-recognized useful lives,
- other plant, equipment and installations are depreciated using the straight-line method over their estimated useful lives.

f) Intangible assets

Intangibles include amortizable assets (such as patents, licenses, leaseholds) which are amortized using the straight-line method over periods not exceeding their estimated useful lives, and non amortizable assets (such as market shares and trademarks) which meet the criteria described in the above goodwill note. Stock issue costs are deducted from additional paid-in capital.

g) Other investments (non-consolidated)

Investments are valued at cost after provision for impairment, where necessary, on the basis of the Group's share of net worth, future prospects and stock market prices where meaningful.

h) Inventories

Raw materials and supplies are valued at the lower of weighted average cost and net realizable value. Work in progress and finished products are valued at the lower of cost and net realizable value.

i) Discounted notes receivable not yet matured

Discounted notes not yet matured are included in both sides of the balance sheet under "Accounts and notes receivable, trade and "Net indebtedness".

j) Pension commitments

Provision is made for commitments relating to retirement termination payments and supplementary pensions. Such provisions are calculated on the basis of length of service, life expectancy and turnover, taking into account actuarial assumptions.
Differences resulting from changes in actuarial assumptions are spread over the residual life of the commitment.
Lafarge and several French subsidiaries have made arrangements with an external organization to fund retirement termination payment and supplementary pension commitments. The year-end provision includes the excess of commitments over the current value of the funds' assets, if any.
Foreign companies, which as a general rule operate defined benefit pension plans, pay contributions to pension funds. Provision is made only for the portion of commitments which exceeds the value of the funds' net assets.

k) Provision for sites restoration

Where the Group is legally or contractually required to restore a quarry site, a provision is recorded over the operating life of the quarry to cover such costs. The provision is recorded on a site by site basis at the discounted present value of future work to be performed, estimated on the basis of current known costs and the planned work schedule.

l) Income tax

Deferred tax is recorded under the liability method in order to allocate to each year the charge to tax relating to that year, taking into account timing differences between the inclusion of expenses in accounting and tax profits (and in particular differences relating to accounting and tax depreciation). In accordance with the partial provision method, deferred taxes are accounted for to the extent that it is probable that the liability or asset will crystallize.

As mentioned in note 1, the Group suspends, from January 1, 1998, the implementation of the IAS n°12 (revised) under which deferred taxes are recorded by application of the liability method to all temporary differences arising between the tax base of assets and liabilities, and their carrying amount in the balance sheet (full provision method). Goodwill, together with market shares inseparable from the companies concerned and allocated as fair value adjustments, would be excluded from the deferred tax calculation base.

2 - Sales analysis by division and geographic area

Analysis by division	1998	1997	1996
Cement	21,564	19,487	16,005
Aggregates and Concrete	20,448	12,022	10,187
Gypsum	4,395	4,235	3,356
Roofing	10,291	-	-
Speciality Products	7,365	6,310	5,708
Other	231	12	6
Total	**64,294**	**42,066**	**35,262**

Analysis by geographic area	1998	1997	1996
Western Europe	34,828	19,756	18,423
of wich France	*14,433*	*11,511*	*11,224*
Eastern Europe	2,618	1,832	1,090
North America	16,267	11,444	9,049
Latin America, Central America, Caribbean	4,353	3,418	2,114
Africa, Turkey Middle East	5,185	4,427	3,798
Asia Pacific, Indian Ocean	1,043	1,189	788
Total	**64,294**	**42,066**	**35,262**

3 - Share of earnings of equity affiliates

	1998	1997	1996
Operating income	366	73	100
Gains (losses) on disposals	-	(1)	21
Other revenues (expenses)	(17)	(64)	2
Income tax	(89)	(11)	(33)
Net income after tax	**260**	**(3)**	**90**

4 - Analysis of net financial expenses

	1998	1997	1996
Interest and similar expenses	2,414	1,142	1,016
Interest income from loans and investments	(524)	(538)	(494)
Total	**1,890**	**604**	**522**

Interest expense on long-term debt is reported net of capitalized interest costs for major construction projects of FRF 27 million in 1998 (FRF 8 million in 1997, FRF 6 million in 1996).

5 - Income tax

The current income tax is equal to the amount paid or payable in the short term to the tax authorities in respect of the financial year, in accordance with currently applicable tax rules and rates in the various countries, taking into account the taxation regime described below.

The company benefits from tax assessment on a world-wide consolidated basis. The approval covers the years 1998, 1999 and 2000. The tax charge is calculated on the fiscal consolidated net income of French and foreign subsidiaries in which the Group holds an interest in excess of 50%, with deduction of any tax already paid by the subsidiaries. The income tax charge breaks down as follows:

	1998	1997	1996
Current income tax	2,000	1,334	876
Deferred taxes	106	(81)	(51)
Total	**2,106**	**1,253**	**825**

6 - Intangible assets

	1998	1997	1996
Gross value	5,974*	4,835*	4,160*
Amortization	(789)	(356)	(288)
Total	**5,185**	**4,479**	**3,872**

*Including FRF 4,205 million in 1998, (FRF 3,721 million in 1997 and FRF 3,214 million in 1996) reflecting the value of market shares and trademarks acquired.

7 - Impact on the balance sheet of acquisition of consolidated companies

	1998	1997	of which Redland	1996
Long-term assets	3,358	20,093	17,975	1,136
Long-term liabilities	(501)	(3,596)	(3,481)	(734)
Working capital	214	(6,576)	(4,826)	125
Net assets of companies acquired	**3,071**	**9,921**	**9,668**	**527**
Lafarge share in net assets acquired	1,945	9,921	9,668	516
Minority interests acquired	1,013	574	-	69
Investments in equity affiliates	479	727	-	150
Market shares and trademarks	232	510	-	-
Unallocated Redland goodwill	-	7,857	7,857	-
Residual goodwill	2,338	1,406	-	1,048
Negative goodwill	(11)	-	-	(41)
Cost of investments	**5,996**	**20,995**	**17,525**	**1,742**
Cost of investments acquired in previous years	**(1,074)**	**(993)**	**-**	**(131)**
Cost of investments acquired during the year	**4,922**	**20,002**	**17,525**	**1,611**
Net indebtedness of acquired companies	**539**	**4,075**	**3,935**	**639**
Total	**5,461**	**24,077**	**21,460**	**2,250**

8 - IMPACT OF REDLAND ON THE INCOME STATEMENT

	1998				1997	
	Lafarge (excluding Redland)	Redland	Acquisition impacts	Total Lafarge	Lafarge (excluding Redland)	Lafarge + Redland
Sales	45,281	19,013	-	64,294	42,066	61,507
Gross operating income	6,741	2,423	-	9,164	5,630	7,822
Net financial expenses	(844)	(78)	(968)	(1,890)	(604)	(1,852)
Income tax	(1,685)	(696)	275	(2,106)	(1,253)	(1,654)
Net income of consolidated companies	4,331	1,670	(693)	5,308	3,664	4,296
Amortization of goodwill	(439)	-	(261)	(700)	(270)	(466)
Minority interests	(1,183)	(462)	96	(1,549)	(962)	(1,277)
Net income group share	2,709	1,208	(858)	3,059	2,432	2,553
Redland Relution		350				

For 1998 net financial expenses on the debt contracted to acquire Redland as well as amortization of goodwill are shown in the column "acquisition impact".
The above 1997 pro-forma income statement highlights the impact on the year profit of the acquisition of Redland Plc and its subsidiaries (excluding exceptional items). It includes a first estimate of the impact of the allocation of the goodwill, as this has not been finalized yet.
A number of adjustments have also been booked to bring the financial statements into line with Lafarge Group accounting policies and incorporate notional interest expenses on the full acquisition liability.
This pro-forma income statement has been subject to a limited review by the statutory auditors of the Group.

9 - PROPERTY, PLANT AND EQUIPMENT

ANALYSIS BY NATURE OF ASSET

	1998			1997	1996
	Gross	Deprec.	Net	Net	Net
Land	9,293	926	8,367	11,742	3,417
Buildings	12,496	5,567	6,929	6,431	4,153
Machinery, equipement, fixtures and fittings	53,251	28,662	24,589	23,543	14,679
Tangible assets in progress	3,538	4	3,534	1,920	1,277
TOTAL	**78,578**	**35,159**	**43,419**	**43,636**	**23,526**

ANALYSIS BY DIVISION

	1998			1997	1996
	Gross	Deprec.	Net	Net	Net
Cement	38,213	17,869	20,344	17,016	14,754
Aggregates and Concrete	18,443	8,187	10,256	14,461	4,383
Gypsum	5,083	1,645	3,438	2,926	2,480
Roofing	12,304	5,524	6,780	7,029	-
Speciality Products	3,441	1,748	1,693	1,496	1,296
Other	1,094	186	908	708	613
TOTAL	**78,578**	**35,159**	**43,419**	**43,636**	**23,526**

ANALYSIS BY GEOGRAPHIC AREA

	1998			1997	1996
	Gross	Deprec.	Net	Net	Net
Western Europe	45,889	22,032	23,857	25,134	13,217
of which France	*16,836*	*8,619*	*8,217*	*8,786*	*5,737*
North America	15,304	6,789	8,515	10,507	4,678
Other	17,385	6,338	11,047	7,995	5,631
TOTAL	**78,578**	**35,159**	**43,419**	**43,636**	**23,526**

CAPITAL LEASES

The gross value of property, plant and equipment includes FRF 382 million of assets acquired under capital leases and the remaining debt on such assets totals FRF 178 million (1997: gross assets - FRF 423 million, residual debt - FRF 160 million; 1996: gross value - FRF 572 million, residual debt - FRF 198 million).

10 - Investments

a) Equity affiliates

Analysis by geographic area

	1998	1997	1996
Western Europe	873	1,027	291
of which France	*51*	*(12)*	*12*
North America	468	55	38
Other	733	783	427
Total	**2,074**	**1,865**	**756**

b) Other investments

	1998	1997	1996
Investments in non-consolidated companies	4,754	1,776	1,985
Long-term equity investments	1,153	1,263	2,144
Total	**5,907**	**3,039**	**4,129**

Investments in non-consolidated companies

Investments in non-consolidated companies include various non-material interests and recent acquisitions which will be consolidated in 1999 (Cement in Philippines and Jordania, refractories in Germany).

Long-term equity investments

	Gross value	Net value	Estimated value
Opening balance	1,263	1,263	2,300
Net disposals during the period	(110)	(110)	
Movement in provisions			
Change in estimated value			(281)
Closing balance	**1,153**	**1,153**	**2,019**

Long-term equity investments represent interests of between 0.5% and 3% in several listed companies. Their estimated value is determined using the companies' net equity as a reference.

As at December 31, 1998, the market value of the portfolio totaled FRF 2,322 million.

11 - Inventories and work in progress

	1998	1997	1996
Raw materials and supplies	3,991	3,463	2,395
Work in progress and finished or semi-finished products	3,377	3,615	1,892
Gross total	**7,368**	**7,078**	**4,287**
Provisions	**(399)**	**(320)**	**(199)**
Net total	**6,969**	**6,758**	**4,088**

12 - Common stock

As at December 31, 1998, Lafarge common stock comprises 102,787,006 shares of FRF 25 each. Changes in common stock were as follows:

(Thousands of shares)	1998	1997	1996
Shares outstanding at beginning of year	94,663	94,403	92,251
Dividends reinvested			2,101
Capital increase	7,890		
Conversion of bonds and exercise of stock subscription warrant and options	234	260	51
Shares outstanding at end of the year	**102,787**	**94,663**	**94,403**
Average number of shares outstanding for net income per share purposes, excluding treasury stock	94,587	89,524	90,287

13 - Reserves

Consolidated reserves, after appropriation, may be analyzed as follows:

	1998	1997	1996
Reserves	16,800	14,786	13,423
Treasury stock*	(2,140)	(1,957)	(1,790)
Revaluation reserve	26	26	33
Total	**14,686**	**12,855**	**11,666**

* Lafarge stock held by Group companies (treasury stock) is recorded at acquisition cost and deducted from reserves.

The distribution of certain reserves could result in an additional tax liability. Such reserves are considered as permanently invested and therefore no provision for taxation has been made.

14 - STOCKHOLDERS' EQUITY

	1998	1997	1996
OPENING STOCKHOLDERS'S EQUITY	**26,121**	**24,160**	**23,204**
Stock issues (net), dividends reinvested and options and warrants exercised	3,251	67	614
Net income Group share	3,059	2,432	1,846
Dividends proposed to Lafarge stockholders	(1,045)	(1,086)	(899)
Translation adjustment movement	(1,682)	706	76
Decrease (increase) in treasury stock	(183)	(158)	(681)
CLOSING STOCKHOLDERS' EQUITY (after appropriation)	**29,521**	**26,121**	**24,160**

Translation adjustments related to Euroland Currencies amounts to (Group share) FRF -1.345 million.

15 - PROVISIONS

a) Deferred tax

The deferred tax provision calculated in accordance with the partial allocation provision method amounts to FRF 124 million as at December 31, 1998 (FRF 42 million as at December 31, 1997 and FRF 107 million as at December 31, 1996). As detailed in Note 1.I (page 65), this provision represents the amounts likely to be paid in the medium term to local tax authorities in accordance with currently applicable tax rules and rates in the countries concerned. Movements in the deferred tax provision calculated on both a partial and full provision basis are as follows:

	PARTIAL ALLOCATION METHOD (PUBLISHED FIGURES)			FULL PROVISION METHOD		
MOVEMENT DURING THE YEAR	**1998**	**1997**	**1996**	**1998**	**1997**	**1996**
Provision as at January 1	42	107	162	3,310	2,775	1,070
Impact of IAS 12 (revised)	–	–	–	–	–	1,309
PROVISION AS AT JANUARY 1	**42**	**107**	**162**	**3,310**	**2,775**	**2,379**
Scope and exchange rate movements	(24)	16	(4)	703	110	79
Impact on net income	106	(81)	(51)	686	425	317
PROVISION AS AT DECEMBER 31	**124**	**42**	**107**	**4,699**	**3,310**	**2,775**

Application of IAS 12 (revised) as at January 1, 1996 would have generated an additional deferred tax liability of FRF 1,309 million compared to the published figures, mainly as a result of the application of the balance sheet approach of the liability method. Prior year calculations only took into account timing differences arising between the adjusted net accounting profit of consolidated subsidiaries and net taxable income. Application of the new method, which expressly forbids discounting to present value, leads to the recognition of deferred tax liabilities which are unlikely ever to crystallize. The majority of these liabilities relate to differences between accounting and tax depreciation on industrial assets.

Given the Group's capital expenditure program, any release of the reserve of excess taxation depreciation built up over accounting depreciation will not take place for a long time and as such the discounted present value of the corresponding tax liability is well below its nominal value.

b) Other provisions

	1998	1997	1996
	7,150	6,349	3,518

"Other provisions" includes provisions for retirement termination payments, supplementary pensions and health insurance covering commitments in relation to current and retired employees and totaling FRF 3,550 million as at December 31, 1998, compared with FRF 3,104 million as at December 31, 1997 and FRF 1,595 million as at December 31, 1996. All of the Group's retirement termination payment and supplementary pension commitments are either funded or provided for.

As at December 31, 1998, assets under management by external funds on behalf of Lafarge and a number of its French subsidiaries totaled FRF 234 million.

The value of assets held by the pension funds of certain foreign companies, in particular those of Lafarge Corporation and Redland PLC, is greater than their total commitments.

The balance of "Other provisions" mainly corresponds to provisions for restructuring, sites restoration and miscellaneous liabilities, as well as provisions against investments in non-consolidated companies.

16 - Net indebtedness

a) Perpetual loan notes (EDIs)

In 1989 and 1990, Lafarge issued FRF 5,000 million of perpetual subordinated notes (TSDIs) bearing interest at an annual rate of 6 month Pibor plus 0.45% for an initial term of 15 years. The interest rate risk on these notes was hedged using interest rate swaps.

At the end of 1996, Lafarge exercised its buy-back option and replaced the perpetual subordinated notes with perpetual loan notes (EDIs) with the same nominal value and bearing interest at the same rate for a term equal to the residual duration of the original agreements. The cash flows in terms of amounts and due dates remain unchanged.

The original perpetual subordinated notes were recorded under equity equivalents at the net amount of the proceeds of the issue of FRF 3,702 million, to be effectively repaid over the primary period of 15 years. Following the replacement of these notes with the perpetual loan notes and the amendment of certain legal provisions, the new loan notes have been recorded under long- and medium-term debt.

In all other respects the accounting treatment in the consolidated financial statements remains unchanged. It is based on constant annuities, which means that the semi-annual payments to investors are apportioned between an imputed finance cost (included in "Interest expense net") and effective repayment of the principal. The apportionment is reviewed annually to take into account interest actually paid. The gain realized on this debt repackaging operation is shown under Other gains (losses).

The net balance after effective repayment was FRF 2,187 million as at December 31, 1998 (FRF 2,431 million as at December 31, 1997 and FRF 2,653 million as at December 31, 1996). The perpetual loan notes will be fully and effectively repaid by the year 2005.

b) Gross indebtedness

Medium- and long-term debt

	1998	1997	1996
Repayable between one and five years	14,333	14,331	4,513
Repayable after more than five years	23,852	18,681	6,124
Total	**38,185**	**33,012**	**10,637**

This heading includes FRF 8,395 million of draw-downs on short-term credit lines and issues of commercial paper attached to medium-and long-term credit lines.

Average interest rate

The average gross interest rate for interest-bearing financial instruments, taking into account the reclassification of the perpetual loan notes, was 5.6% per annum for the year ended December 31, 1998 (6% in 1997 and 6.3% in 1996).

c) Net indebtedness

Net indebtedness, after inclusion of cash and cash equivalents, breaks down by currency as follows:

	1998	1997	1996
French franc (FRF)	18,683	14,468	7,338
Deutsch mark (DEM)	6,101	6,469	467
Spanish peseta (ESP)	181	202	33
Ecu (XEU)	3,279	–	–
Swiss franc (CHF)	37	(92)	795
Sterling (GBP)	2,614	3,549	–
US dollar (USD)	4,736	7,721	677
Canadian dollar (CAD)	(1,052)	(1,362)	(619)
Other currencies	325	1,319	626
Total	**34,904**	**32,274**	**9,317**

17 - FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

CASH AND CASH EQUIVALENTS, TRADE ACCOUNTS AND NOTES RECEIVABLE, SHORT-TERM BANK BORROWINGS AND TRADE ACCOUNTS AND NOTES PAYABLE

Given the short term nature of these balances, historical cost is considered to represent fair value.

MEDIUM- AND LONG-TERM DEBT

The fair value of these liabilities was estimated at FRF 35,730 million as at December 31, 1998 (FRF 33,278 million as at December 31, 1997 and FRF 10,799 million as at December 31, 1996) on the following bases:

- historical cost for floating-rate borrowings
- stock market value for borrowings listed on a sufficiently liquid market
- present value of future cash flows discounted using the market interest rate and taking into account specific characteristics for other fixed-rate borrowings.

DERIVATIVE INSTRUMENTS

The principal financial instruments used by the Group for debt management purposes are interest rate swaps to convert floating rates into fixed rates. The total nominal value of such contracts held by the Group as at December 31, 1998 amounted to FRF 12,312 million (FRF 11,382 million as at December 31, 1997 and FRF 6,115 million as at December 31, 1996).

The average fixed interest rate payable under these contracts, the majority of which were entered into at the beginning of the 1990s, is greater than the interest rate on the financial markets as at December 31, 1998. The discounted present value of the rate differential between the two periods applied over the residual life of the swap contracts is estimated at FRF 1,703 million as at December 31, 1998,(FRF 1,409 million as at December 31, 1997 and FRF 1,326 million as at December 31, 1996).

The above valuation approach is limited to derivative products with a residual duration of greater than one year as detailed in the above paragraph.

b) Counterparty risk management

The Group limits its exposure to counterparty risk by rigorously selecting the counterparties with which it trades over the counter, through applying, inter alia, regularly updated limits. The Group's exposure to credit risk is limited and there is no concentration of risk with any one counterparty.

c) Exposure to market risk

EXPOSURE TO FOREIGN EXCHANGE RISK

Group financial assets comprise loans and receivables together with transferable securities and cash and cash equivalents. Monetary liabilities comprise borrowings and trade and other payables.

Each Group company manages the foreign exchange positions arising as a result of commercial and financial transactions performed in currencies other than its national currency. On finalization of the transactions the Group company enters into a hedge to cover the foreign currency invoice. The majority of such hedges are performed with the banking subsidiary of the Group.

Group policy requires all liabilities of a company to be denominated in the same currency as the cash flow used to service and repay said liability. This general rule may be amended by the Group under special circumstances to take account of specific conditions in a particular country (high inflation, convertibility, liquidity, etc). Similarly all investments must be performed in the same currency as the company's cash flow.

Differences arising on the translation of the net assets of Group subsidiaries and participating interests are taken to translation differences within stockholders' equity (see Note 1 Accounting policies).

Some 35% of consolidated net income is contributed by subsidiaries which prepare their financial statements in US dollars. As such, a 10% change in the USD dollar exchange rate would have had an impact on consolidated net income of FRF 106 million, net of any other impacts which such a change could have had on the operating activities of the various Group subsidiaries.

EXPOSURE TO INTEREST RATE RISK

Interest rate exposure can be sub-divided into the following risks:

– a price risk for fixed-rate financial assets and liabili-

ties. By contracting a fixed-rate liability for example, the Group is 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 and as such the future income or expense flows of the company up to the maturity of the asset or liability.
– a cash-flow risk for floating-rate assets and liabilities. Changes in interest rates have little impact on the market value of assets and liabilities, but directly influence the future income or expense flows of the company.
In accordance with general policy, the Group seeks to arbitrage these two types of risk, using derivative instruments to hedge against the interest rate risk to which its financial assets and liabilities, and in particular its borrowings, are exposed. The nominal value of such derivative instruments as at December 31, 1997 is detailed in Note 17a).
Derivative instruments can be used for a number of purposes:
– to convert floating-rate borrowings to fixed-rate
– to convert fixed-rate borrowings to floating-rate
– to manage interest rates payable/receivable on investments/borrowings by exploiting opportunities arising in the market place.

Taking into account all hedging transactions and distinguishing between fixed-rate financial assets and liabilities exposed to price risk and floating-rate financial assets and liabilities exposed to cash-flow risk, Group interest-rate exposure can be broken down as follows:

				Period to maturity as at 12/31/98		
	12/31/1998	12/31/1997	12/31/1996	<1 year	1 to 5 years	> 5 years
TSDIs/EDIs	2,121	2,358	2,573	263	1,360	498
Average interest rate	8.39%	8.39%	8.39%			
Debenture loans	13,140	3,000	1,197	-	2,200	10,940
Average interest rate	6.39%	6.53%	4.76%			
Negotiable debt instruments	1,484	1,492	854	50	1,434	-
Average interest rate	6.35%	7.84%	9.38%			
Other borrowings	5,877	3,853	1,272	875	1,070	3,932
Average interest rate	6.01%	6.74%	7.92%			
Fixed-rate borrowings	22,622	10,703	5,896	1,188	6,064	15,370
Average interest rate	6.48%	7.20%	7.70%			

A 1% change in the rate curve for all Group liabilities would have an estimated impact on the market value of fixed-rate financial liabilities of FRF 824 million.

				Period to maturity as at 12/31/98		
	12/31/1998	12/31/1997	12/31/1996	< 1 year	1 to 5 years	> 5 years
Floating-rate financial assets	6,364	5,678	3,293			
Average interest rate	5.27%	4.90%	4.60%			
TSDIs/EDIs	66	73	80	8	43	15
Average interest rate	3.67%	3.99%	4.31%			
Debenture loans	-	-	600	-	-	-
Average interest rate	-	-	3.85%			
Negotiable debt instruments	8,856	4,862	2,947	-	4 312	4 544
Average interest rate	3.52%	3.54%	3.58%			
Other borrowings	9,724	22,312	3,087	1 887	3 914	3 923
Average interest rate	5.47%	5.94%	6.70%			
Floating-rate borrowings	18,646	27,247	6,714	1 895	8 269	8 482
Average interest rate	4.54%	5.50%	5.05%			

A 1% change in short-term interest rates would have an impact on consolidated pre-tax earnings of FRF 123 million.

18 - Commitments and guarantees

	1998	1997	1996
Securities and assets pledged	291	993	1,025
Mortgages	341	397	434
Guarantees given	1,146	907	423
Capital expenditure commitments	621	441	442
Non-capitalized lease commitments	651	408	397
Other commitments	771	538	728
Total	**3,821**	**3,684**	**3,449**

19 - Employees as at December 31 and employees cost

	1998	1997	1996
Management staff	7,768	4,864	4,617
Non-management staff	57,910	32,233	30,615
Total employees	**65,678**	**37,097**	**35,232**
Employees cost	**12,102**	**7,962**	**7,190**

20 - Directors' and executive officers' remuneration for services in consolidated companies

	1998	1997	1996
Board of Directors*	2	2	2
Senior management	40	26	22
Total	**42**	**28**	**24**

* Directors' fees

21 - Litigation and other non-recurring matters

In accordance with the article 85 of the Rome Treaty, the European Commission has opened an inquiry on the gypsum industry in Europe. The company has still not been notified of any grievance yet. As at December 31, 1998 no provision has been booked in the Group accounts.

Certain subsidiaries have litigation and claims pending in the normal course of business. Management is of the opinion that these matters will be settled without any significant impact on the Group's activity levels, assets, financial position or results.
The European Union Court of First Instance has not yet given its verdict on the sanction taken in 1994 by the European Commission against the leading European cement companies, including several group companies. The Group has been fined a total of 29 million euros which has been fully provided.

22 - Five year summary of group financial data

(in millions of French francs unless otherwise indicated)

	1998	1997	1996	1995	1994
Financial data at year end					
• Number of shares outstanding (thousands)(1)	102,787	94,663	94,403	92,251	89,910
• Total equity (2)	40,072	35,066	29,613	30,794	29,705
• Stockholders' equity Group share	29,521	26,121	24,160	23,204	21,643
• Stockholders' equity Group share per share (in FRF)	304.1	292.2	269.7	259.0	248.1
• Net indebtedness (3)	34,904	32,274	9,317	2,938	1,972
Consolidated income					
• Sales	64,294	42,066	35,262	33,218	32,841
• Net income of consolidated companies	5,308	3,664	2,700	3,034	2,724
• Net income Group share	3,059	2,432	1,846	2,350	2,225
• Net cash from operating activities	8,862	6,126	4,774	4,796	5,227
Per share data (in FRF)					
• Attributable net income for the year	32.3	27.2	20.5	26.6	25.9
• Cash flow operating activities	93.7	68.4	52.9	54.3	60.9
Employees					
Number of employees as at December 31	65,678	37,097	35,232	34,819	33,233

(1) The number of shares outstanding has been adjusted for the one-for-ten bonus issues of July 5, 1995.
(2) Including perpetual subordinated notes (TSDIs) of FRF 2,856 million in 1995, FRF 3,031 million in 1994
(3) Including perpetual loan notes (EDIs) of FRF 2,187 million in 1998, FRF 2,431 million in 1997 and of FRF 2,653 million in 1996.

23 - Rates of exchange as at december 31, 1998

	Year-end rate			Average rate		
	1998	1997	1996	1998	1997	1996
US DOLLAR (USD)	5.62	6.00	5.24	5.92	5.84	5.11
CANADIAN DOLLAR (CAD)	3.63	4.18	3.82	3.99	4.22	3.75
DEUTSCH MARK (DEM)	3.35	3.35	3.37	3.35	3.37	3.40
PESETA (ESP)	0.0394	0.040	0.040	0.0395	0.040	0.040
POUND STERLING (GBP)	9.30	9.92	8.90	9.80	9.56	7.99

COMPANIES INCLUDED IN THE CONSOLIDATION

	Divisions					Consolidation method and percentages		
Countries Companies	Cement	Aggregates & Concrete	Roofing	Gypsum	Speciality Products	Method	% control	% interest
Argentina								
• Durlock SA					■	Proportionate	40,00	40,00
Australia								
• Pioneer Plasterboard				■		Equity	40,00	40,00
• Lafarge Svenska Hoganas PTY					Monolithics	Full	100,00	100,00
Austria								
• Lafarge Perlmooser AG	■	■			Lime	Full	100,00	98,00
• Schiedel Kaminwerke GmbH			■			Full	100,00	56,25
• Bramac Dachsysteme International GmbH			■			Proportionate	50,00	28,13
• Ziegelwerke Gleinstätten GmbH & Co KG			■			Equity	25,00	14,06
Belgium								
• Lafarge Réfractaires Monolithiques Benelux					Monolithics	Full	100,00	100,00
Brazil								
• Companhia Nacional de Cimento Portland	■	■				Full	99,75	99,75
• Gipsita SA Mineraçào, Industria E commercio				■		Proportionate	60,00	60,00
• Lafarge Aluminoso Do Brazil					Aluminates	Full	100,00	100,00
• Cimento Tupi SA	■					Equity	20,00	19,95
Cameroon								
• CIMENCAM - Cimenteries du Cameroun	■					Full	55,31	55,31

	Divisions					Consolidation method and percentages		
Countries Companies	Cement	Aggregates & Concrete	Roofing	Gypsum	Speciality Products	Method	% control	% interest
Chile								
• Sociedad Industrial Romeral SA				■		Proportionate	40,00	40,00
China								
• Beijing Chinefarge Cement Limited Liability Company	■					Full	51,00	51,00
• Lafarge Onoda Gypsum in Shanghai			■			Full	57,20	57,20
Czech Republic								
• Cízkovická Cementárna a.s.	■	■				Full	96,37	94,48
Denmark								
• Lafarge Braas Damsk Tag A/S			■			Full	100,00	56,25
Finland								
• Lafarge Braas Ormax Katot Oy AB			■			Full	100,00	56,25
France and Overseas								
• Lafarge Ciments	■					Full	100,00	100,00
• Société des Ciments Antillais	■	■				Full	68,82	68,82
• Lafarge Bétons		■				Full	100,00	100,00
• Lafarge Granulats		■				Full	100,00	100,00
• Lafarge Plâtres				■		Full	100,00	100,00
• Lafarge Matériaux de Spécialités					■	Full	100,00	100,00
• Chryso					Admixtures	Full	100,00	100,00
• Lafarge Aluminates					Aluminates	Full	100,00	100,00
• Lafarge Mortiers SA					Mortars	Full	100,00	99,10
• Lafarge Peintures					Paints	Full	100,00	100,00
• SAR - Société d'Applications Routières					Road Marking	Full	100,00	100,00
• Lafarge Réfractaires Monolithiques					Monolithics	Full	100,00	100,00
• Lafarge Couverture SA			■			Full	100,00	56,25
Germany								
• Lafarge Zement GmbH	■	■				Full	100,00	100,00
• Lafarge Gips GmbH				■		Full	100,00	100,00
• Lafarge Aluminates GmbH					Aluminates	Full	100,00	100,00
• Lafarge Braas GmbH		■				Full	100,00	56,25
• Braas Dachsysteme GmbH & Co			■			Full	100,00	56,25
• Braas Flachdachsysteme GmbH & Co			■			Full	100,00	56,25

	Divisions					Consolidation method and percentages		
Countries Companies	Cement	Aggregates & Concrete	Roofing	Gypsum	Speciality Products	Method	% control	% interest
Germany								
• RBB Dasy Roofing Accessories								
• Production GmbH & Co			■			Full	100,00	56,25
• RuppKeramik GmbH			■			Full	100,00	56,25
• Schiedel GmbH & Co			■			Full	100,00	56,25
Great-Britain								
• Lafarge Redland Aggregates Limited		■			Lime	Full	100,00	99,56
• Lafarge Plasterboard Ltd				■		Full	100,00	100,00
• Lafarge Aluminates Ltd					Aluminates	Full	100,00	100,00
• Lafarge Monolithics					Monolithics	Full	100,00	100,00
• Redland Roofing Systems Ltd			■			Full	100,00	56,25
Greece								
• Hellamat			■			Full	100,00	100,00
Honduras								
• Industria Cementera Hondurena	■					Full	53,00	52,45
Indonesia								
• PT Semen Andalas Indonesia	■					Full	72,41	70,27
Ireland								
• Lafarge Plasterboard Ireland Ltd				■		Full	100,00	100,00
• Redland Tile & Brick Ltd			■			Full	100,00	56,25
Italy								
• Adriasebina Cementi Srl	■	■				Full	100,00	98,97
• Lafarge Gessi SpA				■		Full	100,00	100,00
• Chryso Italia SpA					Admixtures	Full	100,00	100,00
• Lafarge coatings Italia					Paints	Full	100,00	100,00
• Lafarge Refrattari Monolitici Italia SRL					Monolithics	Full	100,00	100,00
• Lafarge Braas Italia SpA			■			Full	100,00	56,25
Japan								
• Lafarge Svenska Höganäs KK					Monolithics	Full	100,00	100,00
Kenya								
• Bamburi Cement Ltd	■					Full	40,00	28,45

Countries / Companies	Divisions: Cement	Aggregates & Concrete	Roofing	Gypsum	Speciality Products	Consolidation method and percentages: Method	% control	% interest
Korea								
• Lafarge Buycksan Gypsum				■		Full	100,00	100,00
Morocco								
• Lafarge Maroc	■	■				Full	50,00	51,11
Netherlands								
• Gyvlon BV				■		Full	100,00	100,00
• Lafarge Gips BV				■		Full	100,00	100,00
• Lafarge Dakproducten Holding BV			■			Full	100,00	56,25
• Lafarge Dakproducten BV			■			Full	100,00	56,25
North America								
• Lafarge Canada	■	■				Full	51,94	51,62
• Lafarge Corporation	■	■		■		Full	51,94	51,62
• Lafarge Calcium Aluminates					Aluminates	Full	100,00	100,00
• Parex Incorporated					Mortars	Full	100,00	99,67
• Carmeuse North America					Lime	Equity	40,00	40,00
• Monier Inc			■			Full	100,00	99,56
Norway								
• Zanda AS			■			Full	100,00	56,25
Poland								
• Lafarge Polska Spolka Akcyja	■	■			Lime	Full	78,00	76,44
• Braas Polska Sp z.o.o			■			Full	100,00	56,25
• Rupp Ceramika Polska Sp z.o.o			■			Full	100,00	56,25
Rumania								
• Lafarge Romcim SA	■	■			Lime	Full	92,54	72,67
Russia								
• OOO Braas DSK 1			■			Equity	67,10	37,74
South Africa								
• Lafarge South Africa Limited	■	■				Full	100,00	100,00
• Lafarge Aluminates Southern Africa					Aluminates	Full	100,00	100,00

Countries / Companies	Divisions: Cement	Divisions: Aggregates & Concrete	Divisions: Roofing	Divisions: Gypsum	Divisions: Speciality Products	Consolidation method and percentages: Method	% control	% interest
Spain								
• Asland SA	■	■				Full	99,65	98,97
• Texsa SA					Mortars	Full	100,00	100,00
• Yesos Ibericos				■		Equity	40,69	40,69
• Cementos Molins	■					Equity	39,35	38,94
• Redland Ibérica SA			■			Equity	47,00	26,44
Sweden								
• Orebrö Kartongbruck AB			■			Full	100,00	100,00
• Lafarge Höganäs Eldfast AB et ses filiales					Monolithics	Full	100,00	100,00
• Lafarge Braas Scandinavia AB		■				Full	100,00	56,25
Switzerland								
• Cementia Trading Ltd AG	■					Full	100,00	97,05
• Marine Cement Ltd	■					Full	50,00	48,53
• Braas Schweiz AG		■				Full	100,00	56,25
Taïwan								
• Lafarge Eastern Monolithic Refractories Co Ltd					Monolithics	Full	100,00	100,00
Thaïland								
• Lafarge Prestia Co Ltd				■		Full	100,00	100,00
Turkey								
• Lafarge Aslan Cimento AS	■	■				Full	96,84	95,56
• Agretas Agrega Insaat San.ve Tic.A.S	■	■				Full	100,00	99,59
• Dalsan Alçy AS				■		Equity	50,00	50,00
• Lafarge Entegre Harç Sanayi ve Ticaret AS					Mortars/Lime	Full	50,00	49,80
• Braas Cati Sistemleri Ticaret AS			■			Full	100,00	56,25
Venezuela								
• Fabrica Nacional de Cementos	■					Full	61,14	60,56
• Cementos Catatumbo CA	■					Equity	23,32	23,32

STATUTORY AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1998

In accordance with our appointment as auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Lafarge for the year ended December 31, 1998.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as at December 31, 1998 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France. These accounting principles are in compliance with International Accounting Standards, except for the amortization of goodwill, income taxes and earnings per share as described in note 1 to the consolidated financial statements.

We have also performed the procedures required by law on the Group financial information given in the report of the Board of Directors. We have no comment to make as to the fair presentation of this information nor its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris, March 9, 1999

DELOITTE TOUCHE TOHMATSU

Michel ROSSE

Jacques MANARDO

Jean-Paul PICARD

LEGAL AND FINANCIAL INFORMATION

INFORMATION ON THE COMMON STOCK AND AUTHORIZATIONS RELATING TO FINANCIAL TRANSACTIONS

1. Changes in common stock during fiscal 1998

The common stock as at January 1, 1998 amounted to FRF 2,366,581,250 divided into 94,663,250 shares of FRF 25 each.

During the year, the common stock was increased by 8,123,756 shares following:

- the issue on March 18, 1998, with preferential subscription rights, of 7,889,841 new shares, at a price of FRF 410 per share and at a rate of 1 new share for 12 shares held
- the exercise of 233,915 stock subscription options These transactions are shown in the table of common stock movements during the last five years.

As at December 31, 1998, the common stock amounted to FRF 2,569,675,150, divided into 102,787,006 shares of FRF 25 each.

2. Stock subscriptions during fiscal 1998

	Number of shares created	Value of subscription (in FRF) Common stock	Additional paid-in capital	Total
• Exercise of stock subscription options	233,915	5,847,875	58,100,088.54	63,947,963.54
• Common stock issue	7,889,841	197,246,025	3,037,588,785.00	3,234,834,810.00
TOTAL	**8,123,756**	**203,093,900**	**3,095,688,873.54**	**3,298,782,773.54**

3. Potential common stock as at December 31, 1998

Common stock as at December 31, 1998 could be increased by up to 2,189,327 new shares by the exercise of stock subscription options granted to Group employees.

There are no other securities in circulation granting direct or indirect access to the common stock of the Company.

4. Common stock ownership as at December 31, 1998

The common stock is held by three main categories of stockholder:

	1998	1997	1996
Private individuals	19%	23%	24%
Non-resident institutional investors	42%	38%	40%
Miscellaneous institutional investors	34%	34%	31%
Treasury stock (stripped of voting rights)	5%	5%	5%

According to the most recent information provided by the stock exchange operator, SICOVAM, the total number of stockholders as at December 31, 1998 was approximately 168,000 .

5. Notification of interests in excess of percentage limits

The Company was not advised during the year of the acquisition of any percentage interests which require notification under Article 356-3 of the Companies Act. To the best of the Board of Directors' knowledge, no one stockholder held more than 5% of the common stock or voting rights as at December 31, 1998, as defined by Article 356-3 of the Companies Act.

6. Voting rights

The most recent publication of the total number of voting rights in circulation, included in the BALO legal journal of January 6, 1999, referred to the existence of 107,579,254 voting rights as at December 23, 1998, following an increase of in excess of 5% since the previous published figure.

The 102,787,006 shares outstanding as at December 31, 1998 carried 110,818,852 voting rights.

Some 83.28% of voting rights are held by institutional investors, with the balance attributable to private investors.

7. Changes in Lafarge common stock during the last five years

	1998	1997	1996	1995	1994
Opening common stock (number of shares)	**94,663,250**	**94,403,002**	**92,251,318**	**81,736,704**	**74,764,841**
Stock issued during the year	**8,123,756**	**260,248**	**2,151,684**	**10,514,614**	**6,971,863**
• payment of scrip dividends	-	-	2,101,168	1,649,775	902,450
• conversion of bonds	-	-	-	-	3,702,010
• exercise of stock subscription options	233,915	260,248	46,012	39,308	73,047
•exercise of stock subscription warrants	-	-	4,504	3,464	1,002
• capital contributions Cementia Holding AG	-	-	-	-	900,221
• bonus issue	-	-	-	8,339,485	
• capital contributions Cemland Investment AG	-	-	-	-	1,102,564
• capital contributions Triangle Holdings Ltd	-	-	-	-	290,569
• stock issue reserved for employees	-	-	-	482,582	-
• common stock issue	7 889,841	-	-	-	-
Maximum number of future shares to be issued:	**2,189,327**	**2,271,538**	**2,236,508**	**6,238,107**	**4,842,070**
• exercise of stock subscription options	2,189,327	2,271,538	2,236,508	2,211,120	1,177,755
• exercise of stock subscription warrants (*)	-	-	-	4,026,987	3,664,315
Closing common stock					
• in FRF	**2,569,675,150**	**2,366,581,250**	**2,360,075,050**	**2,306,282,950**	**2 043,417,600**
• number of shares	**102,787,006**	**94,663,250**	**94,403,002**	**92,251,318**	**81,736,704**

* expired April 1, 1996

8. Utilization of authorizations relating to financial transactions

A) AUTHORIZATIONS TO ISSUE COMMON STOCK AND OTHER SECURITIES

1) - Utilization of existing authorizations

All necessary authorizations to issue stock, with or without preferential subscription rights, were granted to the Board of Directors for a period of 26 months expiring July 21, 1999.

As at March 11, 1999, these authorizations had been utilized as follows (in millions of French francs):

Securities authorized for issue	Date of authorizing stockholders' meeting	Par value			Maximum common stock increase under available authorizations as a percentage of common stock as at December 31, 1998
		Authorized amount	Used	Available as at December 31, 1998	
ISSUE OF ALL SECURITIES CONFERRING IMMEDIATE OR FUTURE ENTITLEMENT TO COMMON STOCK	EGM of May 21, 1997	1,200	197.2 March 1998	1 002.8	39 %
Including :					
• stock issues reserved for employees	EGM of May 21, 1997	90	-	90	3.50 %
• non-voting preferred stock	EGM of May 21, 1997	600	-	600	23.37 %
• investment certificates	EGM of May 21, 1997	600	-	600	23.37 %
• bonds with stock subscription warrants attached (OBSAs)	EGM of May 21, 1997	960	-	960	37.35 %
• stock subscription warrants (BSAs)	EGM of May 21, 1997	960	-	960	37.35 %
• issue of common stock as a result of the issue of OBSAs and composite securities by Group subsidiaries	EGM of May 21, 1997	960	-	960	37.35 %
CAPITALIZATION OF RESERVES, PROFITS AND ADDITIONAL PAID-IN CAPITAL	EGM of May 21, 1997	600	-	600	23.37 %
BOND ISSUES	EGM of May 21, 1997	15, 000	2 ,000 January 1998 3,300 (EUR 500 million) in June 1998	9 ,700	

2) - Authorizations requested for a period of 26 months, expiring July 27, 2001

	Maximum common stock increase under the requested authorizations
EXTRAORDINARY GENERAL MEETING OF MAY 27, 1999	
ISSUE OF ALL SECURITIES GRANTING IMMEDIATE OR FUTURE ENTITLEMENT TO THE COMMON STOCK, WITH OR WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS	FRF 1.2 BILLION (EUR 183 MILLION)
Including:	Including:
• stock issues reserved for employees	FRF 90 million (EUR 14 million)
• non-voting preferred stock	FRF 600 million (EUR 91 million)
• investment certificates	FRF 600 million (EUR 91 million)
• bonds with stock subscription warrants attached (OBSAs)	FRF 960 million (EUR 146 million)
• stock subscription warrants (BSAs)	FRF 960 million (EUR 146 million)
• issue of common stock as a result of the issue of OBSAs and composite securities by Group subsidiaries	FRF 960 million (EUR 146 million)
CAPITALIZATION OF RESERVES, PROFITS AND ADDITIONAL PAID-IN CAPITAL	FRF 600 million (EUR 91 million)
ANNUAL GENERAL MEETING OF MAY 27, 1999	
BOND ISSUE	EUR 2.3 billion (FRF 15 billion)

B) TRADING IN THE COMPANY'S SHARES IN ORDER TO REGULATE THE MARKET

• 1998

During 1998, the Board used the authorizations granted by stockholders at the Annual General Meetings of May 21, 1997 and May 26, 1998 enabling it to trade in the Company's shares on the Paris Bourse, at a maximum purchase price of FRF 750 per share and a minimum selling price of FRF 125 per share, in order to regulate the market in accordance with French law.

451,346 shares were purchased during the year at an average price of FRF 490.51 per share. Total trading costs, net of VAT, amounted to FRF 720,475. 85,743 of these shares will be allotted to the recipients of the stock purchase options granted by the Board of Directors Meeting of December 10, 1998, in the event of exercise of said options.

As at December 31, 1998, the number of shares of treasury stock purchased and recorded in the balance sheet of Lafarge totaled 866,603, 0.84% of the common stock of the Company, for an aggregate value of FRF 377,908,588.

• Authorization request submitted to the Annual General Meeting of May 27, 1999 for a period of 18 months, expiring November 27, 2000.

The terms and conditions of use of this authorization by the Board of Directors are detailed in the presentation of the eleventh resolution submitted to the Annual General Meeting for approval.

9. Stockholders' agreements

No stockholders' agreements have been transmitted to the stock exchange authorities for publication.

To the Board of Directors' knowledge, there are no stockholders' agreements in existence.

10. Undertakings in relation to certain listed group companies

On July 31, 1990, an arrangement was made, aimed, in the event of a public offering presented to the stockholders of Lafarge, at extending its scope to stockholders of Group companies listed abroad*. This arrangement is justified by the importance of these companies to the Group's international development. It is consistent with standards applicable to French companies promulgated by the French financial markets advisory board (Conseil des Marchés Financiers).

Were Lafarge to be subject to a public offering, the offeror would be requested to extend the offer to the companies concerned. If the offeror did not do so, Lafarge would substitute itself for the offeror and make the stockholders of these companies a complementary offer, under similar price terms and subject to the success of the principal offer addressed to its stockholders.

In order to establish the credibility of Lafarge's commitment and ensure the protection of its stockholders, the beneficiaries, the Group's investments in these companies are held by trusts governed by the law of the State of New York. Authorization has been extended to the trustees, in the event of a public offering for the common stock of Lafarge, to use the voting rights attached to these investments to vote in favor of the resolutions proposed by the companies' Boards of Directors. Were the controlling interest in the Group to change hands, should the complementary offers fall through, these measures would apply until the fifth anniversary of the publication of the results of the French offering.

These arrangements have been made for a period of ten years, for as long as the Group's investments continue to exceed 20% of the voting rights making up the common stock of each of the companies concerned.

* The arrangements made on July 31, 1990 concern Cementia Holding AG (Switzerland), Lafarge Corporation (United States) and its Canadian subsidiary Lafarge Canada Inc.
Cementia Holding AG is listed on the Zurich Stock Exchange, Lafarge Corporation on the New York, Toronto and Montreal Stock Exchanges and Lafarge Canada Inc. on the Toronto and Montreal Stock Exchanges.

INFORMATION CONCERNING EMPLOYEE STOCKHOLDINGS AND STOCK SUBSCRIPTION AND PURCHASE OPTIONS

Lafarge has, over a number of years, extended employee stock ownership through subscriptions to or purchase of stock, either directly or through mutual investment funds and the allotment of stock subscription and purchase options.

1. Employee stockholdings

The employee savings scheme enabled member employees to acquire close to 83,000 shares during 1998 through the "Lafarge 2000" mutual investment fund.

As at December 31, 1998, employees held, either directly or via mutual investment funds, a total interest of 1.30% in the common stock of the Company and 1.86 % of voting rights.

2. Stock subscription and purchase options

The following tables summarize the position as regards stock subscription and purchase options granted over the years and options exercised in 1998:

TO DATE

Date of allotment	Number of beneficiaries	Number of options originally allotted (not adjusted)		Total number of options exercised since allotment (adjusted for the date of exercise of the options**)
		Stock purchase options	Stock subscription options	
11/23/88	409	-	30,595	44,518
11/29/89	462	-	57,630	108,624
11/28/90	535	-	172,335	102,557
11/27/91	578	-	173,480	87,841
12/17/92	650	-	185,730	72,555
12/15/93	722	-	252,100	45,491
09/27/94	772	-	269,550	30,285
05/22/95	52	-	27,200	5,727
12/13/95	1 039	-	593,840	5,649
12/13/95 *	8 368	-	331,060	39,257
12/18/96	127	-	71,400	810
12/17/97	999	-	346,650	1,822
12/17/97	127	402,550	-	0
05/26/98	108	-	122,775	0
12/10/98	150	98,450	-	0
TOTAL	**545,136**			

* Allotted as part of the Group's corporate savings scheme "Lafarge en action".
** Adjustments made on the exercise of the options are to take account of the 1990 stock split and the bonus issues of 1993 and 1995 and the common stock issue with preferential subscription rights of March 18, 1998.

2) Stock subscription and purchase options in 1998

All stock subscription and purchase options are valid for a period of ten years. The exercise price and number of options was adjusted on March 18, 1998 to take account of the common stock issue performed on this date.

						Outstanding options as at December 31, 1998		
Date of allotment	Available for exercise with effect from **	Stock subscription or purchase price (in FRF, adjusted)	Number of remaining beneficiaries as of December 31,1998	Options exercised in 1998	Options canceled since allotment*	Stock purchase options	Stock subscription options	Total outstanding as at December 31,1998
11/23/88	-	226.05	10	16,166	2,948	-	0	0
11/29/89	-	233.21	65	24,263	2,545	-	63,066	63,066
11/28/90	-	246.29	120	35,135	2,871	-	42,618	42,618
11/27/91	-	238.93	162	31,022	2,095	-	63,413	63,413
12/17/92	-	229.93	243	46,713	1,210	-	86,123	86,123
12/15/93	-	361.44	571	27,418	11,231	-	223,085	223,085
09/27/94	-	366.33	649	11,772	9,141	-	260,450	260,450
05/22/95	-	333.03	40	2,447	1,540	-	22,936	22,936
12/13/95	12/13/99	324.75	1,006	4,149	10,680	-	583,987	583,987
12/13/95***	-	324.75	7,585	32,198	0	-	300,819	300,819
12/18/96	12/18/2000	320.79	125	810	0	-	71,426	71,426
12/17/97	12/17/2002	378.21	127	1,822	0		348,629	348,629
12/17/97	12/17/2002	378.21	993	0	0	406,702	-	406,702
05/26/98	05/26/2003	563.00	108	0	0	-	122,775	122,775
12/10/98	12/10/2003	551.00	150	0	0	98,450	-	98,450
Total						**505,152**	**2,189,327**	**2,694,479**
% of common stock								**2.62%**

* Options canceled following resignation, death or dismissal for fault, or lapsed as not exercised within the ten-year period following attribution.
** Exercise authorized in the event of death, retirement, early retirement or redundancy during the period.
*** Group's corporate savings scheme "Lafarge en action"

Board of Directors, Senior Executives

1. Directors' terms of office

Pursuant to Article 14 of the Company's bylaws, directors must hold at least 1,200 Lafarge shares, throughout the entire duration of their term of office.

1.1. Unexpired terms of office as of the Annual General Meeting of May 27, 1999

Honorary Chairman
Olivier Lecerf
Took office in 1971
Term of office ends in 1999

Director
Compagnie de Saint-Gobain
L'Oréal

Chairman and Chief Executive Officer
Bertrand Collomb
Took office in:
- *Director 1987*
- *Chief Executive Officer 1988*
- *Chairman and Chief Executive Officer 1989*

Term of office ends in 1999

Chairman of the Board
Lafarge Corporation

Director
Lafarge Ciments
Asland SA
Crédit Commercial de France
Elf Aquitaine
Sabelfi

Member of the Supervisory Board
Allianz

Director
Michel Bon
Took office in 1993
Term of office ends in 1999

Chairman and Chief Executive Officer
France Telecom
Les Editions du Cerf

Director
Société des Lecteurs du Monde
Bull
Grand Vision
Air Liquide

Member of the Supervisory Board
Sonepar Distribution

Director
Michael Blakenham
Took office in 1997
Term of office ends in 2003

Chairman of the Board
Royal Botanic Gardens Kew

Director or Member
Sotheby's Holdings Inc
International Advisory Group, Toshiba Corporation
UK - Japan 2000 Group

Director
Guilherme Frering
Took office in 1997
Term of office ends in 2003

Chairman of the Board
Caemi Mineraçao e Metalurgia S.A.
Cimento Mauà S.A.

Director
S.A. White Martins

Director
Bernard Isautier
Took office in 1989
Term of office ends in 2001

Chairman and Chief Executive Officer
Chauvco Ressources International

Chairman of the Board
Fracmaster

Director
Firan Corporation
Hurricane Hydrocarbons

Director
Alain Joly
Took office in 1993
Term of office ends in 1999

Chairman and Chief Executive Officer
Air Liquide S.A.
American Air Liquide Inc.
Air Liquide International

Chairman of the Board
Air Liquide International Corporation
Air Liquide Asia

Director
SAF (Soudure Autogène Française)
SMOA (Société Marocaine d'Oxygène et d'Acétylène)
SOAEO (Société d'Oxygène et d'Acétylène d'Extrême-Orient)
Air Liquide Espana, SA
Air Liquide Italia Srl.
Banque Nationale de Paris

Vice-Chairman and Chief Operating Officer
Bernard Kasriel
Took office in 1989
Term of office ends in 2001

Chairman of the Supervisory Board
Lafarge Zement GmbH
Lafarge Braas GmbH

Vice-Chairman
Lafarge Plâtres International

Director
Lafarge Ciments
Cie Coppée de Développement Industriel - CDI
Sabelfi
Elyo
Sonoco Products Company

Vice-Chairman and Executive Officer
Lafarge Corporation

Director
Jean Keller
Took office in 1998
Term of office ends in 2004

Director
Raphaël de Lafarge
Took office in 1982
Term of office ends in 2003

Director
Borgey SA

Vice-Chairman and Chief Operating Officer
Jacques Lefèvre
Took office in 1989
Term of office ends in 2001

Chairman and Chief Executive Officer
Lafarge Ciments
Sofimo

Chairman and Managing Director
Cie Coppée de Développement Industriel-CDI
Sabelfi

Director
Lafarge Corporation
Cementia Holdings AG
Asland SA
Lafarge Maroc
Compagnie de Fives Lille
Cementos Molins
Adriasebina SA

Member of the Supervisory Board
ABN-Amro France

Director
Patrice Le Hodey
Took office in 1987
Term of office ends in 1999

Chairman of the Board
Hyode
DNA SC
Financière de Lorraine SA
Caroloft SA
Godinghill SA
Derouck Cartographie SA
Derouck Holding SA
Multiroad SA

Vice-Chairman
Presse Belge
Société Anonyme d'Informations et de Productions Multimédia (SAIPM)
Régie Générale de Publicité (RGP)
CNC/DH Cie Nouvelle de Communications
Société d'Imprimerie Commune SA (SODIMCO)
Belga

Director
RTL-TVI SA
Orsem
TSG SA
Audiopresse SA
RNA SA
Gestion et Entreprise SA

Director
Robert W. Murdoch
Took office in 1993
Term of office ends in 1999

Director
Lafarge Corporation
Lafarge Canada Inc.
Power Corporation International Limited
Sierra Systems Group Inc
Usinor Sacilor

Director
Lindsay Owen-Jones
Took office in 1993
Term of office ends in 1999

Chairman and Chief Executive Officer
L'Oréal

Chairman of the Board
Cosmair Inc. USA.
L'Oréal UK Ltd

Director
Banque Nationale de Paris
Air Liquide
Marie-Claire Album
Sofamo Monaco
Biotherm (Monaco)
Geral Inc USA
Gesparal

Director
Michel Pébereau
Took office in 1991
Term of office ends in 2003

Chairman of the Board
Banque Nationale de Paris
Compagnie d'Investissement de Paris

Director
BNP UK Holdings Ltd
Elf Aquitaine
Financière BNP
Société Anonyme des Galeries Lafayette
Compagnie de Saint-Gobain

Member of the Supervisory Board
AXA - UAP

Permanent representative of Banque Nationale de Paris on the Board of
Renault

Permanent representative of Banque Nationale de Paris on the Supervisory Board of
Dresdner Bank AG
Banque pour l'Expansion Industrielle (Banexi)

1.2. Expiry of the term of office

The term of office of Mr. Olivier Lecerf, as well as his functions on the Organization and Management Committee of the Board of Directors, expires at the end of the Annual General Meeting of May 27, 1999, pursuant to the age limits laid down in the Company's bylaws.

1.3. Proposed nomination of a new director and renewal of the terms of office of six directors

The Annual General Meeting of May 27, 1999 is requested to approve the appointment of Mrs. Hélène Ploix to the Board of Directors for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2004 financial statements and to renew, for the same period, the terms of office as director of Messrs. Bertrand Collomb, Michel Bon, Alain Joly, Patrice le Hodey, Robert W. Murdoch and Lindsay Owen-Jones, which expire at the end of the Annual General Meeting of May 27, 1999.

The directorships and management positions held by Mrs. Hélène Ploix during the last five years are presented below. The offices held during the same five year period by the other six directors, whose directorships stockholders are requested to renew, follow.
It is noted that directors have a period of three months starting from their appointment during which to comply with the provisions of the Company's bylaws concerning director share ownership.

Directorships and management positions (other than those indicated above) held during the last five years

Hélène Ploix
Number of shares held:-
Age: 55

Chairman and Chief Executive Officer
Pechel Industries
Banque Industrielle et Mobilière Privée (BIMP)

Chairman of the Board
CDC Participations
Caisse Autonome de Refinancement

Chairman of the Supervisory Board
CDC Gestion

Director
Accor
Société de Bourse Fauchier Magnan Durant des Aulnois
La Poste
Crédit Foncier de France
Théâtre des Champs-Elysées

Member of the Supervisory Board
Cencep
Cepme
Publicis

Permanent representative of Pechel Industries
Quinette Gallay
HMI
Histoire d'Or
IDM

Terms of office proposed to stockholders for renewal

Offices held during the last five years (excluding those detailed on page 89-91)

Bertrand Collomb
Number of shares held 2,353
Age: 56

Director
Crédit Local de France
Cie de Participations Biochimiques
CIRC
Cie Coppée de Développement Industriel - CDI
Canadian Imperial Bank of Commerce

Advisory Director
Unilever

Michel Bon
Number of shares held: 2,066
Age: 55

Director
CEP Communication
Orsid
Havas
Cogecom

Alain Joly
Number of shares held: 1,652
Age : 61

Chairman and Chief Executive Officer
Compagnie industrielle, Commerciale et Financière des Gaz (COFIGAZ)
La Oxigena SA

Chief Executive Officer
Air Liquide SA

Director
Teisan KK
Carba Holding
ALM
Altichem International
Chemoxal SA
La Carboxique Française
Société Martiniquaise de l'Air Liquide
Banque Indosuez
Air Liquide International
Air Liquide America Holdings, Inc.
Canadian Liquid Air Ltd/Air Liquide - Canada Ltée
SIO (Societa per l'Industria dell' Ossogeno e di Altri Gas)
SEO (Sociedad Espanola del Oxigeno)
Air Liquide Australia Ltd
Air Liquide PTY Ltd

Patrice le Hodey
Number of shares held: 2,750
Age: 54

Chairman of the Board
Claude Lefranc Editeur
ADN SA
Editions 1884

Vice-Chairman
CGS FM

Director
Belga
TVB
Royal Boch
SND
Editeco
Régie Media Publicité

Managing Director
Helyode Editions

Robert W. Murdoch
Number of shares held: 1,536
Age: 57

Director
Graymont Limited

Lindsay Owen-Jones
Number of shares held: 1,582
Age: 53

Chairman of the Board
L'Oréal Japan Ltd

Director
Belcos Ltd Japan
Cosmelor Ltd Japan
Lancos Ltd Japan
Galderma Laboratories Inc.
Cird Galderma
Cosmefrance SA
Lorekos SA
Saipo Italie

Permanent representative of L'Oréal
Interedi

2. Activities of the board of directors

2.1. Meetings

The Board of Directors meets at least four times a year, in France or abroad, in accordance with the Company's bylaws.

2.2. Board of Directors Sub-Committees

The three sub-committees of the Board of Directors have existed for several years. All committee members are Company directors.
The matters considered by these committees are decided by the Board of Directors. Their role is purely of a consultative nature and their deliberations are summarized in reports to the Board.
Directors' fees also cover their functions on the various sub-committees.

• Organization and Management Committee
Messrs. A. Joly, O. Lecerf, L. Owen-Jones, M. Pébereau and M. Blakenham sit on this committee, which is chaired by Mr. A. Joly.
The committee assists the Chairman and the Board of Directors with decisions concerning the composition of the Board and its remuneration, management remuneration policy, the allocation of stock subscription and purchase options and the organizational structure of Group management. The committee drafts Board resolutions concerning the remuneration of company officers.
The committee meets twice a year.

• Strategy and Investment Committee
Messrs. B. Collomb, M. Bon, P. le Hodey, B. Isautier, A. Joly, R.W. Murdoch and L. Owen-Jones sit on this committee which is chaired by Mr. B. Collomb.
The committee examines in detail important strategic issues and major investment and divestment projects.
The committee meets twice a year.

• Financial Committee
Messrs. M. Pébereau, M. Bon, P. le Hodey, J. Keller, B. Isautier, R. de Lafarge, R.W. Murdoch and G. Frering sit on this committee which is chaired by Mr. M. Pébereau.
The committee performs a preliminary review of the semi-annual and annual financial statements and holds

meetings with the statutory auditors and with general and financial management.

General management provides regular updates on the Group's financial position, the main thrust of current financial policy and advises the committee on the terms of major financial transactions prior to their performance. The committee also receives copies of all financial communications prior to their issue.

The statutory auditors report their findings to the committee, which can also request a meeting with internal audit management. Subject to the agreement of the Chairman of the Board of Directors, such briefings may be conducted in the absence of general management.

More generally, the committee may be consulted by general management on any matters where its input is judged useful.

The committee meets at least twice a year.

3. Auditors' report on agreements involving directors of the company and agreements entered into during 1998 between directors and Lafarge

3.1. Auditors' Report on Transactions involving Directors of the Company

In accordance with our appointment as statutory auditor of your Company, we hereby report on agreements involving directors of the Company.

Pursuant to Article 103 of the Companies Act of July 24, 1966, we hereby draw your attention to the following agreements which received prior approval from your Board of Directors.

The terms of our engagement do not require us to identify such agreements, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention, without issuing an opinion on the appropriateness or validity of such agreements. It is your responsibility, pursuant to Article 92 of the Decree of March 23, 1967, to assess the various interests involved in respect of the conclusion of these agreements for the purpose of approving them.

We conducted our procedures in accordance with professional standards applicable in France. Those standards require that we confirm the information presented to us with the relevant source documents.

Agreements entered into during 1998 and those previously approved

• Agreement for the sale to Lafarge Corporation of certain Redland assets located in North America for the purposes of which certain directors have full powers of negotiation and are authorized to sign in the name of the Company.
Directors concerned: Messrs. B. Collomb, B. Kasriel, J. Lefèvre and R.W. Murdoch
Authorized by the Board meeting of March 11, 1998.
Pursuant to the above-mentioned agreement, the directors concerned will receive no remuneration.

• Service and assistance contract entered into with Mr. R.W. Murdoch (directly or with any company indicated by him) concerning the sale of certain Redland assets in Texas.
Director concerned: Mr. R.W. Murdoch
Authorized by the Board meeting of May 26, 1998.
Remuneration in 1998 : FRF 1,461,000

• Agreement for the sale by Lafarge of its interest in Lafarge Matériaux de Spécialités to Lafarge Financière.
Director concerned: Mr. O. Lecerf
Authorized by the Board meeting of May 26, 1998.
Pursuant to the above-mentioned agreement, the director concerned will receive no remuneration.

• Lafarge is authorized to guarantee, as necessary, the various undertakings initially granted by the Company on the acquisition of Blue Circle South Africa and subsequently transferred to Financière Lafarge.
Director concerned: Mr. O. Lecerf
Authorized by the Board meeting of September 24, 1998.

Furthermore, pursuant to the Decree of March 23,1967, we were advised that the following agreement entered into and approved in previous years continued to be in effect.

Service and assistance contract awarded to Hyode, relating to the conclusion of an agreement for the sale of Hybrinova.
Director concerned: Mr. P. le Hodey
Authorized by the Board meetings of September 23, 1997 and May 26, 1998.
Remuneration in 1998: FRF 350,000

Neuilly-sur-Seine and Paris, March 9, 1999
The Auditors
Deloitte Touche Tohmatsu — Michel Rosse
Jacques Manardo — Jean-Paul Picard

4. REMUNERATION, COMMON STOCK INTERESTS AND VOTING RIGHTS AND STOCK SUBSCRIPTION AND PURCHASE OPTIONS HELD BY DIRECTORS AND SENIOR EXECUTIVES

	Directors	Senior Executives
Remuneration (in FRF million)		
Remuneration for duties performed in consolidated companies	-	40.2
Including remuneration for duties performed at the holding company	-	32.2
Directors' fees (in FRF million)	2.3	-
Common stock interest (%)	0.07 %	
Voting rights (%)	0.12 %	

Stock subscription and purchase options allotted to Senior Executives*

Date of allotement	Number of options exercised originally allotted		Options exercised in 1998		Options outstanding as at 12/31/98		Total options outstanding as at 12/31/98
	Stock subscription options before adjustment	Stock purchase options	Stock subscription options (adjusted***)	Stock purchase options	Stock subscription options (adjusted ***)	Stock purchase options	
11/23/1988	3,950	-	0	-	0	-	0
11/29/1989	23,680	-	5,200	-	43,697	0	43,697
11/28/1990	8,850	-	0	-	5,074	0	5,074
11/27/1991	9,350	-	0	-	5,257	0	5,257
12/17/1992	9,500	-	393	-	5,257	0	5,257
12/15/1993	36,550	-	2,556	-	34,837	0	34,837
09/27/1994	46,700	-	0	-	49,226	0	49,226
05/22/1995	2,000	-	0	-	2,224	0	2,224
12/13/1995	101,000	-	0	-	102,023	0	102,023
12/13/1995**	900	-	0	-	918	0	918
12/18/1996	3,000	-	0	-	3,032	0	3,032
12/17/1997	10,000	153,500	0	0	10,101	185,346	195,447
05/26/1998	6,000	-	0	-	6,000	-	6,000
12/10/1998	-	7,000	-	0	-	7,000	7,000
TOTAL			**8,149**	**0**	**267,646**	**192,346**	**459,992**

* Lafarge Group senior executives as at December 31, 1998
** Allotted as part of the Group savings scheme "Lafarge en action".
*** The number of options outstanding as of December 31, 1998 is not equal to the difference between the number of options initially allotted and the number of options exercised, due to adjustments performed to take account of the 1990 stock split, the bonus issues of 1993 and 1995 and the common stock issue of March 18, 1998.

Lafarge stock and stock subscription and purchase options held by Senior Executives

Stock subscription and purchase options held as at December 31, 1997		455,141**
Stock subscription options exercised during 1998		8,149
of which:		
• at FRF 233.21	5,200	
• at FRF 229.93	393	
• at FRF 361.44	2,556	
Stock subscription and purchase options allotted in 1998		13,000
Stock subscription and purchase options held as at December 31, 1998		459,992
% of total options outstanding as at December 31, 1998		2.10%
% of common stock (stock subscription options only)		0.26%

* In office as at December 31, 1998
** Restated to take account of the common stock issue of March 18, 1998

Stock and stock subscription options held by Senior Executives* in Group subsidiaries

Common stock interests in listed Group subsidiaries as at December 31, 1998	
• Lafarge Corporation	14,457
Stock subscription options of subsidiaries as at December 31, 1998	
• Lafarge Corporation	364,250
Stock subscription options exercised during 1998	
• Lafarge Corporation	103,750

* In office as at December 31, 1998

Statutory auditors

	Date of appointement	Expiry of term of office at the end of A.G.M.
Main Statutory Auditors		
Deloitte Touche Tohmatsu 185, avenue Charles de Gaulle 92 200 Neuilly-sur-Seine- France	1994	2000
Michel Rosse 125, rue de Montreuil 75 011 Paris- France	1994	2000
Deputy Statutory Auditors		
Jean Decup 82, boulevard des Batignolles 75 017 Paris- France	1994	2000
Deloitte Touche Tohmatsu - Audit 185, avenue Charles de Gaulle 92 200 Neuilly-sur-Seine- France	1994	2000

ANNUAL GENERAL MEETING

1. PRESENTATION OF RESOLUTIONS

Appropriation of earnings (1st and 2nd resolutions)

Net earnings of the last five years have been appropriated as follows:

(in millions of French francs)

	1998	1997	1996	1995	1994
SOURCE					
1. Retained earnings	2,149*	2,067*	1,966	1,730	1,464
2. Net income for the year	1,274	1,117	1,106	1,384	1,451
3. Transfer from reserves	-	-	-	-	-
TOTAL	**3,423**	**3,184**	**3,072**	**3,114**	**2,915**
APPROPRIATION					
4. To reserves:					
- legal reserve	20	0.6	5	26	17
- long-term net capital gains special reserve	-	-	25	32	-
- optional reserve	-	-	-	168	350
5. Dividends:					
- per the bylaws	128	118	118	115	102
- additional	1,105	923	826	807	715
- maximum 10% loyalty bonus	15	-	-	-	-
Total	1,248	1,041	944	923	817
6. Retained earnings	2,154	2,143	2,098	1,966	1,730
TOTAL	**3,423**	**3,184**	**3,072**	**3,114**	**2,915**

* After deduction of withholding taxes in respect of dividends distributed during 1997 (FRF-31,370,717) and recognition of the positive impact of dividends waived on treasury stock in 1997 and 1998 (FRF 1,402,790 and FRF 6,095,991 respectively).

Stockholders are requested to ratify the following appropriation of net income for the year of FRF 1,274,437,817.94:

SOURCE		
1. Retained earnings		2,148,637,943.27
2. Net income for the year		1,274,437,817.94
3. Transfer from reserves		0
TOTAL		**3,423,075,761.21**
APPROPRIATION		
4. To reserves		
- legal reserve		20,309,390.00
- optional reserve		0
5. Dividends		
- per the bylaws	128,483,757.50	
- additional	1,104,960,314.50	
- maximum 10% loyalty bonus	14,912,286.00	
- total		1,248,356,358.00
6. Other allocations		0
7. Retained earnings		2,154,410,013.21
TOTAL		**3,423,075,761.21**

Stockholders are requested to approve a maximum dividend distribution of FRF 1,248,356,358.00, inclusive of the 10% loyalty dividend payable on registered shares and in excess of two years as at December 31, 1998 and still so held on the dividend ranking date of June 7, 1999. The increased dividend payable on qualifying shares transferred to bearer account between January 1, 1999 and June 7, 1999 shall be appropriated to retained earnings.

It is proposed, in addition, to offer stockholders the option of receiving payment of dividends in the form of shares (scrip), subscribed to at a price equal to 90% of the stock market value as permitted by law. Stockholders may exercise this option by informing the payment institutions between June 7, 1999, the date on which shares must be held to rank for dividends, and June 25, 1999 inclusive. Stockholders may pay an additional amount in order to receive the number of whole shares immediately above that to which the dividend grants entitlement.

For the purposes of the bylaws, shares issued as a result of payment of the dividend in scrip, and, where applicable, payment of any additional cash amounts, shall confer the same rights as the shares to which they relate and this from issue. The option provided by law, in the event of fractional shares, to round up to the nearest whole figure the number of scrip receivable by payment of a balancing amount may, however, only be exercised once.

If this proposal is accepted, stockholders shall receive a net ordinary dividend per share of FRF 12 (EUR 1.83), plus a tax credit, where applicable, of FRF 6 (EUR 0.91), giving a total gross dividend of FRF 18 (EUR 2.74) per share.

The loyalty dividend per share shall be FRF 13.20 (EUR 2.01), plus a tax credit, where applicable, of FRF 6.60 (EUR 1), giving a total gross dividend of FRF 19.80 (EUR 3.01) per share.

Pursuant to Article 41 of the 1999 Finance Act No. 98-1266, this 50% tax credit is reduced to 45% for corporate entities not subject to the tax regime detailed in section 2 of Article 146 of the General Tax Code.

The cash dividend will fall due for payment, in French francs, on July 7, 1999.

Agreements entered into with directors (3rd resolution)

Stockholders are requested to approve the terms of the Statutory Auditors' Special Report on transactions involving directors of the company issued pursuant to Articles 101 et seq. of the Companies Act (see page 94).

Appointment of a new director and renewal of the terms of office of six directors (4th to 10th resolutions)

Stockholders are requested to take due note of the expiry of the term of office as director and of his functions on the Organization and Management Committee of Mr. Olivier Lecerf, pursuant to the provisions of the bylaws concerning age limits.

Stockholders are requested to approve the appointment of Mrs. Hélène Ploix to the Board of Directors for a period of six years, expiring at the end of the Annual General Meeting held to approve the 2004 financial statements and the renewal of the terms of office, for the same period, of Messrs. Bertrand Collomb, Michel Bon, Alain Joly, Patrice le Hodey, Robert W Murdoch and Lindsay Owen-Jones, which expire at the end of the meeting.

The offices held by the above individuals during the last five years are detailed on page 92 and 93.

Authorization granted to the Board of Directors to buy the Company's stock (11th resolution)

Stockholders are requested to authorize the Board of Directors to trade in the Company's stock, pursuant to Article 217-2 of the Companies Act as amended by the Law of July 2, 1998, up to a maximum limit of 10% of the common stock of the Company as of this day and subject to the following conditions detailed in the information memorandum approved by the Commission des Opérations de Bourse:

• maximum purchase price per share of EUR 114.33 and a minimum selling price per share of EUR 19.05, subject to adjustment in the event of transactions involving the Company's stock

• the acquisition, disposal and transfer of shares may be performed at any time decided by the Board of Directors and using any means, including where applicable, derivative financial instruments and warrants, subject to the conditions laid down by the market authorities

• stock purchases may be performed in accordance with the provisions detailed in the information memorandum approved by the Commission des Opérations de Bourse and presented to stockholders, with a view to

- regulating the share price
- granting stock purchase options to employees and management of the Company and/or all or certain Group companies
- granting stock to employees under employee profit-sharing arrangements or corporate savings schemes
- holding, disposing of or generally transferring the shares, in particular by way of exchange or allotment, as part of external expansion transactions or on the issue of securities granting entitlement to the common stock as part of an asset and financial management policy
- canceling the stock in order to optimize earnings per share, subject to the adoption by the Extraordinary General Meeting, held following the close of the Annual General Meeting of the ninth resolution authorizing this cancellation.

• the authorization shall be granted for a period of 18 months as from its approval by stockholders.

If approved by stockholders this authorization shall supersede, with immediate effect, the authorization granted by the Annual General Meeting of May 26, 1998, authorizing the Board of Directors to trade in the Company's stock in order to regulate the share price.

The 866,603 shares purchased by the Company pursuant to authorizations granted previously by stockholders at Annual General Meetings with a view to regulating the share price, shall be deemed to have been purchased under the stock purchase program currently presented to stockholders and such shares shall be taken into account in the determination of the number of shares held by the Company for the purposes of this resolution and the number of shares which may be cancelled pursuant to application of the ninth resolution presented to the Extraordinary General Meeting.

Stock purchased pursuant to this resolution may not result in the Company holding in excess of 10% of the common stock.

Granting of powers to the Board of Directors to issue debenture loans up to a maximum amount of EUR 2.3 billion (12th resolution)

Stockholders are requested to authorize the Board of Directors, for a period of 26 months, to issue debenture loans up to a maximum amount of EUR 2.3 billion. This ceiling is applicable jointly with the authorization to issue debt securities granting immediate or future entitlement to a share in the common stock of the Company, proposed to the Extraordinary General Meeting of May 27, 1999.

2. PROPOSED RESOLUTIONS

First resolution

APPROVAL OF THE FINANCIAL STATEMENTS AND TRANSACTIONS OF FISCAL 1998

Having heard the Directors' Report and the Statutory Auditors' Report, stockholders approve the 1998 financial statements and the transactions indicated therein.

They establish net income for the year at FRF 1,274,437,817.94.

Second resolution

APPROPRIATION OF EARNINGS AND SETTING OF THE DIVIDEND

Stockholders take due note of the increase in retained earnings from FRF 2,142,541,952.27 to FRF 2,148,637,943.27, following the positive impact of the waiver by the Company of dividends payable in respect of treasury stock in the amount of FRF 6,095,991.00.

Having heard the Directors' Report, stockholders note that after appropriation of FRF 20,309,390.00 to the legal reserve and taking into account prior year unappropriated retained earnings of FRF 2,148,637,943.27, net distributable earnings amount to FRF 3,423,075,761.21.

Stockholders approve the Board's proposed resolutions for the appropriation of distributable earnings.

The ordinary dividend per share is set at FRF 12 (EUR 1.83) and the loyalty dividend at FRF 13.20 (EUR 2.01), granting entitlement, pursuant to the terms and conditions laid down by law and detailed in the Directors' Report, to a 50% tax credit of FRF 6 (EUR 0.91) for the ordinary dividend and of FRF 6.60 (EUR 1) for the loyalty dividend, representing a gross ordinary dividend per share of FRF 18 (EUR 2.74) and a gross loyalty dividend per share of FRF 19.80 (EUR 3.01).

Retained earnings are set at FRF 2,154,410,013.21. This balance may be increased by the amount of loyalty dividends corresponding to bearer shares originally entitled to this bonus but which lost such entitlement pursuant to their transfer to a bearer account between January 1 and June 7, 1999.

Dividends paid in respect of prior years were as follows (in French francs and not restated to reflect the bonus issue of 1995):

Year	Number of shares	Dividend paid	Tax credit	Gross dividend
1995	92,251,318	10.00	5.00	15.00
1996	94,403,002	10.00	5.00	15.00
1997	94,663,250	11.00	5.50	16.50

Stockholders hereby resolve that:

- shares held on June 7, 1999 shall rank for dividends
- stockholders may choose to receive the dividend in cash or scrip, in the amount of FRF 12 (EUR 1.83) per share for the ordinary dividend and FRF 13.20 (EUR 2.01) per share for the loyalty dividend

To this end, stockholders may, during the period June 7, 1999 to June 25, 1999 inclusive, elect for payment of the dividend in scrip by so informing the payment institutions.

The cash dividend will be paid on July 7, 1999 following expiry of the option period.

Pursuant to applicable law, the price of shares received in lieu of dividend (scrip) shall be set at 90% of the average opening stock market price on the monthly settlement market for the 20 trading days preceding the date of the Annual General Meeting, less the net amount of the dividend.

Where the number of shares resulting from the exercise of the option is not a whole number of shares, the stockholder may receive the number of shares immediately above by paying the difference in cash on the day he exercises the option, or the number of shares immediately below, with receipt of the balancing cash amount.

Shares received in lieu of dividends shall rank for dividends with effect from January 1, 1999.

For the purposes of the provisions of the bylaws concerning loyalty dividends, shares received in lieu of dividends, plus where applicable any additional cash payments, shall be deemed to confer the same rights as the shares to which they relate and this from issue.

Stockholders grant full powers to the Board of Directors to take all measures necessary for the application and implementation of this resolution, to note the resulting common stock increase and amend the bylaws of the Company accordingly.

Third resolution

Agreements involving directors of the Company falling within the scope of Article 101 et seq. of the Companies Act

Stockholders take due note of the impact of the agreements falling within the scope of Articles 101 et seq. of the Companies Act of July 24, 1966, authorized in advance by the Board of Directors and referred to in the Statutory Auditors' Special Report which they have duly examined.

Fourth resolution

Appointment of a new director

Stockholders, on the recommendation of the Board of Directors, hereby appoint, in accordance with the conditions laid down in Article 14 of the bylaws, Mrs. Hélène Poix to the Board of Directors for a term of six years to expire at the end of the Annual General Meeting held to adopt the 2004 financial statements.

Fifth resolution

Renewal of the term of office of a director

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Bertrand Collomb.

Sixth resolution

Renewal of the term of office of a director

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Michel Bon.

Seventh resolution

Renewal of the term of office of a director

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Alain Joly.

Eighth resolution

RENEWAL OF THE TERM OF OFFICE OF A DIRECTOR

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Patrice le Hodey.

Ninth resolution

RENEWAL OF THE TERM OF OFFICE OF A DIRECTOR

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Robert W. Murdoch.

Tenth resolution

RENEWAL OF THE TERM OF OFFICE OF A DIRECTOR

Stockholders, on the recommendation of the Board of Directors, hereby renew, in accordance with the conditions laid down in Article 14 of the bylaws, the term of office as director of Mr. Lindsay Owen-Jones.

Eleventh resolution

AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS TO TRADE IN THE COMPANY'S STOCK

Stockholders, having taken note of the Directors' Report and the provisions detailed in the information memorandum approved by the Commission des Opérations de Bourse:

• cancel, with immediate effect, the authorization granted by the Annual General Meeting of May 26, 1998 by the adoption of the fifth resolution authorizing the Board of Directors to trade in the Company's stock in order to regulate the share price

• authorize the Board of Directors, pursuant to Article 217-2 of the Companies Act, to purchase shares in the Company up to a maximum holding of 10% of the common stock outstanding as of the date of this Annual General Meeting, subject to the following conditions:

• the maximum purchase price per share is set at EUR 114.33 and the minimum selling price at EUR 19.05, subject to adjustment in the event of transactions involving the common stock of the Company

• in the event of transactions involving the common stock of the Company, and in particular the capitalization of reserves and issue of bonus shares and increases and decreases in par value, the above indicated prices shall be adjusted accordingly

• shares may be purchased, sold or transferred by any means, including the use of derivative financial instruments and warrants, subject to the conditions laid down by the market authorities, and at any time decided by the Board of Directors

• stock purchases may be performed, in accordance with the provisions detailed in the aforementioned information memorandum, with a view to:

- regulating the share price
- granting stock purchase options to employees and management of the Company and/or all or certain Group companies
- granting stock to employees under employee profit sharing arrangements or corporate savings schemes
- holding, disposing of or generally transferring the shares, in particular by way of exchange or allotment, as part of external expansion transactions or on the issue of securities granting entitlement to the common stock as part of an asset and financial management policy
- canceling the stock, subject to the adoption by the Extraordinary General Meeting convened on May 27, 1999 of the ninth resolution authorizing this cancellation.

This authorization is granted for a period of 18 months as from the date of this Annual General Meeting.

Stockholders grant full powers to the Board of Directors to submit all stock market orders, enter into all agreements, perform all formalities and generally do all that is necessary, or delegate such tasks.

Twelfth resolution

AUTHORIZATION OF THE BOARD OF DIRECTORS TO ISSUE DEBENTURE LOANS UP TO A MAXIMUM AMOUNT OF EUR 2.3 BILLION

Stockholders, having heard the Directors' Report,

• cancel, with immediate effect, the authorization granted by the Annual General Meeting of May 21, 1997 by the adoption of the ninth resolution

• delegate full powers to the Board of Directors to perform in France, abroad and/or on the international financial markets, where appropriate within the framework of the Euro Medium-Term Notes program (EMTN), at times and under the terms and conditions it judges appropriate and during a period of 26 months, one or more debenture loan issues in euro or any of its national sub-currencies, any other foreign currency or any monetary unit determined by reference to more than one currency, up to a maximum of EUR 2.3 billion or FRF 15 billion.

The new debenture issue may, at the decision of the Board of Directors, take the form of perpetual or fixed-term subordinated securities, subordinated as to principal, interest or both. The debentures may be accompanied by all securities, in the form of warrants or otherwise, granting entitlement to other securities, subject to the condition that where such securities represent a share in the common stock of the Company, they may only be attached pursuant to the terms and conditions provided in the resolutions of the Extraordinary General Meeting having authorized the Board of Directors to perform such issues.

Thirteenth resolution

POWERS TO EXECUTE STOCKHOLDERS' DECISIONS

Stockholders give full powers to the holder of copies or extracts of the minutes of this meeting to file any necessary documents and comply with all registration, publication or other formalities.

STOCKHOLDER INFORMATION

1 - COMPANY INFORMATION

- Legal form: "Société anonyme" governed by the July 24,1966 Companies Act
- Nationality: French
- Registered office: 61, rue des Belles Feuilles, 75116 Paris, France
- Reference number in the Paris Trade and Companies Register: B 542 105 572
- Principal activity (APE code): 741J
- Date of incorporation: 1884 (incorporation of J. et A. Pavin de Lafarge in Viviers, Ardèche, France)
- Date of expiration: December 31, 2066
- Corporate purpose: the acquisition and management in France and abroad of all industrial or financial investments relating in particular to its principal activities: cement, concrete and aggregates, roofing, gypsum and specialty products (Article 2 of the bylaws).
- Fiscal year: from January 1 to December 31.
- Common stock as at December 31, 1998: FRF 2,569,675,150 divided into 102,787,006 shares of FRF 25 each.
- Number of voting rights as at December 31, 1998: 110,818,852 (the most recent entry in the BALO legal journal, published following an increase, on December 23, 1998, of more than 5% in voting rights since the previous published figure, dates from January 6, 1999 and refers to the existence of 107,579,254 voting rights)
- Legal documents (bylaws, minutes of meetings, statutory auditors' reports, etc.) may be consulted in the Stockholder Relations Department ("Service des relations avec les actionnaires") at the registered office.

2 - SPECIFIC PROVISIONS OF THE BYLAWS

Directors

All members of the Board must be the beneficial owner of a minimum number of shares in the Company held in registered form for an aggregate par value of no less than FRF 30,000 (i.e., 1,200 shares). Directors have a period of three months from appointment to comply with the requirements of the bylaws.
(Article 14 of the bylaws)

Stockholders' meetings

All stockholders may attend the meetings, irrespective of the number of shares held.
They are convened directly by the Company if they hold registered shares. Holders of bearer shares are convened via their account holder. In both cases, they must prove their status of stockholder at the time of the meetings.
This proof is established:
- by holders of registered shares if their shares are registered at least five days prior to the meetings.
- by holders of bearer shares if a certificate drawn up by the account holder to the effect that their shares are unavailable is filed at the place indicated on the notice of meeting at least five days prior to the meetings.

The stockholders may meet at the registered office or at any other place indicated on the notice of meeting.
(Article 27 of the bylaws)

Voting rights

A double voting right is conferred on registered shares held for at least two years by the same stockholder.
The period of time during which shares must be registered in order to confer a double voting right was reduced from five to two years by the Extraordinary Meeting of June 15, 1992.
The number of voting rights held by each stockholder is equal to the number of rights conferred on the shares owned, up to a limit of 1% of the rights conferred on all shares making up the common stock as of the date of the meeting. Beyond this limit, voting rights are calculated on the basis of the quorum present at the meeting,
The method used to calculate the number of voting rights subject to restriction is detailed in Exhibit 2 to the bylaws.
For each stockholder, where applicable, direct and indirect voting rights are aggregated, as are voting rights held by third parties with whom the stockholder has formed a voting block as defined by law (Article 28-

1° of the bylaws).

These measures were adopted at the Annual General Meeting of June 20, 1989.

Exhibit 2 to the bylaws and an example calculation may be obtained from the Stockholder Relations Department ("Service des relations avec les actionnaires") at the registered office.

Voting rights are exercised by the beneficial owner (usufructuary) thereof at all stockholders' meetings unless the beneficial owner and the legal (bare) owner agree otherwise and jointly notify the Company at least five days prior to the meeting.

Appropriation of earnings

Net income for the year less losses recorded in previous years, if any, is appropriated in the following order:

- 5% to the legal reserve
- amounts transferred to other reserves as required by law
- first dividend equal to 5% of the par value of the interest held
- additional 10% dividend calculated on the first dividend and payable to holders of shares registered for a minimum of two years; this dividend will be payable for the first time in 1999 (see Loyalty bonus below)
- amounts transferred to optional reserves, if any, or carried forward as retained earnings
- any surplus is distributed in the form of a surplus dividend, increased by 10% for those shares which qualify for the 10% bonus on the first dividend (see Loyalty bonus below)

Stockholders participating in general meetings may vote to offer the option of payments of dividends in shares or cash.

Dividends not claimed within a period of five years following the date of payment are barred by statute and are paid to the State in accordance with the law.

(Articles 32 and 33 of the bylaws)

The measures concerning the 10% bonus dividend were adopted at the Extraordinary General Meeting of May 21, 1996 (see Loyalty bonus below).

Loyalty bonus

Any stockholder who, at the year end, has held stock for a minimum of two years and still holds it at the date of payment of the dividend in respect of the year, shall receive in respect of such shares a bonus equal to 10% of the dividend voted, irrespective of whether the dividend is paid over in cash or shares (scrip).

The same conditions apply in the event of a bonus stock issue.

The amount of eligible stock held by any one stockholder cannot exceed 0.5% of total common stock at the year end under consideration.

In the event of a scrip dividend or bonus issue all additional stock shall rank pari passu with the stock previously held by the stockholder for the purposes of the loyalty bonus calculation or bonus stock issue.

These provisions shall come into affect for the first time on the payment in 1999 of the dividend in respect of fiscal 1998 (Article 32 of the bylaws).

These measures were adopted at the Extraordinary General Meeting of May 21, 1996.

Stockholding limits

Limits laid down bylaws

All stockholders are required to notify the Company should they come to own or control directly or indirectly, individually or jointly with other stockholders 1/20th, 1/10th, 1/5th, 1/3rd, 1/2 or 2/3rds of the voting rights conferred on the shares making up the common stock.

Limits laid down by the by laws

The Company must also be notified when 1% of the common stock is exceeded or any multiple of this percentage without limit.

The notification procedure is set out in Article 8-4 of the bylaws.

These measures were adopted at the Extraordinary General Meetings of June 13, 1988 and June 20, 1989.

The extension of this reporting requirement to cover voting rights is proposed to the Extraordinary General Meeting of May 27, 1999.

Bearer securities

The Company may, at any time, ask SICOVAM to identify the holders of bearer securities (Article 8-5° of the bylaws).

This measure was adopted at the Annual General Meeting of June 17, 1987.

3 - STOCK EXCHANGE INFORMATION CONCERNING LAFARGE STOCK

• In France, the stock of the Company is listed on the monthly settlement market of the Paris Bourse. Shares are traded singly under the SICOVAM stock code 12053.

The introduction of a loyalty dividend required the implementation by SICOVAM of specific codes enabling the classification of registered shares according to the duration held in this form. The two-year period from registration is counted down each year with effect from January 1 of the year following registration.

THE GENERAL CODE 12053 indicates that:

• the stock is registered stock

• the stock was registered as at January 1, 1999 or will be registered until December 31, 1999. This stock will then be allocated specific codes (see below) with effect from January 1, 2000.

SPECIFIC CODE 6694 indicates, with effect from January 1, 1999, all stock recorded in custody only or administered registered accounts in 1996 or before. For such stock, the two-year period granting holders entitlement to a loyalty dividend runs from January 1, 1997. Holders will receive a loyalty dividend with effect from the dividend paid in 1999 in respect of fiscal 1998.

SPECIFIC CODE 6194 indicates, with effect from January 1, 1998, all stock recorded in custody only or administered registered accounts in 1997. For such stock, the two-year period granting holders entitlement to a loyalty dividend runs from January 1, 1998. Holders will receive a loyalty dividend in 2000 in respect of fiscal 1999.

These specific codes are sub-categories of the general code 12053. The stock classified under these codes is not, therefore, a separate category of stock. Such stock remains listed on the stock market under the general code 12053.

• The Lafarge share is listed on the UK and German stock exchanges.

• The principal other listed Group companies are:

- Lafarge Corporation in the United States (New York Stock Exchange)
- Lafarge Corporation and the exchangeable preferred stock of Lafarge Canada Inc. in Canada (Toronto and Montreal)
- Lafarge Ciment in Morocco (Casablanca)
- Fabrica Nacional de Cimento Portland in Venezuela (Caracas)
- Cementia in Switzerland (Zurich)

Transactions over the last 18 months on the Paris Bourse*

Year	Month	Trading volumes (including after hours)		Share price (*)			
				high		low	
		No. of shares (thousands)	Value (in FRF billions)	FRF	EUR	FRF	EUR
1997**	September	5,377	2.33	445.7	67.94	386.8	58.97
	October	6,991	2.84	442.4	67.45	323.7	49.35
	November	5,485	1.98	382.6	58.33	330.6	50.40
	December	3,989	1.52	391.9	59.75	348.3	53.09
1998	January	7,371	2.82	404.2	61.62	352.2	53.69
	February	7,526	3.12	440.8	67.19	381.8	58.21
	March	8,964	4.43	554	84.46	441.5	67.31
	April	7,694	3.96	580	88.42	491.7	74.96
	May	6,610	3.87	630	96.04	552	84.15
	June	6,528	4.03	658	100.31	585	89.18
	July	5,414	3.32	655	99.85	554	84.46
	August	5,188	2.87	614	93.60	480.1	73.19
	September	7,284	3.51	522	79.58	448	68.30
	October	7,075	3.54	583	88.88	441.2	67.26
	November	6,261	3.56	598	91.16	535	81.56
	December	5,024	2.64	559	85.22	495	75.46
	TOTAL 1998	**80,939**					
1999	January	6,426	3.31	-	88.0	-	70.1
	February	6,522	3.46	-	87.5	-	72.2

* In euro with effect from January 1999
** The share price has been adjusted to take account of the common stock increase of March 18, 1998.

Stock exchange data for the last 5 years

	1998	1997	1996	1995	1994
Daily average trading volumes on the Paris Bourse:					
• number of shares	326,369	289,694	261,838	230,449	185,790
• FRF millions	168.02	110.92	83.76	82.06	80.31
Market high and low in FRF:					
• high	658	454.3	358.7	395.8	491.9
• high (adjusted)*	658	445.7	351.9	388.3	438.7
• low	359	305	275.1	287.3	373.1
• low (adjusted)*	352.2	299.2	269.9	281.8	302.5
Closing price at the year end	531	394.9	311.3	315.5	380
Closing price at the year end (adjusted)*	531	387.4	305.4	309.5	338.9
Overall yield per share (%) **	4.26	4.82	4.75	3.95	2.89

* Adjusted to take account of the 1993 and 1995 bonus issues and the common stock issue with preferential subscription rights of March 18, 1998.
** Dividend distributed in the year in question (plus tax credit), over the last listed price for the previous year.

Monep

Lafarge stock was included in the first series of securities listed on the Paris options market on September 10, 1987.

Short-dated options

	12/31/98	12/31/97
Number of contracts traded	338,717	111,653
Average daily number of contracts traded	1,360	447
Open positions:		
• number of contracts	46,875	10,754
• number of securities	4,781,250	1,075,400

Long-dated options

	12/31/98	12/31/97
Number of contracts traded	9,253	22,457
Average daily number of contracts traded	37	90
Open positions:		
• number of contracts	701	6,625
• number of securities	71,502	662,500

Activity on the London Stock Exchange

Trading volumes over the last 26 months (in thousands of shares)

	1999	1998	1997
January	18,996	1,943	8,400
February	4,052	1,127	5,964
March		6,886	6,121
April		3,839	3,217
May		9,134	5,244
June		6,291	3,657
July		2,968	3,734
August		4,565	1,961
September		24,189	6,526
October		39,797	9,859
November		4,604	20,886
December		3,658	1,844

(Source: SEAQ)

4 - SHARE VALUE FOR FRENCH WEALTH TAX PURPOSES (ISF)

- Closing price as at December 31, 1998: FRF 531
- Average closing share price over the last thirty days of 1998: FRF 542.03

5 - STOCKHOLDER RELATIONS

Contacts

Any information or documents may be requested from the Stockholder Relations Department:

INSTITUTIONAL INVESTORS AND FINANCIAL ANALYSTS SHOULD CONTACT:

Frank Bauduin : Tel.: 33-1-44-34-12-86
Fax: 33-1-44-34-12-37
Internet : frank.bauduin@lafarge-groupe.lafarge.com

PRIVATE STOCKHOLDERS SHOULD CONTACT:

Françoise Dauvergne : Tel.: 33-1-44-34-12-73
Toll free number (France only): 0 800 25 67 33
Fax : 33-1-44-34-12-37
Internet : francoise.dauvergne@lafarge-groupe.lafarge.com

The daily closing share price can be consulted in French and English on 33-1-44-34-19-00

Stockholders' Advisory Committee

The Stockholders' Advisory Committee was formed in March 1995 and re-appointed for the first time in 1997. It is made up of eight members who reflect the general age, sex and geographical origins of the private individual stockholder base. The current members are appointed by the Company for a term of three years and selected from applications submitted by stockholders. The term of office of the current Committee expires in March 2000.

The role of the Committee is to help improve communications between the Group and individual stockholders. It met and was consulted on several occasions during 1998:

- in March, on the launch of the common stock issue
- in April, for the presentation of the 1997 financial results and the preparation of the stockholders' meetings of May 26, 1998. The Committee was consulted in advance and participated in the preparation of the questionnaire sent with the meeting notices and analyzed the replies received.
- in October, for the preparation of the Stockholders Newsletter of October 1998 and the update of the stockholders' handbook.
- in November, through its participation at Salon Actionaria, a private stockholder exhibition organized by the SBF (Bourse de Paris) and at the Stockholders Roadshow in Nice.

The Committee members attended the informal stockholders briefings held in Paris, where one of them reported on the work performed by the Committee.

Stockholder briefings

A meeting with Mr. Bertrand Collomb was organized in Nice, in November 1998, for stockholders living in the Provence Alpes Côte d'Azur region. Some 800 stockholders attended the meeting.

Over the last eight years, Lafarge has meet with over 10,000 of its stockholders, primarily in Marseille, Lyon, Nantes, Lille, Bordeaux, Rennes, Strasbourg, Montpellier, Paris, and Nice.

Documentation

Besides the annual report in French and English, the following documents can be obtained by stockholders:

- summaries of this annual report
- the stockholders' handbook
- the semi-annual report as of June 30 of each year
- the Chairman's message to the stockholders : "Lettre aux actionnaires" (twice annually)
- general, economic and financial information on the Group using the French viewdata system ("Minitel" - code 36 15 or 36 16 CLIFF) and from the COB's bank of press releases
- at the Internet site: lafarge@lafarge-groupe.lafarge.com (French and English)

Registrar services - custody-only accounts

Registrar services are provided to Lafarge by Crédit Commercial de France ("CCF").

Lafarge has delegated powers to CCF to offer custody-only accounts to stockholders. All information in this respect may be requested directly from:

Crédit Commercial de France
avenue Robert Schumann, 51051 Reims Cedex, France
Fax: 33-3-26-48-36-87

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Senior Executives

Bertrand Collomb*
Chairman and Chief Executive Officer

Bernard Kasriel*
Vice Chairman and Chief Operating Officer

Jacques Lefèvre*
Vice Chairman and Chief Operating Officer

Michel Rose*
Senior Executive Vice President

Serge Feneuille
Adviser to the Chairman

Miguel del Campo*
Executive Vice President, Finance

Yves de Clerck*
Executive Vice President, Cement

N. Erich Gerlach*
Executive Vice President, Roofing

Christian Herrault*
Executive Vice President, Human Resources & Organization

Bruno Lafont*
Executive Vice President, Gypsum

Olivier Legrain*
Executive Vice President, Specialty Products

Charles de Liedekerke*
Executive Vice President, Aggregates & Concrete

Patrick Nodé-Langlois
Executive Vice President, Environment & Public Affairs

John Piecuch*
Executive Vice President, North America

Philippe Rollier
Executive Vice President, Central Europe

Jean-Marie Schmitz
Executive Vice President, Morocco

** Members of the Executive Committee.*

Honorary Chairmen

Jean Bailly

Jean François

Olivier Lecerf

Auditors

Statutory Auditors

Deloitte Touche Tohmatsu
Michel Rosse

Deputy Auditors

Jean Decup
Deloitte Touche Tohmatsu - Audit

Board of Directors

Chairman and Chief Executive Officer
Bertrand Collomb*

Vice Chairmen and Chief Operating Officers
Bernard Kasriel

Jacques Lefèvre

Directors
Michael Blakenham

Michel Bon*

Guilherme Frering

Bernard Isautier

Alain Joly*

Jean Keller

Raphaël de Lafarge

Olivier Lecerf**

Patrice le Hodey*

Robert W. Murdoch*

Lindsay Owen-Jones*

Michel Pébereau

International Advisory Board

Bülent Eczacibasi
Chairman of the Eczacibasi Group (Turkey)

Juan Gallardo
Chairman of the Embotelladoras Unidas SA Group (Mexico)

Mohamed Kabbaj
Former Finance Minister of Morocco,
Chairman of Lafarge Maroc (Morocco)

David K.P. Li
Chairman and Chief Executive Officer of the Bank of East Asia Ltd. (Hong Kong)

Thierry de Montbrial
Founder and Director of the French Institute for International Relations (France)

David Morton
Former Chairman and Chief Executive Officer of Alcan Aluminium Ltd (Canada)

James E. Perrella
Chairman and Chief Executive Officer of Ingersoll-Rand Company (United States)

William K. Reilly
President and Chief Executive Officer of Aqua International Partners, L.P. and former Administrator, Environmental Protection Agency (United States)

Henning Schulte-Noelle
Chairman of the Board of Management Allianz Aktiengesellschaft (Germany)

Tadao Suzuki
President and Chief Executive Officer of Mercian Corporation (Japan)

Philippe de Woot
Professor (strategic management) at Louvain Catholic University (Belgium)

** Renewal of term proposed at the Annual General Meeting of May 27, 1999.*

*** Until May 27, 1999.*

This report was produced by the Lafarge Corporate Communications Department.
Free translation of the original French text for information purpose only.

English text: Nouvel Angle, Deloitte Touche Tohmatsu.
Design & Production: Ecocom

Stockholders' 1999 Agenda

March 26	Stockholders' Advisory Committee meeting
May 27	Annual General Meeting
June 7	Dividend ranking date
July 7	Dividend payment date
September 30	Stockholders' Advisory Committee meeting
October 28	Stockholders' meeting held outside of Paris

LAFARGE

S.A. with share capital of FRF 2,569,675,150
Registered office: 61, rue des Belles Feuilles
BP 40 - 75782 Paris Cedex 16 - France
Telephone: (+33) 1 4434 1111 - Fax: (+33) 1 4434 1200 - Telex: 641 548
542 105 572 RCS Paris
www.lafarge.com