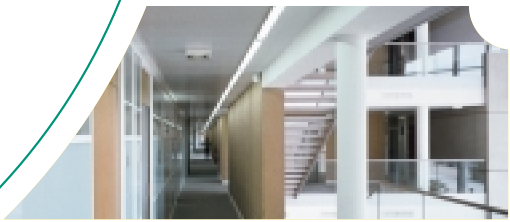
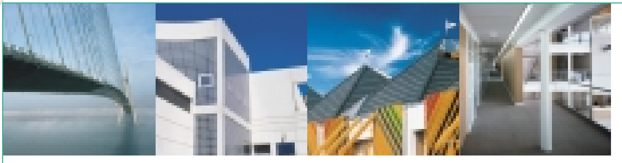
ANNUAL REPORT



2000

LAFARGE



The Group

Business Report 2000

Financial statements 2000

Financial and legal information

Information identified by (•) corresponds either to economic information excluded from the Auditors' scope of reference or to accounting or financial projections for which the work of the Auditors has consisted in verifying that the calculations have been performed in accordance with hypotheses such as they are described in the reference document, but with no attempt to assess the economic objectives or the relevance of the hypotheses.

The Lafarge Group

1833
birth of Lafarge

12.2
billion euros of annual sales

66,000
employees

71
countries

257,000
private shareholders

Profile

World leader in building materials, Lafarge holds top-ranking positions in all four of its Divisions – Cement, Aggregates & Concrete, Roofing and Gypsum.

In 2000, the Group reported sales of €12.2 billion, and today, with 66,000 employees, it operates in more than 70 countries.
Lafarge's growth policy is defined in the context of a strategy of sustainable development. The Group's expertise in efficient industrial processes generates value, protects the environment, shows respect for societies and cultures and is sparing in its use of natural resources and energy.

By focusing on the development and improvement of building materials, Lafarge puts the customer at the core of its strategy and offers the construction industry and the general public innovative solutions that will bring more safety, comfort and beauty to our everyday lives.

Chairman's

◗ Another year of very good results

◗ A capability to make progress in spite of the uncertainties of the world economy

◗ International development, with acquisitions on all five continents

The year 2000 turned out to be another year of very good results for Lafarge. It was also an extremely eventful year, during the course of which the Group succeeded in strengthening its position as world leader.

With annual sales of more than €12.2 billion, 16% higher than in 1999, and a rise of 18% in net income, Group share, to €726 million, Lafarge once again demonstrated its capacity to progress in spite of the uncertainties of the world economy. Indeed, although the general situation of our markets was favourable in 2000, the year also saw a sharp rise in energy costs, while the American market experienced a degree of slowdown and the German market proved particularly disappointing. Emerging countries showed clear signs of growth, and their contribution to our results improved markedly. Only Turkey suffered a significant downturn in its situation. Almost all markets in Europe enjoyed a year of progress, none more so than in Spain and France. Contrary to forecasts, however, the German market continued to decline, which weighed on the results of our Roofing Division in particular.
In North America, the implementation of road building programmes was held up by unfavourable weather conditions during the summer and very severe winter conditions at the end of the year, while there was also a slowdown in new housing programmes. These circumstances chiefly affected our Gypsum business.

message

“2000 was a key year for Lafarge in its efforts to strengthen its strategic position and its world leadership.”

Last year was also notable for the hike in energy costs. Starting midway through the year, the sudden unforeseen steep rise in the price of oil drove the cost of other energy sources higher. The purchasing policy we have applied for several years, which consists of diversifying our source of energy and reducing our consumption, meant that we were able to maintain a high degree of cost control, however, and our operating margins continued to improve overall.

During the past year, the Group pursued its international development, concluding acquisitions on all five continents. The most notable of these occurred in Cement in India and Africa, in Aggregates in North America, in Gypsum in Asia, and in Roofing in Germany. We also built or modernised a number of production facilities, in the United States (Cement and Gypsum), Turkey (Gypsum), and China, Europe and Brazil (Roofing).

We continued to press ahead with our innovation strategy, with the inauguration of the extension to our Central Research Laboratory in L'Isle d'Abeau, near Lyons, and we re-committed ourselves to our strategy of sustainable development, showing respect for our everyday surroundings, societies and cultures. Beyond the numerous initiatives taken to contribute to the life of local communities, the Group signed a worldwide partnership in March 2000 with WWF, the conservation organization. The Group intends to make constant progress in this area and wants to figure among the most successful groups in its sector in terms of environmental performance.

The year 2000 was also a key year for Lafarge in its efforts to strengthen its strategic position and its world leadership.
Playing an active part in the movement towards worldwide consolidation in our industries, we launched a takeover bid early in 2000 for the world's sixth largest cement producer, the British group, Blue Circle Industries.
At the price we offered, our bid failed to attract the majority of shares, but we nonetheless succeeded in acquiring a stake of roughly 20% in the equity of the company. It became possible for us to re-open discussions with Blue Circle towards the end of 2000, and early in 2001, a new bid was accepted by the company's Board of Directors and its shareholders. Expressed in euros, the cost of the operation has not increased for Lafarge and its shareholders by comparison with the previous year's bid. This is a major acquisition, which will increase the size

of the Group by more than a third and generate a significant improvement in profits. It is expected to be finalised during summer 2001, and the integration of Blue Circle should be completed by the end of the year.

In parallel with this development, we decided to sell the majority of businesses in our Specialty Products Division to enable us to focus on our four principal sectors. In a newly created company, Materis, in which we hold an interest of roughly 34%, and with unchanged management teams, the Specialty Products businesses will be well placed to make further progress and enjoy development.

My final remark on 2000 is that it was a year of great turbulence on the financial markets. In spite of the satisfactory rise in our results, our share price was strongly penalised by wild enthusiasm for technology stocks , and our shareholders had legitimate cause for concern.
Nevertheless, as we predicted, a return to more balanced judgement coupled with the favourable outcome of the Blue Circle operation enabled the Lafarge share price to experience a marked recovery in the early months of 2001. We owe thanks to our shareholders for their continued confidence during a year that was not all plain sailing, and for the support they gave us in the share issue operation carried out in January 2001.

The acquisition of Blue Circle will make Lafarge the world's largest cement producer. Its activities in Aggregates & Concrete, Roofing and Gypsum confirm it as world leader in building materials.
This position is supported by a strategy of value creation which is implemented by teams of motivated professionals, rich in shared experience, who have proved themselves able to maintain their cohesion, even in troubled times.
Our Group already has 165 years of history behind it, but now our new position opens the way to a future of progress and success in the century just beginning.

BERTRAND COLLOMB
Chairman and Chief Executive Officer

The Executive Committee

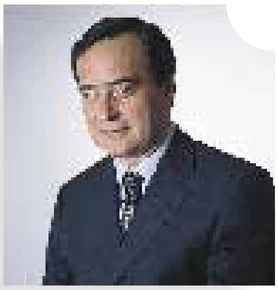
Yves de Clerck
Executive Vice President
Cement *(until March 2001)*

Isidoro Miranda
Executive Vice President
Cement *(from March 2001)*

Charles de Liedekerke
Executive Vice President
Aggregates & Concrete

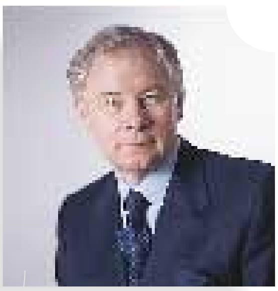
Ulrich Glaunach
Executive Vice President
Roofing

The "Direction générale"
From left to right: **Michel Rose** Senior Executive Vice President, **Bertrand Collomb** Chairman and Chief Executive Officer, **Bernard Kasriel** Vice Chairman and Chief Operating Officer



Bruno Lafont
Executive Vice President
Gypsum

Olivier Legrain
Executive Vice President
Specialty Products
(until January 2001)



John Piecuch
Executive Vice President
North America
(until May 2001)

Miguel del Campo
Executive Vice President
Finance *(until March 2001)*

Jean-Jacques Gauthier
Executive Vice President
Finance *(from March 2001)*

Christian Herrault
Executive Vice President
Human Resources
& Organisation

Corporate

The Board of Directors

In accordance with the recommendations of the Viénot report, the Board of Directors of Lafarge examined its make-up, organisation and operation in its meeting in March 2000.

It was noted that the company already implements the working methods suggested by the report with respect to the number of non-executive Directors, the existence, role and operation of sub-committees and information provided to shareholders, and has done so for many years.

You will find more detailed information on corporate governance on pages 117 to 122.


Michael Blakenham


Michel Bon


Bertrand Collomb


Guilherme Frering


Patrice le Hodey


Bernard Isautier


Alain Joly


Bernard Kasriel


Jean Keller


Raphaël de Lafarge


Jacques Lefèvre


Robert W. Murdoch


Lindsay Owen-Jones


Michel Pébereau


Hélène Ploix

governance

◗ **Lafarge's objective is to optimise over time the value created for its shareholders. It provides transparent communications intended for both internal and external audiences.**

◗ **In 2000, the Group won several distinctions for its practices in the field of corporate governance** **(see page 14).**

Structure of the Board of Directors

• The make-up of the Board of Directors is designed to enable the Group to benefit from the experience and independence of its Directors. Its members represent five nationalities.

• The Board of Directors includes 10 non-executive Directors as defined in the Viénot report, i.e. having "no relationship of any nature with the company which could compromise their freedom of judgement." Moreover, no Group-appointed Directors sit on the Board of any company managed by any of the non-executive Directors. The Board of Directors deliberates on all major issues involving the life of the Group, and strategy decisions in particular. It meets at least four times per year. In 2000, it met six times, and the average attendance rate at Board meetings was 84.4%.

• There are three specialised committees of the Board of Directors: the Organisation and Management committee, the Finance committee and the Strategy and Investment committee. They all generally meet twice a year. More than one half of the members of each committee consist of qualified non-executive Directors. Committees are given access to all necessary information, and they submit their proposals to the Board of Directors for approval.

Transparency and quality of information

Lafarge regularly organises information meetings and similar events, and has created a Shareholders Consultative Committee.

In 2001, as it did in 2000, the Group will publish information for the market:

• once per quarter on aggregated sales data,

• in early September on its first-half results,

• at the end of February 2002 on its results in 2001.

The Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders is regarded as an occasion for genuine debate with shareholders. The venue, date and time of the event are announced several months in advance. The invitation to the AGM incorporates a participant's guide and provides detailed information on proposed resolutions. The use of electronic tools guarantees the reliability and rapidity of voting. The 2000 AGM was put out as a recorded webcast on Internet site www.lafarge.com and this year, minutes of the 2001 AGM will be posted on line.

Key figures

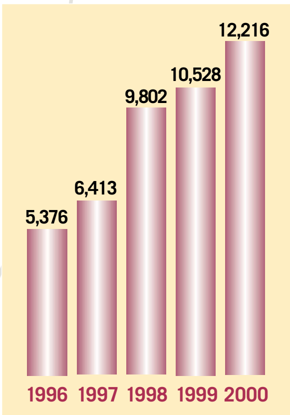
2000 was another year of very good results, mainly thanks to the Group's capacity to react to uncertain conditions on some of its markets and its ability to keep energy costs under control. Our development and the successful integration of new acquisitions are reflected by an increase in the contribution of emerging countries, particularly in Asia.

+ 16%
for sales
at €12.2 billion

+ 17%
for operating income
on ordinary activities
at €1,905 million

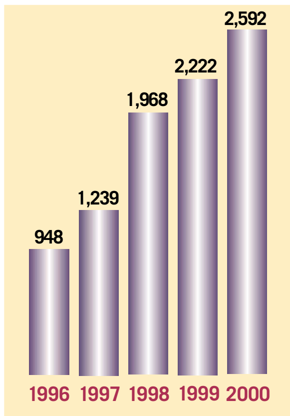
+ 18%
for net income,
Group share
at €726 million

Sales
in millions of euros



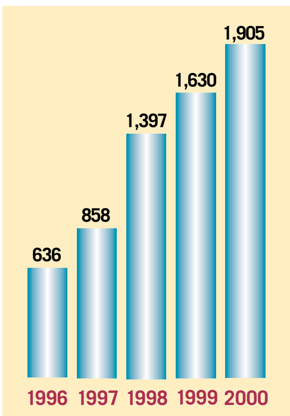
in millions of French francs
35,262 42,066 64,294 69,063 80,132

Gross operating income
in millions of euros



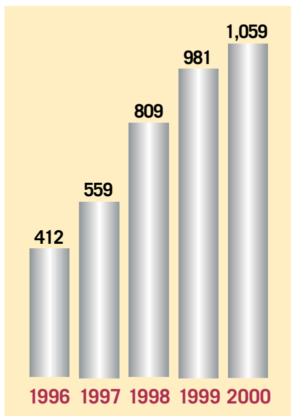
in millions of French francs
6,222 8,128 12,911 14,575 17,002

Gross operating income on ordinary activities
in millions of euros



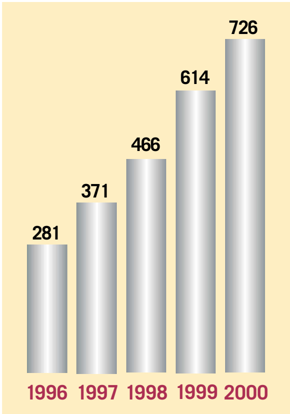
in millions of French francs
4,169 5,630 9,164 10,692 12,496

Net income before amortisation of goodwill
in millions of euros



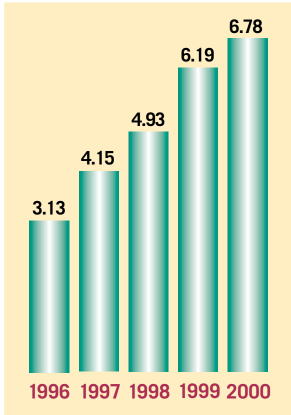
in millions of French francs
2,700 3,664 5,308 6,435 6,947

Net income, Group share
in millions of euros



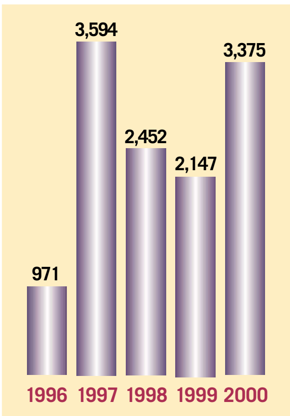
in millions of French francs
1,846 2,432 3,059 4,025 4,762

Earnings per share
in euros



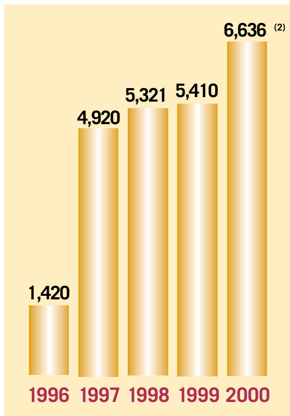
in French francs
20,5 27,2 32,3 40,6 44,5

Investments(1)
in millions of euros



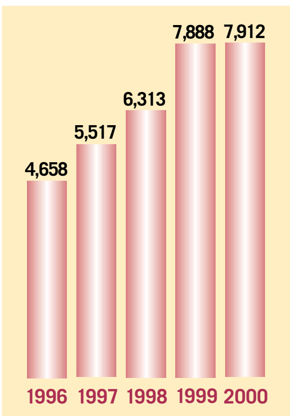
in millions of French francs
6,368 23,577 16,084 14,083 22,139

Net indebtedness
in millions of euros



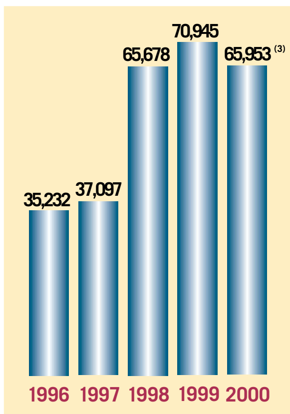
in millions of French francs
9,317 32,274 34,904 35,490 43,529

Shareholders' equity
in millions of euros



in millions of French francs
29,613 35,066 41,413 51,739 51,899

Group employees



(3) excluding Specialty Products businesses divested.

+ 10%
for net income per share at €6.78 euros

+ 25%
for net income per share, after reprocessing of 1999 results with deferred tax global accounting method

+ 7%
for the normal net dividend at €2.20 euros

+ 7%
for the net dividend including loyalty premium at €2.42

(1) reprocessed for the years 1996-1999 as described in note 1.N, page 79.
(2) after deduction of the proceeds of the sale of a majority of assets of the Specialty Products Division (€667 million).

Highlights

Strengthening international positions

Cement

• **South Korea:** Lafarge acquired a 39.9% stake in the capital of RH Cement Corporation, the fourth largest cement producer in South Korea. This made Lafarge a major shareholder of the company, which changed its name to Lafarge Halla Cement Corporation.

• **India:** the acquisition of the cement division of Raymond Ltd doubled Lafarge's cement production capacity in India, raising it to more than 4(*) million tonnes. The operation will turn Lafarge Cement India into a major player on markets in the eastern part of the country and allow major synergies to be achieved with existing operations. The acquisition will be fully operational in 2001.

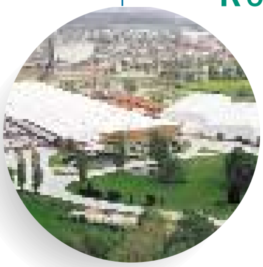
• A bid by Lafarge to take over the cement producer **Blue Circle Industries** (BCI) did not succeed in attracting the majority of shares, but Lafarge acquired 19.9% of the company's equity, which became a 22.6% holding following BCI's share buyback operation. Early in 2001, Lafarge made a new offer, which was accepted by Blue Circle management and shareholders.

Aggregates & Concrete

• **United States:** Lafarge Corporation purchased 100% of the equity of Presque Isle Corporation. Through this acquisition, Lafarge Corporation was able to strengthen its production capability in the Great Lakes region, with one of the largest aggregates quarries in the United States (annual production of 7.5 million tonnes, reserves estimated at more than 450 million tonnes and a logistics network making use of the Lakes for the transportation of materials).

• **Canada:** Lafarge Corporation and the Canadian company Kilmer Van Nostrand merged the aggregates, asphalt and paving services operations of Lafarge in Canada with those of KVN subsidiary, the Warren Paving & Materials Group. This operation established Lafarge as one of the leading aggregates producers in North America, with annual production of more than 90 million tonnes.

Roofing



Germany – The Karstädt clay roof tile plant

• **Germany:** Lafarge became number one on the German clay roof tile market through the acquisition of a majority stake in Tonindustrie Heisterholz, the largest manufacturer of clay roof tiles in northern Germany.

• **China:** Lafarge opened two new concrete roof tile plants, one of them in Qingdao, in the province of Shandong, and the other in Chengdu, in the province of Sichuan.

• **Brazil:** Lafarge inaugurated two new roof tile plants located in Atibaia (São Paulo) and Quattro Barras (Paranà).

• The Roofing Division also strengthened its networks both in the United States, with a new concrete roof tile plant, and in Europe, with a new concrete roof tile facility in Finland and new clay tile plants in the Netherlands, Italy and Poland.

Architecture & Heritage

• *Lafarge signed a new research convention with the Cercle des Partenaires du Patrimoine (the French Heritage Partners Society), an association which teams up industrial operators with the French Historical Monuments Research Laboratory. The new research convention will focus on the durability of mouldings, and will determine which materials are the most suitable for the restoration of historical monuments.*

Ageing tests on materials performed on the site of Rouen Cathedral, in northern France.

Gypsum

• **United States:** Lafarge Gypsum inaugurated a new facility located in Silver Grove, Kentucky. With annual production capacity of 80(*) million m², this unit boasts the biggest plasterboard production line in North America. Employing ultra-modern technology, the plant exclusively uses substitute raw materials, most notably synthetic gypsum obtained as a by-product from the desulphurisation of flue-gases at electric power stations. The U.S. Environmental Protection Agency recognised the plant's achievement in environmental stewardship by presenting it an annual Environmental Merit Award.

United States – The Silver Grove plasterboard plant in Kentucky

Highlights of 2000

Architecture & Heritage

• The Gypsum Division sponsored an exhibition called "The Beauty of Avignon", the artistic and cultural capital of Europe for the year 2000. The Division played an active part in the event, making its materials available to an American architect and visual artist, James Turrell. 600 000 visitors to the exhibition were able to discover the original vision of an artist who creates an immaterial atmosphere giving gypsum a new field of expression.

• **Turkey:** Lafarge brought a plasterboard plant on stream in Ankara in a joint venture with Dalsan. This Gypsum Division installation in Turkey has annual production capacity of 12(•) million m^2.

• **Germany:** the Gypsum Division launched the construction of another plasterboard facility in Germany to meet growing market needs and to supplement its existing production capability in Europe. Located in Lippendorf, 20 km south of Leipzig, this plant will achieve production capacity of 20(•) million m^2 of plasterboard by 2002. It will benefit both from its geographical situation on the German and Austrian markets and from its proximity to the Lippendorf power plant, which will supply it with synthetic gypsum.

Strategic alliances

Gypsum

• **Asia:** Lafarge and the Australian group Boral merged their Gypsum operations in Asia in the framework of a joint venture in which Lafarge initially held a 73% interest. The newly established company is market leader in South Korea, China, Malaysia, Indonesia and the Philippines, and is expected to generate annual sales of USD 130(•) million (approximately €141(•) million), with a capacity of 200(•) million m^2 of plasterboard. As of 2001, the new structure will derive benefit from the optimisation of the Lafarge and Boral networks.

Cement

• **Portugal:** the Group purchased a stake of roughly 10% in the equity of the Portuguese cement producer, Cimpor. Lafarge is seeking to establish an industrial partnership, as the match between the two groups' geographical positions should allow the development of synergies.

• **Eastern Africa:** Lafarge and Blue Circle announced an agreement in view of the joint acquisition of Pan African Cement Ltd, which operates in Malawi, Tanzania and Zambia. Blue Circle's interest in Circle Cement Zimbabwe is to be incorporated into the structure. The operation will give rise to a regional East African network of installations with annual production capacity of 1.3(•) million tonnes.

Cincinnati, United States – The 6th Trans-Atlantic Business Dialogue (TABD) conference, co-chaired by Bertrand Collomb, attracted over a hundred European and North American heads of industry

• Lafarge was the first industrial group to conclude a **partnership agreement with WWF** (the World Wide Fund For Nature), the conservation organization. The partnership was set up with three goals in view: a strengthening of Lafarge's pro-environment policy, the definition of a global strategy of biodiversity in the rehabilitation of quarries, and the development of WWF's "Forests Reborn" programme for the worldwide restoration of forest eco-systems. Lafarge became a founder member of WWF's "Conservation Partner" programme.

Claude Martin, Director General of WWF International, and Bertrand Collomb at the ceremony marking the signature of the partnership agreement

• Lafarge was selected for inclusion in the **Dow Jones Sustainability Index**, the first stock market index founded on the principle of sustainable development. The Dow Jones Sustainability Index recognises 64 industrial groups which create value in the very long term through their efforts to protect the environment, the quality of their initiatives in social policy and their respect for customers and suppliers.

• **Cement – United States:** Lafarge Corporation entered into an agreement with the steel producer Ispat Inland to process roughly one million tonnes of blast furnace slag annually. A by-product of the steel industry, slag can be processed for use as a substitute raw material for cement. This practice helps with the conservation of natural resources and reduces CO_2 emissions.

Highlights of 2000

Architecture & Heritage

• Lafarge inaugurated the Maison du Béton in Alfortville (near Paris), a specialists' centre intended for architects, specifiers and customers. The various projects exhibited in the centre emphasise both the aesthetic and architectural properties of concrete – self-levelling, architectural finish, a multitude of colours and a variety of finishes.

Innovation

R & D

• In June 2000, Lafarge inaugurated its new technology centre located at L'Isle d'Abeau, near Lyons, France. An extension to the research laboratory, which now boasts a total surface area of 7,500 m^2, has made the centre the world's largest building materials research facility in terms of both size and manpower. The complex incorporates a "Products Campus" which consists of a 450 m^2 showroom, a zone devoted to the application of materials and a training centre.

E-business

• Lafarge, RMC, Heidelberger and Hanson joined forces to create a business-to-business Internet site for trading and supplying heavy building materials. This new online marketplace is expected to be operational in 2001, initially in Germany and subsequently in the United Kingdom, France and Benelux.

Product

• Agilia®, the new range of self-placing and self-levelling concrete, was deployed commercially in France and the United States in 2000.

Corporate governance

In 2000, Lafarge was classed number one French company by Eurotop 300 for the structure of its Board of Directors and its information on corporate governance. The Group was also awarded a Cristal Award which is given for financial transparency in the corporate governance category.

Sale of a majority stake in the Specialty Products Division

France – Mortars – Private house

• In view of the accelerating rate of industry consolidation on a global level, **Lafarge took the decision to focus on its core businesses** and sold the majority of its Specialty Products businesses to the investment funds CVC Capital Partners and Advent International, which were later joined by the Carlyle Group. Businesses not concerned were Road Marking, of which the European operations were sold to the Burelle group in November 2000, and Lime, part of which is operated in a joint venture with Carmeuse in the United States.

• This transaction, along with the disposal of European Road Marking operations, formed part of a divestment plan of more than €1 billion carried out in 2000 intended to restore the **financial flexibility** needed by the Group to proceed with its development projects in its major world businesses.

• **Lafarge opted for a global agreement** which would preserve the coherence of the businesses, and ensured that the greatest possible number of employees of the Division were able to acquire a stake in the capital of the new structure. As a part of Lafarge, the Specialty Products Division had acquired strong positions in each of its businesses and achieved a good level of profitability. With new shareholders, the new company, which has taken the name of Materis, will be well placed to pursue its development objectives, particularly as the management team has been maintained.

China – Aluminates – The Tianjin plant, near Beijing, is the Aluminates business's first production site in the Asia zone. (It is expected to enter operation in April 2001)

• The Group holds a 34.69% interest in the equity of Materis, and will retain many functional links with the new company. Lafarge and Materis will collaborate on joint research projects, for instance. Other synergies to be implemented include purchasing, brand policy and e-business.

Growth

- Continuous measurement of value created
- Multi-annual improvement targets
- Introduction of a new bonus plan based on EVA

Lafarge's aim is to strengthen its market positions and world leadership in the building materials sector to create value for its shareholders.

For this reason, two years ago the Group introduced the EVA (Economic Value Added) indicator into its management systems, and is progressively using it as a factor in the calculation of managers' bonuses.

EVA is an internal indicator intended to promote the efficiency of capital invested and profitable growth. EVA measures the profit generated by a business beyond the return expected by investors and lenders on the capital they invest in the business.

Within the Group, EVA is calculated, at various levels of management, by deducting a charge for capital employed from operating income after tax*.

Growth strategy

In each of its businesses, Lafarge deploys a strategy that combines operational excellence, profitable growth and the creation of value according to three major priorities, with the aim of:

- consolidating its expertise in industrial efficiency by improving processes and increasing performance and productivity;
- strengthening organic growth through positioning on strong growth markets, product innovation and adding value to the ranges of solutions it offers;
- taking advantage of the best acquisition opportunities.

The Group's strategy of profitable growth was illustrated in 2000 by strategic alliances and international development in Asia, North America, Europe and Africa, the Customer Orientation programme, innovation and operational deployment of EVA.

Value creation to stimulate growth

For Lafarge, growth – whether internal or external – must first and foremost create value. This is why it is vital to make acquisitions at the right price and not become involved in operations where the stakes are constantly being raised. Once they have been acquired, new Units must be integrated into the Group within the shortest possible time-frame. The Group sets a goal for newly-acquired Units to generate value in three years at the most.

** The notion of operating income is very close to that of operating income on ordinary activities. The charge of capital is obtained by multiplying the average capital employed, in book value and revalued in certain cases, by the estimated cost of capital. The performance of Business Units is judged not in terms of the absolute value of EVA, but of its improvement in relation to a multi-annual goal.*

strategy and value creation

On a more general level, Lafarge applies the same criteria to all operational decisions and investment choices. This is why EVA was introduced as a Group management tool. By explicitly comparing income with the capital employed to generate it, EVA provides managers with an economic performance indicator that has to be taken into account in making decisions and in the day-to-day running of their operations.

EVA AND LONG-TERM STRATEGIC OBJECTIVES

Lafarge's objective is the continuous creation of value on a sustainable basis. This requires continual preparation of future sources of value creation. This is why R&D and environmental conservation, for example, are primordial for us, even if their impact in terms of income cannot always be quantified in the immediate. The necessity for permanent choices to be made between the short and long term always exists in a company, no matter what form of management indicator is used. One feature of an EVA-managed system is that the temporarily negative impact of this type of investment on EVA, when significant, can be spread out over time.

THE INTRODUCTION OF EVA – A CHANGE PROJECT

The concept of the creation of value was introduced in the early 1990s, applied primarily to investment projects.

EVA was introduced into the Group at the same time that its businesses were restructured as Divisions. This gave us the opportunity to progress to the next stage – continuous assessment of the value created by each of the Group businesses, this form of organisation favouring the decentralisation of initiative and decision-making, the sharing of best practice and performance management.

EVA is employed with several aims in view:

- **providing a consistent and comprehensive framework** for evaluating decisions and making judgements at all levels of management, leading to better operational decision-making;
- **inciting our organisations** to concentrate on genuine value drivers, both short- and long-term;
- **continuously ensuring** that the various components of our businesses generate income that is greater than the cost of the capital they deploy;
- **facilitating the process of allocating** financial and human resources to businesses that display the greatest potential for value creation.

The operational introduction of EVA began in July 1998 with the definition of the indicator selected and its integration into Group accounting, reporting and planning systems. Decision-making tools were adapted or developed to build EVA into all projects and actions. Lafarge then set multi-annual EVA improvement targets for each Division and Business Unit. Finally, a new management bonus plan based on EVA and individual performance targets was implemented. The first phase of this involved more than 700 managers in 2000. Major training and communications efforts were deployed to ensure that all these stages were accomplished successfully.

Offering our cu

▶ A global approach unique in the building materials sector

▶ A project management system encouraging synergies

▶ An annual budget of approximately €100 million

Playing a vital role in the growth of Lafarge and in the creation of value, innovation aims to reinforce the Group's world leadership by improving existing products, broadening their range of application **to meet customers' expectations today and anticipate their needs of tomorrow,** and offering new solutions. Its technical mastery of both constituent products (cements, aggregates, gypsum, etc.) and formulated products (concrete, plasterboard, roof tiles, etc.) enables Lafarge to operate **a global building materials innovation strategy** that represents a unique approach in the sector.

In the past year, the Products Campus adjoining the Central Research Laboratory at L'Isle d'Abeau was opened, the new Technology Centre was inaugurated, the Lafarge Innovation Awards were launched, a new organisation for innovation in the Group was implemented and a dedicated e-business structure was set up. All these initiatives testify to Lafarge's desire to develop **a culture of innovation in which customers are partners and in which operational managers are the true initiators.**

CUSTOMER-FOCUSED R&D ORGANISATION

The Group's R&D strategy is founded on a number of precepts: materials have to be easy and reliable to apply, reduce overall construction costs, and be durable, attractive and environmentally friendly. To meet these demands, Lafarge has put in place a specific transversal organisation in which the Central Research Laboratory acts as a catalyst for inter-Divisional synergies.

The Peace Bridge project in Seoul (South Korea): the use of Ductal® means that the deck of this future footbridge will be only 3 cm thick for a span of 120 metres

New buildings were inaugurated in June 2000 to extend the Laboratory and make it **the world's largest research facility in the building materials sector**. This extension coincides with the implementation of a new organisation which closely associates central research and the Divisions.

Steering committees have been formed in each Division to determine and implement development strategy for products, systems and solutions. The committees associate three key functions: marketing, production and R&D.

stomers new solutions

The **project management system** ensures that research programmes are more in view and links all the players involved in product innovation. Thus, almost two thirds of the Central Research Laboratory's activity is focused on a limited number of projects, 25 at present, which involve 160 research scientists and technicians. In parallel with this work, the Central Research Laboratory performs exploratory research projects and focuses on strengthening its mastery of tools that aid with product formulation and improve their use qualities.

Left: **The Vitry Test Centre – Concrete performance testing**

Right: **France – The Central Research Laboratory at L'Isle d'Abeau**

R&D projects strongly reflect synergies developed by the Laboratory: the new Agilia® concrete, for instance, are the fruit of joint work between Cement, Concrete and Admixtures teams, as is another current project on the performance regularity of standard concrete.

The Products Campus

Inaugurated in June 2000, the Products Campus consists of a showroom exhibiting Lafarge materials, a "hands-on" zone for manipulating products and systems, and a training centre. More than a showcase, it is an interactive facility for exchange and discovery where Group professionals can gain a better understanding of customer expectations and all categories of building industry players can acquire practical knowledge of the Group's entire product offer.

Offering our customers new solutions

Canada – The One Wall Centre in Vancouver, built with the Group's new Agilia® concrete

The Lafarge product and service offer

A project intended to bring the Group closer to its customers was launched in 2000.
A team consisting of twenty professionals is currently involved on the Lafarge Offer Project, which seeks to present the full range of Lafarge products and solutions. Through this initiative, not only will the Lafarge brand name take on a higher profile, but numerous new services will be proposed to customers, often taking advantage of the existence of new information technologies. Players in all parts of the construction industry will be given access to detailed information concerning the range of products and solutions developed by the Group, as well as a variety of services which will help them perform their trade on a day-to-day basis. The project will be piloted in France in the course of 2001.

International development of innovations

In parallel with projects at Group level, innovations made in different countries enable products to satisfy specific characteristics of local markets.

Presented for the first time in 2000, the **Lafarge Innovation Awards** were a striking illustration of the vitality of initiatives at local level.

Agilia® technology was awarded the Group Prize. This range is much more than a new product; it is a new solution, a "competitive leap", embodying the specific skills developed by Lafarge – the capacity to obtain self-placing or self-levelling concrete in any location, using local raw materials, at a competitive cost, and with guaranteed stability over the whole duration of a building project. In 2000, its first year on the market, Agilia® encountered great success in France.

Marketing and product development teams are responsible for ensuring **international exposure for the most significant innovations,** whether fundamental or incremental. In South Korea, for instance, Lafarge now launches a new plasterboard product developed by the Group every three months. In this way, it seeks both to satisfy local demand and to extend its penetration of the national market.

Another example is the **"complete roofing offer" concept** already functioning in the Netherlands and South Africa. Developed by the Roofing Division, this is designed to supply roofers with a tailor-made "kit" with all the elements – frame, roof tiles and roof system components – needed to roof a house. This concept will be adapted for each geographical zone to meet specific characteristics of each country's house-building market (whether dictated by weather conditions or local regulations).

New information technologies and e-business mean new services for our customers

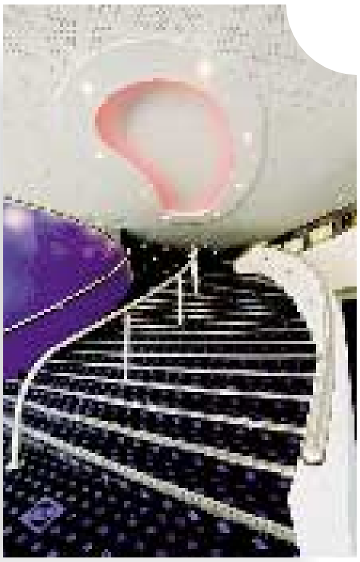
Lafarge is taking advantage of all the opportunities presented by new information technologies:

- The Group runs a corporate Intranet, LafargeNet, to which more than 25,000 employees are already connected, and in 2000 it launched the first Group portal, Lafarge Employees On line (LEO), which links up all the Group's Intranet sites to encourage the pooling of experience;

• The Group now boasts more than 80 Internet sites, forming a series of satellites around the corporate site, www.lafarge.com, offering numerous categories of users the information they are seeking on Lafarge, its subsidiaries and partners, with Group news and shareholder information as well as details of ranges of products and services;

• A number of e-business projects are being developed, in particular by the Roofing Division;

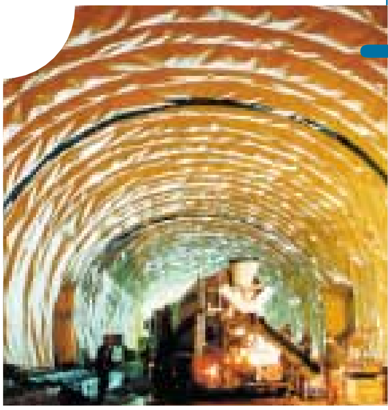
• In partnership with other major world players in the heavy building materials sector, Lafarge is currently involved in the creation of an independent and customer-focused online marketplace. Bulk cement, aggregates, ready-mix concrete and asphalt will be traded on the site, which is intended for a broad spectrum of customers, suppliers and distributors. It is expected to be operational in 2001.



Left: **France – Gypsum – The Nef Chamnord cinema at Chambéry, France: ceiling produced with Pla-tec plasterboard elements**

Right: **Roofing – The "sun spot" allows 100% natural lighting**

Germany – Concrete – Development of an ultra fast-setting shotcrete



The Innovation Awards

Lafarge held an innovation competition for the first time in 2000. With 230 extraordinarily varied entries submitted by no fewer than 24 countries, the competition proved just how dynamic the drive for innovation is throughout all the Divisions of the Group – new products, new processes, logistics, management systems, organisation, etc. Key criteria such as ease of application and impact on value creation resulted in a pre-selection of 48 entries, 17 of which were awarded prizes.

A commit

- A strategic priority deployed in a variety of concrete actions
- An objective of excellence built into each stage of industrial production
- Transparent commitment to progress, with the involvement of such outside partners as associations, local authorities and residents

For several years, Lafarge has employed a decentralised environmental protection policy which constitutes a commitment to progress for all its Business Units, in all countries. The objective of excellence in terms of environmental performance has become a competitive advantage for Lafarge. To achieve it, the Group has developed environmental management on all its industrial sites. Each Business Unit is responsible for implementing all the processes that contribute to good environmental stewardship, such as audits, training and key indicators.

Intent on staying ahead of local regulations, Lafarge applies its own environmental standards to all new facilities and major plant upgrades anywhere in the world. These standards are among the most stringent found in international industry. On a more general level, the Group devotes a significant proportion of its technical resources to constantly advancing its expertise in clean technologies and pollution abatement.

Each year, the Group invests roughly €45 million on the environment, and 20% of investments devoted to building new units is earmarked for the environment.

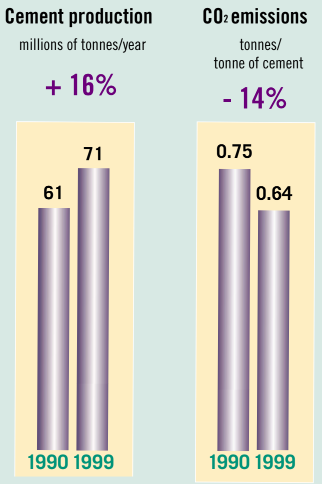
France – A contribution to the development of wind energy close to the quarry of the Port-La-Nouvelle-Sigean cement plant in southern France

Reducing the greenhouse effect

The production of greenhouse gases through human activity is disrupting the composition of the atmosphere and contributing to climate change. Lafarge recognises this as a fundamental environmental problem, and is committed to making a contribution to achieving the targets set at the Kyoto Conference. Fighting against global warming is not new for Lafarge: for more than twenty years, it has been committed to a **policy of reducing carbon dioxide (CO_2) emissions** in cement plants, the source of most of its emissions. The Group goes about this by improving the energy efficiency of its plants (replacement of wet process production of cement by dry process), limiting its consumption of fossil fuel energy by employing substitute fuels (car tyres, industrial by-products, bonemeal, etc.) and supplementing clinker with mineral components (slag, flyash, etc.). In the space of ten years, on a like-for-like basis, the Group's cement business has recorded a slight decease in overall CO_2 emissions although its annual production has increased by ten million tonnes in this period.

ment to the future

Trends of CO_2 emissions by the Group's cement business*



* 1990 data adjusted according to 1999 consolidation (In these calculations, emissions linked with the use of substitute fuels are considered neutral for the climate.)

In industrialised countries, emissions per tonne of cement produced have fallen 14%, and 16% in emerging countries.

Conserving natural resources

Apart from the use of production processes that make economical use of energy, the Group's initiatives consist of converting industrial by-products and waste into substitutes for raw materials and fossil fuels.

The Cement Division is implementing a long-term strategy of converting slag and other hydraulic binders. By-products of steel production, they are used as a component of cement in France, the United States, South Korea, India and South Africa. Similarly, the use of flyash, a by-product of coal-fired electric power plants, resolves an environmental problem and contributes to the reduction of CO_2 emissions.

Czech Republic - Utilisation of used car tyres as a source of energy at the Cizkovice cement plant

France – Gypsum – Recycling of expanded polystyrene

In a similar way, **the Gypsum Division** recycles FGD gypsum resulting from fluegas desulphurisation in electric power plants as a replacement for natural gypsum. In Germany, France, the Netherlands, South Korea, China and the United States, several of the Group's plants recycle this synthetic form of gypsum.

In its European facilities, the Division also converts industrial waste and material recovered from building sites in the production process. In all of its sites, plasterboard is manufactured with used card and recycled paper.

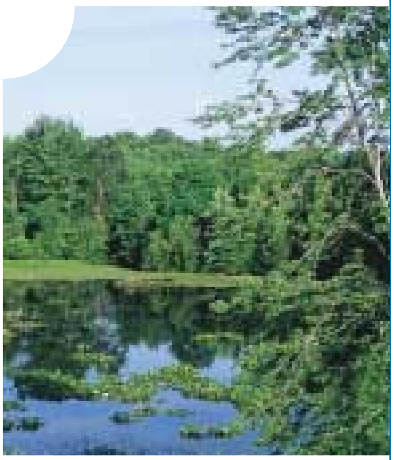
The use of substitute raw materials takes place throughout the Group, with the recycling of unused concrete, foundry sands, hydroxide sludge, used roof tiles, etc.

Lafarge also endeavours to **conserve water** by reducing its water consumption and protecting water tables and seas and rivers by building reservoirs, recycling wastewater, etc. **The Roofing Division** has succeeded in cutting its water consumption by 25% in numerous production facilities in Europe.

A commitment to the future

Restoration of quarries

Lafarge is extremely vigilant over the successful integration of its sites into natural landscapes. The Group has acquired more than thirty years of know-how and expertise in the restoration of quarries. This includes creation of wetlands conducive to the development of specific flora and fauna, treatment of quarry workfaces, soil replenishment and planting in areas with high agricultural yield, reforestation or planting of ornamental trees and shrubs and the laying out of leisure areas and parks.



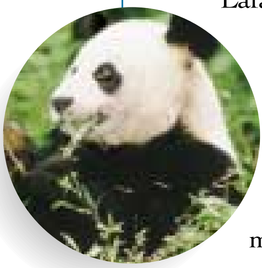
United States – The rehabilitation of the Shalersville quarry has received certification from the Wildlife Habitat Council

The **"Strategic Quarry Rehabilitation Project"**, a taskforce set up by Lafarge in 1999, develops in-house exchanges of experience and transmits the most successful examples to all the Business Units. In 2000, Lafarge and WWF, working together in this context, defined a biodiversity strategy aimed at promoting restoration of the ecological value of quarries. This strategy will be incorporated into best practice and is deployed at local level.

Helping solve a European problem

Pursuant to the total ban on the use of meal-and-bone animal feeds in the food chain, which is justified as a precautionary measure, many European countries, particularly France, are now faced with a huge disposal problem. Lafarge Ciments, along with the rest of the French cement industry, is playing its part in the disposal effort. When fed into the flames of a cement kiln (at a temperature of 2000°C), the feed is destroyed instantly and completely. No organic matter can withstand such high temperatures. The mineral composition of the clinker is unchanged. Aware of the effectiveness and safety of the cement-making process as a means of destroying residual industrial wastes, the French authorities had sought the assistance of cement manufacturers operating in France as early as 1996. A battery of tests conducted under the supervision of ADEME (a French environmental watchdog agency) had yielded conclusive results. Thanks to dedicated facilities, which include an enclosed silo as well as feed offloading and handling installations, the disposal process is completely safe for plant employees and nearby residents. Measurements conducted on site have confirmed that burning animal feed as an alternative fuel has no impact on atmospheric emissions or on the quality of the cement produced by the plant. Half of Lafarge's cement plants in France are currently equipped to dispose of animal feed by burning it as fuel. The Group is planning a capital-spending program at its other French plants, to enhance its contribution to resolving this major environmental problem.

Lafarge aims for further progress with WWF



Alongside their work on defining a biodiversity strategy for quarry rehabilitation, Lafarge and WWF – the conservation organization – have drawn up a series of environmental performance indicators (environmental audits, energy consumption, CO_2 emission levels, recycling of waste residue, energy recovery) in the context of their worldwide agreement, and are setting improvement targets according to a fixed schedule. Founding member of the WWF "Conservation Partner" programme, Lafarge is active in the "Forests Reborn" project for the restoration of forest ecosystems throughout the world.

Lafarge is the first major industrial group to have signed this type of agreement with WWF, and is developing a new, truly transparent way of working, in constant dialogue with the exterior. The Group is strengthening its environmental policy to do even better, faster and become the environmental reference standard on its sector.

WWF

LAFARGE

Conservation Partner

Kenya – The rehabilitation of the Bamburi quarry resulted in the creation of a natural park, which has become renowned for the richness of its vegetation and animal life

Lafarge goes further with the WBCSD

In conjunction with the WBCSD (World Business Council for Sustainable Development), of which it is an active founder member, Lafarge is committed alongside another nine leading cement producers to developing an action plan to be applied on a worldwide level for the promotion of sustainable development in the cement industry. The aim of this project, launched in February 2000 and due to enter its operational phase in late 2001, is to determine and implement the conditions that will allow the cement industry to develop with greater regard for environmental, social and economic issues, both on global and local levels.

Taking account of the viewpoints and positions of a very wide range of stakeholders (local government, environmental organisations, unions, local residents, etc.), this work will make it possible to deploy the resources needed to define progress drivers and adapt a programme of common actions.

"Lafarge and the Environment" is a collection of more than 90 examples of concrete measures taken. It illustrates the huge variety of solutions the Group has already proposed in the countries where it operates. Numerous extracts from the brochure can be consulted on the www.lafarge.com website

Human Resources and Organisation

People at the

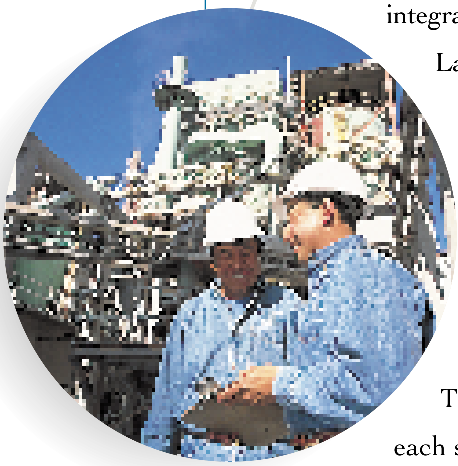
- Priority given to developing skills and improving performance
- A culture of involvement
- Management supporting the integration of new Business Units and new employees

The Group's style of management, known as the "Lafarge Way", is based on a participative management model within a coherent and structured framework. The organisation in four autonomous Divisions encourages the **personal initiative** and the **involvement of everyone** in the implementation of Group strategy. This management style reflects a desire to enable people close to where problems exist on a local level to make the greatest possible contribution to resolving them. The same human resources policies are practised by all the Divisions, and careers management within the Group is transparent and fair. In this perspective, Lafarge has developed training tools and a new Intranet portal which furthers the sharing of experience and the development of working methods and contributes to the strengthening of a common culture.

Integrating teams in all parts of the world

In view of the sharp rise in employee numbers in recent years – more than 30,000 people have joined the Group in the past four years – the integration of newcomers represents a significant challenge for which Lafarge has developed specific know-how.

At "Meet the Group" seminars, new managers (freshly recruited, recently promoted or new to the Group after an acquisition) are able to gain an overview of all Lafarge's businesses and strategies, understand how to use best practice to improve performance, and develop their own network reaching beyond their own Business Unit or Division. The new-formula seminars favour an interactive approach, and each session is led by a senior operational manager, able to testify from his own practical experience. More than 600 people took part in sessions during 2000 in Europe, North America, Latin America and Asia.



Mexico – Francisco Hernandez and Cruz Flores, production assistants at the Vito Hidalgi cement plant

"Meet the Group" in Brazil: the integration of new managers in the Latin America zone

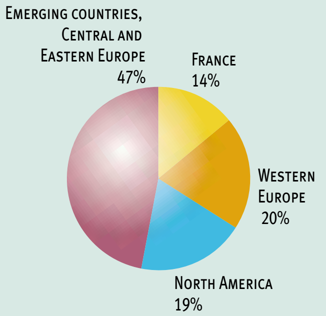
heart of the company

A methodological guide to integrating newly acquired companies enables teams to effectively combine priority actions to be urgently launched in the first 100 days with in-depth programmes that may take two or three years to complete. The phases and tools defined in the guide are based on a number of principles, none more important than those of showing respect for the Unit's culture and of ensuring that all actions and decisions are fully transparent.

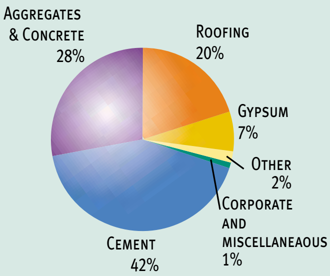
The importance the Group gives to the matter of integration is also seen in its active policy to promote an employee shareholding scheme available in many countries. More than 29,000 employees in 33 countries now hold shares in Lafarge.

Breakdown of employees

by geographical zone



by Division



Developing skills

With the medium and long term in view, Lafarge seeks to recruit professionals with varied profiles capable of developing in an international context, and endeavours to offer them the means to strengthen their skills. Specific training programmes have been developed at the level of Business Units and Divisions as well as at Group level. A "customer orientation" programme was launched in 2000. Its purpose: promoting a new attitude to relations with customers by way of training packages in managing innovation, in fine-tuning market-based approaches, in knowledge of customers' choices and in managing sales operations. The programme is run by a multidisciplinary team able to take advantage of the new Products Campus in the L'Isle d'Abeau technology centre and partnerships with a number of eminent management institutes.

Improving performance

EVA was deployed in 2000 as a performance management indicator following the final phase of training for managers. EVA was also introduced in a new bonus plan to reward results obtained. According to Lafarge's Principles of Action, management entails more than short-term financial success, but also takes account of improved quality, customer satisfaction, employee commitment, protection of the environment and efficient use of capital. This is why the new bonus system combines a financial objective, EVA, with personal targets. In addition, a long-term bonus over 3 years has been put in place to encourage managers to balance their concerns for the short term and the medium term. Designed to reward exceptional performance and form part of a fair and competitive compensation policy, the new plan was welcomed favourably by Group managers. More than 700 of them were involved in 2000, and more than twice as many will be in 2001.

The Company

- A Group involved in the life of local communities
- A wide range of practical initiatives

Wherever the Group is present, it operates with the utmost respect for the common interest. By the economic growth it generates, the jobs it creates and the training it provides, but also by the social, educational and cultural advancement it supports, Lafarge participates in the life of local communities and contributes to their vitality. In addition to the numerous pro-environmental measures it has taken, the Group has demonstrated its social responsibility through many initiatives.

• In France, Lafarge's employment policy seeks to support mobility, whether on an individual or a collective basis, and to encourage individual initiative. Every employee who wishes to set up a company is given support right through to the achievement of the project: **Thirteen such ventures were created or purchased by employees in 2000, representing more than 130 jobs.** When necessary, the Group mobilises internal skills to constitute jobs units made available to employees affected by a restructuring of their business. These units propose a counselling, placement and redeployment service, sometimes offering training courses leading to a qualification. **Some 90% of cases result in a satisfactory outcome.**

A jobs unit operating for a period of 10 months at Frontignan, in the South of France, enabled 22 employees of a plant that was shut down to find a position equivalent to the one they held in the Group, some of them also benefiting from training to help them make the conversion. In parallel, Lafarge joined with local authorities in the same region to support 5 business-creation projects launched by people outside the Group. These companies currently employ twenty people. Further cases are now under consideration.

China – After having financing the construction of a school after the 1998 earthquake, Lafarge China has maintained a close relationship with the school, and has donated computers and other equipment. The Tianjiacun-Lafarge school is a rallying point for the local community

Meanwhile, following the introduction of legislation in France to reduce the working week, employees, management and unions all showed great flexibility and enabled decentralised agreements to be adopted in French subsidiaries. The 35-hour week was instituted with improvements to working conditions and productivity.

• In conjunction with a local association and the State Department of Education, **Lafarge Cement Philippines Inc. was involved in a project called "Books for the Barrios".** More than 70 primary and junior high schools in deprived areas located near its three cement plants, were given some 45,000 science, mathematics,

in its social environment

history and geography schoolbooks purchased in the United States. Lafarge Cement Philippines Inc. is now a member of the government's "Adopt a School" partnership programme.

Venezuela – Reconstruction of the village of Nueva Guapo

• After playing an active part in emergency measures following the torrential rains of December 1999, **Lafarge Venezuela has subsequently taken part in a project launched by the International Red Cross, donating 7,650 tonnes of cement and technical assistance** for the building of a 100-home village. Some 500 people who saw their village of Nueva Guapo in the state of Miranda destroyed by mudslides will be relodged in their new homes by spring 2001.

• In China, **Lafarge Roofing China donated 10,000 roof tiles for the construction of the Hope Foster Home in Daxing,** 30 kilometres from Beijing. Located near the plant, the building is now home to fifteen children. All facilities are available, including bedrooms, classrooms, games rooms and a playing field. Employees from the Daxing plant also contribute by volunteering to spend time with the children and helping out at the Hope Foster Home.

In Bangladesh, Lafarge has launched a social programme around its future cement plant, with the construction of housing, a clinic and a literacy centre

• In past years, the Group's employees have also offered aid to people stricken by other disasters. In the case of **people affected by the onslaught of Hurricane Mitch in Honduras,** teams from Incehsa and Comayagua took part in rescue operations and offered support to victims. The Group's heavy equipment was used to reopen and rebuild roads and an emergency appeal was launched throughout the Group, with the creation of a special fund which enabled more than €190,000 to be collected in employees' donations.

Turkey – Logistical assistance

• **Following the severe earthquake of August 1999, Lafarge Turkey took part in the emergency aid effort,** offering logistical assistance, taking part in rescue operations and providing food, medicines and tents. Lafarge also contributed to a project for rebuilding a primary school that had been devastated by the quake.

Lafarge and

→ Contacts

• **For institutional investors and financial analysts:**
James Palmer
Tel.: (+33) 1 4434 1126
Fax: (+33) 1 4434 1237
james.palmer@lafarge.com

• **For private shareholders:**
Delphine Bueno
Tel.: (+33) 1 4434 1273
Fax: (+33) 1 4434 1237
delphine.bueno@lafarge.com

During 2000, Lafarge continued its active communication and information policy targeting private as well as institutional shareholders, both in France and in other countries.

The Group once again held a series of **information meetings with institutional investors** based not only in France, but also in Germany, Spain, the United Kingdom, Italy, the Netherlands, Switzerland, the United States and Canada.

In addition to its annual and interim reports, Lafarge provides its shareholders with a number of **information tools**, including an executive summary of the annual report and a Shareholders' Handbook, updated yearly. In addition to the two regular Shareholders' Newsletters published annually, Lafarge also issued two special numbers to inform shareholders about major events in the life of the Group – the bid for Blue Circle and the share issue. The Group also took advantage of possibilities offered by its Internet site, www.lafarge.com, where for the first time, visitors could view a recorded webcast of the Annual General Meeting of Shareholders held on May 25, 2000.

A party of shareholders tour the Roumazières roof tile plant

Lafarge has also developed opportunities for exchanges and dialogue outside of the context of the Annual General Meeting of Shareholders. The Group organised two **information meetings** in 2000, one in Lille in November, the other in Paris in December. It also took a stand at the Actionaria Shareholders' Fair held in October at the Palais des Congrès in Paris. As at the previous year's fair, shareholders had an opportunity to meet members of the Shareholders' Consultative Committee.

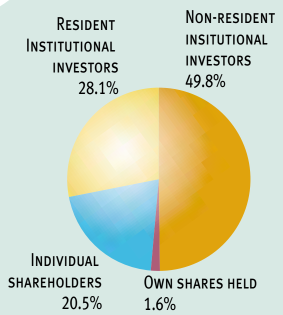
The Lafarge **Shareholders' Consultative Committee** was founded in March 1995. As at March 6, 2001, it was made up of 9 members who represent the private shareholders. Its members are Mssr. Maurice Dumont, Robert Fons, Claude Le Moing, André Marty, Jean-Paul Muller, Olivier Niezgodski, Jean-Claude Rimbaud and Gérard Vigneron, with Marcel Tixier as a permanent representative of ANAF, the French national association of shareholders. The purpose of the committee, which met twice in 2000, is to help the Group improve its communication with private shareholders through publications, but also by organising events such as site tours.

The Annual General Meeting of Shareholders, May 25, 2000

The Lafarge share

The price of the Lafarge share experienced a disappointing trend in 2000, marked by the failure of the takeover bid for Blue Circle Industries PLC and accentuated by reference to the high prices recorded at the end of December 1999. It closed the 2000 financial year at €89.30 (or €87.40 after adjustment relating to the detachment of the preferential rights issue operated in February 2001. Since January 1, 2001, the trend has been favourable, particularly since the positive reception on the market of the bid to acquire Blue Circle Industries PLC. The daily volume of Lafarge shares traded on the Paris Stock Exchange increased over 1999 levels, reaching an average of 521,670 shares changing hands. The share was ranked in 23rd place in the CAC 40 index for volume of transactions, and the amount of share capital traded daily was over €45.5 million.

Breakdown of capital



At December 31, 2000, Lafarge capital was made up of 112,441,935 shares. At February 9, 2001, following the share issue operation, the total number of shares stood at 126,995,339.

Pointers

The Group's strategy of growth and creation of value was rewarded by very good results in 2000

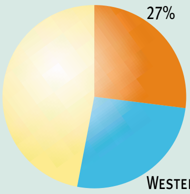
Lafarge has now refocused on its largest businesses and has reinforced the international positions of its four Divisions

Cement

36% of Group sales

27,908 employees

International scope*



Businesses**

- Ranges of cements, hydraulic binders and limes designed to meet the needs of construction industry and civil engineering players

Objectives

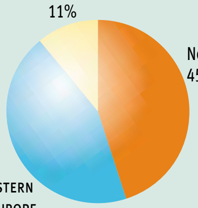
- Integrate Blue Circle
- Continue to work for cement sector consolidation

Aggregates & Concrete

31% of Group sales

18,561 employees

International scope*



Businesses**

- Aggregates, ready-mix concrete, prefabricated concrete units for builders of engineering structures, roads, buildings, etc.

Objectives

- Pursue a growth strategy in Aggregates in developed countries
- Improve operational performance

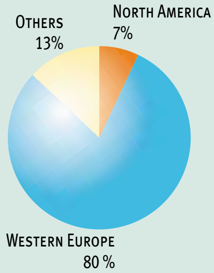
In 2000,
the Group invested
€3.4 billion,
two thirds of which
was devoted
to new acquisitions

Roofing

14% of Group sales

13,348 employees

International scope*



Businesses**

- Ranges of roof tiles in concrete and in clay, roof system components, chimney systems
- Services corresponding perfectly to market trends

Objectives

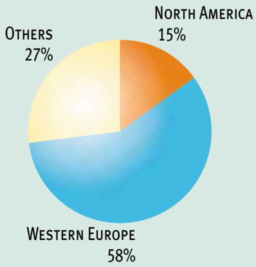
- Consolidate concrete roof tile, clay roof tile and roof system components positions in Europe
- Develop progressively in emerging countries

Gypsum

8% of Group sales

4,521 employees

International scope*



Businesses**

- Plasterboard systems, gypsum blocks and sprayable plaster intended for construction finishings, new buildings and renovation

Objectives

- Develop on strong growth markets
- Consolidate US market position
- Reduce costs and optimise marketing

** Breakdown of 2000 sales, after elimination of intra-Group transactions. (N.B. The Specialty Products Division represented 11% of Group sales.)*

*** Lafarge has sufficient raw material reserves, held either directly or through operating licences, 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.*

Managem

Another year of growth

The ability of the Group to deliver significant growth in results year on year was once again confirmed by the year ending December 31, 2000.

The long-standing strategy of the Group to invest world-wide, not only to ensure future growth but also to diversify its exposure to different geographical circumstances and to invest in the modernisation of its industrial capacity was put into particular evidence during the year. The year was marked by some particularly contrasting events such as the increase in energy costs and the slowdown in the North American economy, all of which were absorbed at Group level without damaging the overall operating profit margins.

A year of strategic importance

- The first few months of 2000 were marked by the offer made to purchase Blue Circle Industries PLC. The offer lapsed at the beginning of May with Lafarge holding a 22.6% stake in the company after the share buy-back put in place by Blue Circle Industries PLC.
- The Group decided to divest a majority stake in the Specialty Products Division.

Sales rose by 16% to €12,216 million (as against €10,528 million in 1999). The increase results from:

- **Underlying activity growth of 4.7%** on a like-for-like basis (compared with 2.5% in 1999). The variation for each Division at year-end was as follows:

Sales* *in millions of euros*	2000	1999
• By geographical zone (destination)		
Western Europe	5,717	5,498
North America	3,292	2,761
Central and Eastern Europe	499	359
Emerging Mediterranean countries	666	524
Asia-Pacific	754	370
Latin America	761	517
Sub-Saharan Africa Indian Ocean, Others	527	499
Total	**12,216**	**10,528**

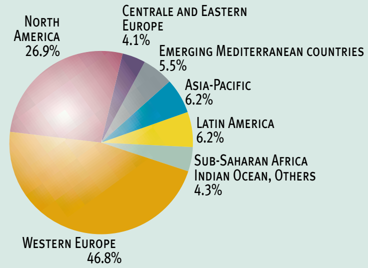
Sales* *in millions of euros*	2000	1999
• By Division		
Cement	4,420	3,635
Aggregates & Concrete	3,725	3,202
Roofing	1,684	1,621
Gypsum	1,000	855
Specialty Products	1,387	1,207
Others		8
Total	**12,216**	**10,528**

** Sales after elimination of intra-Group transactions*

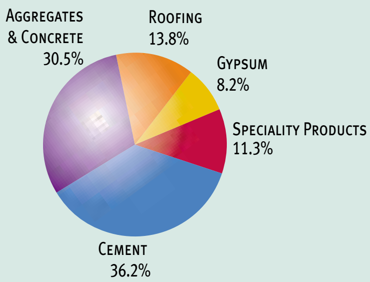
ent report

Breakdown of sales

by geographical zone



by Division



– **Cement:** up 4.4% on a like-for-like basis. The year recorded an overall growth for sales in most areas of the world. Excellent sales levels were recorded in France and in Spain. The return to better price levels in Italy, Brazil, the Philippines and Poland resulted in marked improvements in sales. North America experienced marginal annual growth in 2000; the second half showed the effects of economic slowdown in the context of some particularly poor weather conditions. Germany remained weak because of the declining construction market.
The overall percentage of sales coming from emerging markets has grown significantly from 41% in 1999 to 47% in 2000.

– **Aggregates & Concrete:** an 8.4% increase on a like-for-like basis. Strong sales growth was achieved in North America, France and the United Kingdom.

– **Roofing:** a rise of 0.5% on a like-for-like basis. Sales in the emerging markets progressed well in 2000. There was a good overall performance in Europe, with the exception of Germany and Austria. After a short-lived revival in the first quarter of the year in the German construction market, the rest of the year saw a continued slowdown with a negative impact on German roof tile and chimney sales.

– **Gypsum:** up 0.4% on a like-for-like basis. The Division maintained another year of sales growth outside North America, progressing by 4.5%, although Germany declined due to the weak construction market. The North American gypsum activity experienced a difficult year. Prices dropped significantly throughout the second half of the year, which coupled with a decline in demand of about 6%(*) led to an 18% drop in sales for the year. This negative transformation of the market came about at the same time as the new low cost plant in Kentucky was in its start-up phase, hence too early to benefit from the cost advantages of the modern plant.

– **Specialty Products:** up 4.1% on a like-for-like basis. Steady sales growth was recorded in France. The majority of the businesses achieved good progress in sales.

• **Net structural changes of + 4.1%**. Recent acquisitions contributed €705 million of additional sales, the main contributors being Lafarge India, Lafarge Halla Cement in South Korea, Beni Suef in Egypt and Cemento Portland Blanco de

Mexico for the Cement Division, Presque Isle in the United States for the Aggregates & Concrete Division, Heisterholz in Germany for the Roofing Division, Pioneer Plasterboard in Australia and Nida Gips in Poland for the Gypsum Division. Divestments resulted in a sales reduction of €227 million, being principally the effect of the sale of the flat-roofing business in Germany and of Lafarge Corporation's asphalt business in Maryland.

• **Positive foreign exchange impact of 7.2%,** arising principally from the appreciation of the US dollar.

GROSS OPERATING INCOME ON ORDINARY ACTIVITIES* rose 17% to €1,905 million (compared with €1,630 million the previous year).

The Cement Division enjoyed a 29% increase in gross operating income, at €1,167 million, as compared to €908 million in 1999.

• The improvement in Western Europe was 5%, up to €415 million (€394 million in 1999). France and Italy both grew significantly but a decline in Germany held back the overall growth.

• North American recorded a 15% increase to €307 million (as against €267 million the previous year).

Gross operating income on ordinary activities

in millions of euros	2000	1999 adjusted*	1999
• By geographical zone			
Western Europe	925	884	917
North America	516	481	485
Central and Eastern Europe	65	40	45
Emerging Mediterranean countries	113	98	108
Asia-Pacific	49	-2	-5
Latin America	204	116	80
Sub-Saharan Africa and Indian Ocean	55	43	44
Overheads*	-22	-22	
Total operations	**1,905**	**1,638**	**1,674**
Holding companies and others	0	- 8	- 44
Total	**1,905**	**1,630**	**1,630**

Gross operating income on ordinary activities

in millions of euros	2000	1999 adjusted*	1999
• By Division			
Cement	1,167	908	938
Aggregates & Concrete	309	249	249
Roofing	219	232	248
Gypsum	60	127	124
Specialty Products	150	122	115
Total operations	**1,905**	**1,638**	**1,674**
Holding companies and others	1	-8	-44
Total	**1,905**	**1,630**	**1,630**

** Overheads reallocated in 1999*

** Overheads reallocated in 1999*

• Emerging markets climbed to €455 million from €263 million in 1999. These now represent 39% of the Division's results compared to 29% the previous year. This positive trend was due to the excellent growth in results achieved in Poland and Brazil and the turnaround realised in Romania and the Philippines. The majority of the growth in profits in these countries can be attributed to favourable pricing trends. The new acquisitions in South Korea and India contributed together €30 million of additional income.

South Korea – Lafarge Halla Cement: the Changdown terminal, near Pusan

The Aggregates & Concrete Division saw gross operating income rise by 24% from €249 million in 1999 to €309 million.

• Western Europe rose 5% to €124 million (€118 million in 1999). Significant growth was achieved in France, although the UK experienced a mediocre year due to a weak market making fuel-cost related price increases difficult to maintain and the negative impact of the flooding experienced in the last quarter.

• The 32% increase in North America to €192 million (as against €145 million) was due largely to the impact of the acquisitions made in 2000 and the positive foreign exchange impact. On a like-for-like basis, margins remained unchanged despite the increase in fuel and asphalt costs.

• The Division's various operations in emerging markets fared better than in 1999, particularly the concrete operations in Brazil and South Africa.

United States – Concrete road surfacing reduces fuel consumption and therefore lessens exhaust gas emissions. Pictured: Route 195

The Roofing Division fell 6% to €219 million, from €232 million the previous year, as a result of the weakness of the German construction market. The Division's German operations declined given the situation in the German construction market. A new restructuring programme has been started with the closure of two concrete roof tile plants in 2001. An exceptional charge relating

France – Canal Terre de Vigne (Limoux) roof tiles form ideal roofing for the Fontfroide Cistercian abbey, founded in 1093

to the corresponding costs expected to be incurred has been recorded as at December 31, 2000.

Outside Germany, profits of other European operations progressed strongly, in particular France, the United Kingdom and Italy. Profits from the Emerging markets and the United States also progressed strongly to €17 million from €6 million in 1999.

The Gypsum Division fell back to €60 million from €127 million in 1999. After record growth in 1999 to reach a gross operating income 59% higher than the previous year, results for 2000 dipped sharply.

• Gross operating income in Western Europe declined from €71 million in 1999 to €57 million in 2000. In France in particular, the additional costs relating to the increase in energy costs and raw materials were only partially offset by price rises implemented in the latter part of the year. Nevertheless, volumes remained relatively buoyant, with the exception of Germany.

• North America declined from an operating income of €38 million in 1999 to a loss of €19 million. This swing was as a result of the rapid fall in plasterboard prices to an average of $US 121(*) per thousand square feet (roughly 100 m^2), from $US 154(*) in 1999, combined with the impact of energy and raw material cost increases in addition to one-off start-up costs relating the two new plasterboard plants in Kentucky and Florida.

• Operating income from emerging markets progressed to €19 million from €15 million the previous year.

The Specialty Products Division reported 23% growth in gross operating income, at €150 million (as against €122 million the previous year). This increase is explained both by favourable market conditions in the French construction sector and by the positive effects of reorganisation measures implemented in the Division in recent years.

France – A plasterboard system adapted to the requirements of cinemas. Pictured: the Liévin multi-screen complex in France

NON-RECURRING ITEMS amounted to €22 million, by comparison with €77 million in 1999. Net gains on disposals totalled €272 million (as against €182 million). The most material capital gains items were earned on:

• the sale of the CCF (Crédit Commercial de France) shareholding to HSBC: €105 million;

• the sale of the majority stake in the Specialty Products Division and European Road Marking operations: €92 million;

• the sale of certain Austrian assets: €20 million.

Other non recurring items amounted to a loss of €250 million (compared to a loss of €105 million in the previous financial year). The most significant charges were the costs relating to the initial bid for Blue Circle Industries PLC in 2000, being €91 million, and provisions relating to restructuring charges of various businesses within the Group, including the German roofing business, amounting to €88 million.

Net interest charges for the year stood at €489 million, as against €337 million in 1999. This rise is largely due to the increase in debt resulting from the acquisition of the stake in Blue Circle Industries PLC in April 2000 and from the increase in the average cost of debt, which was 6.6% at year-end (compared to 6.1% on December 31, 1999).

Canada –
The variety of forms and durability are the major properties of concrete, used here for the Nova Scotia Casino on the seafront of Halifax

Income tax charges totalled €379 million (as against €389 million in 1999). With effect from January 1, 2000, the accounting for deferred taxes was changed to the full provision method. Because of newly legislated decreases in corporate income tax rates in France and Germany and following the change in accounting method, adjustments to prior year provisions resulted in one-off gains of €40 million. The effective tax rate for 2000 of 26.4% also benefited from reduced taxation on non-recurring gains.

Net income of consolidated companies amounted to €1,059 million, compared to €981 million the previous year.

The share of minority interests in net Group income totalled €213 million (€259 million in 1999). The principal change comes from the purchase on December 31, 1999 of the Lafarge Braas Roofing minorities, resulting in a reduction of €58 million.

The amortisation of goodwill rose to €120 million from €108 million the previous year, including some €30 million of one-off charges.

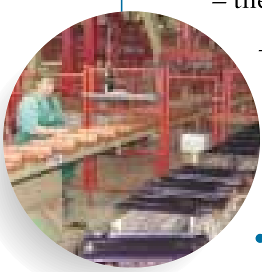
Net income, group share rose by 18% to €726 million (compared with €614 million in 1999).

Net income per share was 10% higher than the previous year, at €6.8 per share (as against €6.2 per share in 1999). The average number of shares in the year was 107.1 million (as against 99.3 million the year before). This increase was largely due to the issue to Lafarge Braas GmbH minorities of 5.7 million shares as payment for shares in their company.

Investments* and capital expenditure in 2000 totalled €3,737 million, compared with €2,156 million in 1999. This amount is broken down as follows:

• **Acquisitions** totalling €2.4 billion, including:
– a 39.9% stake in Halla Cement in South Korea for €190 million;
– the acquisition of Warren Paving & Materials in Canada for €280 million;
– the acquisition of the Presque Isle aggregate quarry on Lake Huron in the United States for €67 million;
– the acquisition of Tonindustrie Heisterholz in Germany to give Lafarge Roofing a leadership position in clay roof tiles;
– a stake of around 10% in the Portuguese cement company Cimpor for €311 million;
– the stake in Blue Circle Industries PLC for €1,031 million net of the special dividend.

• **An investment programme for organic growth** for €0.6 billion, including:
– the rebuilding of the Kansas City cement plant in North America;
– the building of two low cost plasterboard plants in Kentucky (Silver Grove) and Florida (Palatka) in North America;
– the opening by the Roofing Division of new concrete and clay roof tile plants in Finland, Benelux, Italy, China and Brazil.



Germany - Roofing -
The Karstädt roof tile plant

• **A sustaining capital expenditure programme** for €0.7 billion, relating to the on-going upgrading and modernisation of existing industrial installations around the world.

Disposals* stood at €1,116 million, compared with €572 million the previous year. The decision was taken during the year that the Group would divest itself from the majority of the Specialty Products Division. Five businesses – Aluminates, Admixtures, Refractories, Mortars and Building Paints – are now grouped together under the new name of Materis; the Group owns a 34.69% of this new entity, the majority being owned by CVC Capital Partners, Advent

* *Including net debt acquired*

International and Carlyle Group. The European road marking operations were sold to the Burelle group.

Elsewhere, the Group's position in Romania was rationalised by the sale of the Alesd cement plant.

Lafarge's shareholding in the Credit Commercial de France (CCF) was sold to HSBC following the recommended take-over offer for a consideration of €134 million.

United States – Gypsum – The Rose Center, New York

SHAREHOLDERS' EQUITY at December 31, 2000 stood at €7,912 million (€7,888 million at the end of 1999). Shareholders' equity was negatively impacted by the effect of the change in accounting for deferred taxes, with a reduction of €823 million on January 1, 2000 in shareholders' equity. The majority of the warrants issued as part of the financing of the initial bid on Blue Circle Industries PLC, in March 2000, were exercised during the year. The shares issued raised €280 million.

NET DEBT totalled €6,636 million after the deduction of proceeds from the sale of a majority interest in the Specialty Products Division (€667 million). The equivalent figure in 1999 was €5,410 million.

The management of the debt was actively pursued during the year with the issue of a €700 million Eurobond with a 7 year maturity.

The debt-to-equity ratio stood at 84% on December 31, 2000, as against 77% at the end of 1999, restated to take account of negative impact from the change in accounting for deferred taxes.

** Including net debt sold*

Cement

36%
of Group sales

27,908
employees

France – The Pont de Normandie

INTERNATIONAL PRESENCE

Countries with Lafarge production facilities

Consolidated companies: active in 30 countries
(82 cement plants, 27 grinding plants).
All companies: 100 cement plants, 32 grinding plants.

47% OF VOLUMES IN EMERGING MARKETS

In a generally favourable market environment, volumes rose in most geographical zones. There was strong growth in the proportion of business generated in emerging markets, which totalled 47% of overall volumes, as against 41% in 1999. Sales increased by 21.6% to €4,420 million, while gross operating income on ordinary activities rose by 29% to €1,167 million.

The Division reported an operating margin of 23% in 2000 (as against 21.9% the previous year). After tax return on capital employed stood at 13.0%, by comparison with 11.2% in 1999.

Products

- Lafarge has developed a wide range of cements, hydraulic binders and lime for the construction industry (building contractors, public works contractors, craftsmen, building materials wholesalers, concrete and ready-mix producers, specifiers, road-building and industry sectors, etc.).
- In addition to qualities of stability, strength and durability, products are highly adaptable to a wide range of uses and circumstances of utilisation, such as aggressive environments, rapid application, architectural considerations and technical constraints.

Cement

New positions on markets with high potential

In Asia, which the Group has designated a priority development zone, two major acquisitions were concluded during the year. In South Korea, Lafarge purchased a 39.9% controlling interest in Halla Cement Corporation, the fourth largest producer on the national market. The second substantial venture consisted of the acquisition at the end of 1999, of the cement division of Tisco, providing Lafarge Cement with a prime position in eastern India. Taking into account the cement production of Raymond Ltd, in the course of acquisition, the company will have installed capacity of more than 4(*) million tonnes in this market. Reflecting the Group's desire to acquire positions on markets with strong growth potential, the purchase of Pan African Cement in conjunction with Blue Circle Industries, still under negotiations, will see Lafarge expand its regional operations in southern and western Africa to Malawi, Tanzania and Zambia. The Group also acquired a stake of roughly 10% in the equity of the Portuguese group Cimpor.

Volumes *in thousands of tonnes*	2000	1999
• Western Europe	18,917	18,751
• North America	12,756	12,950
• Central and Eastern Europe	6,179	6,383
• Emerging Mediterranean countries	10,220	8,534
• Asia Pacific	10,871	3,072
• Latin America	5,955	5,718
• Sub-Saharan Africa and Indian Ocean	3,826	3,698
• Export and trading	4,726	5,214
Total	**73,450**	**64,320**

Sales* *in millions of Euros*	2000	1999
• Western Europe	1,169	1,135
• North America	1,171	1,010
• Central and Eastern Europe	263	211
• Emerging Mediterranean countries	512	415
• Asia Pacific	430	150
• Latin America	497	346
• Sub-Saharan Africa Indian Ocean, Others	378	368
Total	**4,420**	**3,635**

*Sales after elimination of intra-Group transactions

Gross operating income on ordinary activities *in millions of Euros*	2000	1999 adjusted*	1999
• Western Europe	415	394	408
• North America	307	267	271
• Central and Eastern Europe	52	21	26
• Emerging Mediterranean countries	114	104	114
• Asia-Pacific	26	- 25	-29
• Latin America	205	100	83
• Sub-Saharan Africa and Indian Ocean	58	63	65
• Overheads	-10	-16	
Total	**1,167**	**908**	**938**

*Overheads reallocated in 1999

Employees	2000	1999	1998
	27,908	**32,238**	**26,163**

Total investments* *in millions of euros*	2000	1999	1998
	1,011	**888**	**1,632**

*1998 and 1999: reprocessed as described in note 1.N page 79

Mastering the cost of energy

The rise in energy costs that occurred in 2000 had a limited impact on the Division, chiefly because of a change of fuel on a number of sites, particularly with transformations from oil to petcoke in Brazil and Romania and to coal in Honduras, and because of the modernisation of the Richmond plant in Canada. The Group's policy of using alternative fuels is paying off, especially in France and the United States. It is also notable that insurance contracts that were subscribed as part of the Division's purchasing policy played a part in mastering energy costs.

The Division market by market

Western Europe

"Lyon 2000", first convention of the Cement Division

Sales were 3% higher than in 1999, and operating income 5% higher. In France, where market trends were favourable, volumes rose 5%. Spain's cement market enjoyed another record year, with overall volumes in 2000 expanding to 39(*) million tonnes; the Group's volumes on this market stood over 11% higher than the previous year. In Italy, sales increased 26% on a like-for-like basis in a context of rising prices.

On the other hand, the construction market continued to shrink in Germany, impacting the demand for cement, which declined by 15%(*) in the east of the country and by between 2%(*) and 5%(*) in the west.

left: **France – The residential block "Illiade" in Montpellier**

right: **France – Corporate headquarters of Société Générale at La Défense, Paris**

North America

A 16% increase in sales was recorded. However, on the basis of unchanged reporting and exchange rates, the increase in sales in 2000 was 0.4%, in a globally positive price environment (with an increase of 1.5% over the year), although there were variable trends from one region to another. Volumes dropped slightly, at 13 million tonnes. Operating income stood 15% higher, at €307 million.

There were marked contrasts between the situation in the United States and Canada. In the United States, after a record first quarter, economic slowdown was aggravated by highly unfavourable weather conditions in the second half of the year and delays in the implementation of the *TEA 21* government infrastructure improvement programme.

Canada, where volumes increased, enjoyed sustained demand in 2000, under the impact of the expansion of the energy sector in the Province of Alberta and the continuing buoyancy of the commercial and residential building sector in Ontario.

Production costs have been reduced significantly on the west coast of Canada following the complete renovation of the Richmond plant (British Columbia). Exclusively fuelled by gas, the price of which has risen steeply, the Exshaw plant in Alberta has launched a project to convert to coal. In the United States, a supply contract has been signed with steel manufacturer Ispat Inland Inc. for the provision of 1 million tonnes of blast furnace slag per year. The use of slag will lead to a broader range of products and will strengthen measures already undertaken by Lafarge Corporation for the protection of the environment.

Central and Eastern Europe

Sales increased by 25% thanks to price rises implemented in the region and 2% growth in volumes (on a like-for-like basis), to 6 million tonnes. Results recorded from country to county reflected these positive trends. In Poland, substantial price rises of approximately 16% were enforced and domestic volumes remained stable. The Czech market expanded by 3%[*], at the same time as an increase in prices. Volumes increased in particular because of the construction of a new motorway between Prague and Dresden. In Romania, in spite of increasingly fierce competition and a high rate of inflation, selling prices were higher and volumes rose 16% on an unchanged reporting basis. A programme seeking to restructure the region's installations continued with the disposal of the Alesd plant in Romania, while a project to

Romania –
The Medgidia cement plant

construct a new production line at Kujawy in Poland was launched with the aim of increasing the plant's annual production capacity to 1.6(•) million tonnes. This investment, which is scheduled to take two years to complete, will make a positive contribution to the plant's performance and its capacity for protecting the environment.

Czech Republic – The heat exchanger reduces energy consumption at the Cizkovice cement plant

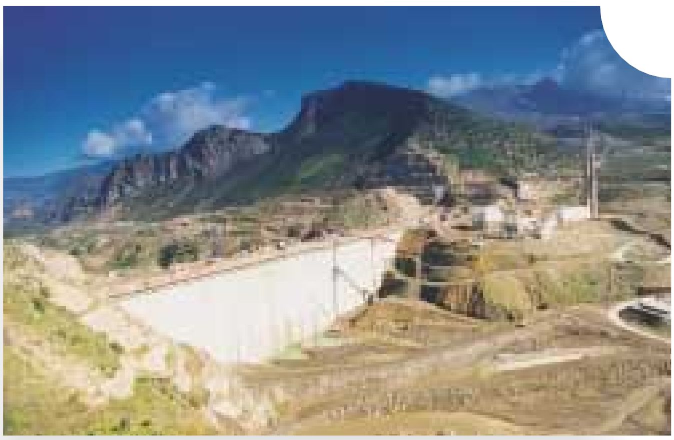
Emerging Mediterranean Countries

Sales increased by 23%, although they were marginally down – by 1% – on a like-for-like basis.

In Turkey, new legislation established in the wake of the 1999 earthquake led to a moratorium on building permits in the Marmara region until August 2000. Volumes rose strongly after that point, and ended the year 10.8% higher than in 1999, but prices fell substantially during the course of the year.

Volumes sold in Morocco increased by 1.6%.

In Jordan, however, economic stagnation caused the cement market to shrink by 2%(•).



Algeria – Lafarge Asland, the Group's Spanish subsidiary, is contributing to the construction of the Beni Haroum Dam on the Oued El Kebir

Sub-Saharan Africa and Indian Ocean

Sales rose by 3% year-on-year.

In South Africa, sales increased 12% compared with the previous year on a like-for-like basis, driven by a 16% rise in selling prices.

A good performance was achieved in the first year of operations in Uganda, in spite of a more difficult competitive environment.

Volumes sold in Cameroon, meanwhile, rose 9% by comparison with 1999.

Latin America

Sales in the region were 44% higher than the previous year, and income was double.

In Brazil, after three difficult years, prices recovered to a level that enabled Lafarge to record a 35% improvement in sales on a like-for-like basis, in spite of a slight dip in the market.

In Venezuela and Honduras, sales rose by 3% and 13% respectively (disregarding reporting and exchange rate variations).

After the acquisition of Cemento Portland Blanco de Mexico towards the end of 1999, the first complete year of business in Mexico was devoted to the integration of the company and the implementation of performance improvement programmes.

Mexico – Bernardo Hernandez, Vito Hidalgo cement plant

Brazil – Largest irrigation project in Latin America, Jaíba II

Asia-Pacific

Sales were 14% higher in 2000 on a like-for-like basis. Volumes sold in 2000 stood at 11 million tonnes, by comparison with 3 million tonnes in 1999.

The Philippines – Humour plays a large part in instructional tools used by Lafarge Cement Philippines to increase employees' awareness of Group practices

The Division strengthened its presence in the region following the acquisition of Halla Cement in South Korea (volumes sold in 2000: 6 million tonnes) and the cement division of Tata Iron and Steel Co. (volumes sold: 2 million tonnes).

A turnaround in results in the Philippines and the entry into the consolidation of newly acquired units explain the sharp rise in operating income, a positive result of €26 million following on an operating loss of €25 million in 1999.

The Philippines – The Teresa cement plant

In spite of the uncertain political climate in Indonesia, which brought about the temporary closure of the Adjeh plant early in the year, volumes sold increased by 4% in 2000, though at low price levels.

On the other hand, the political crisis in the Philippines postponed the economic recovery that had been forecast. Volumes sold were down 10% on a like-for-like basis, but substantial price rises were possible, and as a result sales improved strongly, by approximately 16%. Operating income, which was negative in 1999, improved to be positive in 2000.

Aggregates & Concrete

31%
of Group sales

18,561
employees

France: a military base in Montpellier

INTERNATIONAL PRESENCE

Countries with Lafarge production facilities

Consolidated companies: active in 27 countries (652 quarries, 1064 concrete plants).

Lafarge is one of the top-ranking producers of aggregates and ready-mix concrete in the world. It is particularly strongly represented in North America, France and the United Kingdom. In addition to these businesses, Lafarge is a major producer of asphalt and a significant provider of paving services.

Products

- **The technical qualities of Aggregates business products contribute to improvement of structural engineering work. They are specified for use in road construction or large-scale engineering projects, but also in traditional masonry. Aggregates are also a component of concrete mixes.**
- **Lafarge markets a wide range of concrete – from standard concrete, with good tensile strength and durability, to specialty concrete, which offers customers ease of placement, cost savings or specific technical or architectural qualities.**

Aggregates & Concrete

Stronger positions in the Aggregates business

In line with its strategy to expand the Aggregates business two important acquisitions were made in 2000 in North America:

• The Presque Isle quarry on Lake Huron, which increased Lafarge's aggregates capacity in the Great Lakes by 7 million tonnes per year.

• The Warren Paving & Materials Group Ltd, with 80 production sites and an annual aggregates production capacity of 18 million tonnes per year. Warren is not only a leading supplier of construction aggregates but also a leading supplier of asphalt (5(*) million tonnes) and paving services for roads and highways.

2000 was a year of profit improvement and significant growth. In particular sales grew to €3,725 million, a rise of 16.3%. Sales growth was particularly strong in our Aggregates business, where volumes grew to 187 million tonnes (as against 173 million tonnes in 1999).

Aggregates volumes *in thousands of tonnes*	2000	1999*
• Western Europe	84,395	84,837
• North America	84,927	73,987
• Other countries	18,004	14,181
Total	**187,326**	**173,005**

**1999: volumes adjusted for North America*

Sales* *in millions of euros*	2000	1999
• Western Europe	1,661	1,533
• North America	1,664	1,366
• Other countries	400	303
Total	**3,725**	**3,202**

**Sales after elimination of intra-Group transactions*

Employees	2000	1999	1998
	18,561	**16,942**	**18,140**

Concrete volumes *in thousands of cubic metres*	2000	1999
• Western Europe	17,642	16,353
• North America	8,220	8,082
• Other countries	7,931	7,158
Total	**33,793**	**31,593**

Gross operating income on ordinary activities *in millions of euros*	2000	1999 adjusted*	1999
• Western Europe	124	118	119
• North America	192	145	145
• Other countries	- 5	- 14	- 15
• Overheads	- 2		
Total	**309**	**249**	**249**

**Overheads reallocated in 1999*

Total investments* *in millions of euros*	2000	1999	1998
	590	**208**	**214**

**1998 and 1999: reprocessed as described in note 1.N page 79*

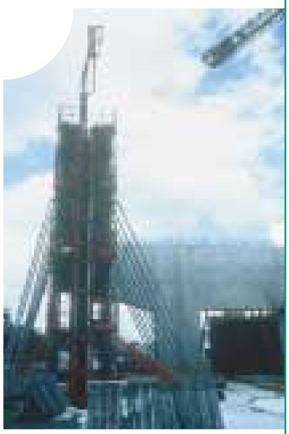
Concrete volumes progressed to 34 million m³ (compared with 32 million m³ in 1999).

The Division's gross operating income on ordinary activities rose by 24% to €309 million. The operating margin was 12% for aggregates and 4% for concrete. The Division's after tax return on capital employed stood at 7.8%.

The Division market by market

Western Europe

Sales volumes of aggregates were stable in 2000 and concrete grew by 7% on a like-for-like basis after adjusting for certain disposals in 1999 in France and the United Kingdom.



France – Concrete – A multi-screen cinema complex at Angers, a project using Agilia® vertical

France

The Division benefited from positive trends on the construction market. In aggregates, on a comparable accounting basis, volumes were stable at 48 million tonnes. Further implementation of the *Rock 2002* operational excellence programme, which helped drive further pricing improvements, led to a further significant increase in profits for this business. In concrete, sales volumes grew by 2% on a like-for-like basis to 7 million m³. Price increases also helped to increase profits by comparison with 1999.

France: New installations at the Vallauris ready-mix concrete plant enable the facility to produce a wide range of specialty concrete.

Aggregates & Concrete

United Kingdom

United Kingdom – Laying of asphalt mix on a runway at London's Gatwick Airport

Market conditions in the United Kingdom remained subdued, and the heavy flooding that occurred in the final quarter of the year had a negative impact on the results. Both aggregates and concrete volumes in 2000 were stable, after adjusting for divestments made in 1999. In this context, higher costs driven by the rise in energy prices as well as increased costs of certain raw materials, could not be fully offset by a price rise, and as a result operating margins fell.

United Kingdom – A firewall for a clothing warehouse in Cottonpark, near Rugby

Spain and Portugal

As a result of strong growth experienced on both of these markets, the Group's joint venture with RMC in aggregates and concrete operations in the Iberian Peninsula made steady progress in 2000.

Volumes in aggregates improved by 2%, while volumes in concrete were 19% higher than the previous year. In spite of pressure on ready-mix concrete prices observed in Portugal, profits in both countries improved.

North America

Markets in North America remained buoyant in 2000. Despite delays affecting the implementation of the *TEA 21* infrastructure investment programme owing primarily to unfavourable weather conditions, aggregates volumes grew by 8% on an unchanged reporting basis to 85 million tonnes, and concrete volumes rose by 2% to 8 million m^3.

Gross operating income improved by 32% thanks to recent acquisitions. Growth in results was held back by higher costs, however, particularly relating to the price of asphalt, as well as the poor weather conditions affecting the region during the final three months.

United States – The Washington Monument, restored with marble from the Group's Texas quarry, located in the state of Maryland

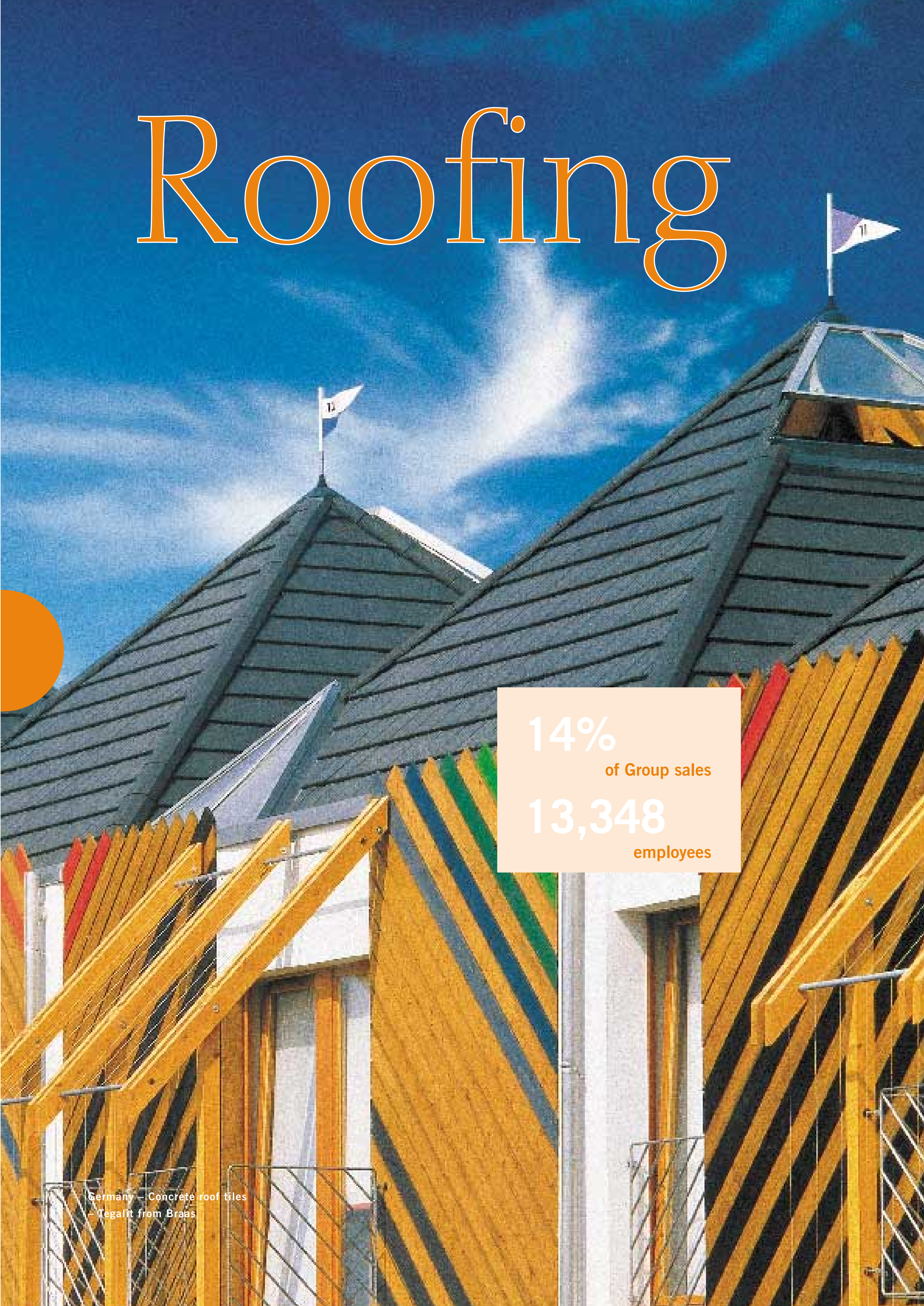
Other countries

In Brazil, where better market conditions were experienced, and in South Africa, where competition remained very fierce, the emphasis given to the transfer of best operating practices resulted in a distinct improvement in profitability.

The Turkish market grew even more competitive than before, exacerbated by a price war in the cement sector. During the second half of the year, though, reconstruction programmes following the 1999 earthquake and the implementation of new legislation regulating the construction industry drove up volumes.

Turkey – Products from Lafarge Turkey were used in the construction of Kurtköy international airport, near Istanbul

Roofing



14%
of Group sales

13,348
employees

Germany – Concrete roof tiles – Tegalit from Braas

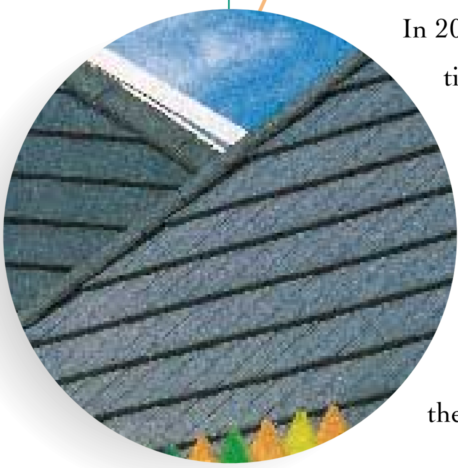
INTERNATIONAL PRESENCE

Countries with Lafarge production facilities

Consolidated companies: over 200 production sites in 34 countries.

The Division's worldwide development continued, with concrete tile plants opening in several locations (in Brazil, China, Finland and the United States). This strategic move improved the Division's geographical diversification and made it less reliant on the performance of the German economy.

In 2000, full rationalisation of the research and development facilities and technical service centres was completed: one centre, in the United Kingdom, is now dedicated to research and development, while another, in Germany, deals uniquely with performance.



The Division's position in the clay roof tile sector was strengthened in Europe by the acquisition of Tonindustrie Heisterholz in Germany and the opening of new production facilities in Italy, the Netherlands and Poland.

Products

- **With a complete range of roofing products and components and chimney systems, the Division develops world-class expertise while offering roofing industry players solutions that are adapted to local usage.**
- **Concrete roof tiles and clay roof tiles are manufactured in all styles.**
- **Chimney systems and roof system components strengthen a product and service offering designed to meet the needs of the entire range of roofing customers.**

Roofing

With the Braas and RuppKeramik brands, Lafarge Roofing now holds a leading position in Germany in both concrete roof tiles and clay roof tiles.

Netherlands – Solar energy panels are incorporated into the roofing of 40 houses in Amersfoort

Sales performance

The Division's sales rose to €1,684 million (compared with €1,621 million in 1999), an increase of 3.9%. There was a short-lived improvement in the German construction market in the first quarter of 2000, but the rest of the year saw the market continue to decline, with negative impact on volumes in both roof tiles and chimney systems.

Growth in volumes in 2000 breaks down as follows:

- concrete roof tiles: +3% to 173 million m^2 (including 100 million m^2 in Europe), as against169 million m^2 in 1999;
- clay roof tiles: +18% to 27 million m^2 (compared with 23 million m^2 in 1999);
- chimneys: +6% to 2.9 million metres (up from 2.8 million metres in 1999).

A stable sales performance was achieved in Europe despite the weakness of the German market. Demand in France was particularly solid. Following the severe storms that hit France at the end of 1999, French plants turned at maximum capacity. Sales rose in the United Kingdom because of improved pricing. Poland

Volumes *in millions of m^2, unless otherwise indicated*	2000	1999
• Concrete roof tiles		
Europe	100.4	100.7
North America	40.3	43.5
Other countries	32.4	24.3
• Clay roof tiles		
Europe	27.3	23.1
• Chimneys (km)	2,952.0	2,785.0

Sales* *in millions of euros*	2000	1999
• Concrete roof tiles		
Europe	693	709
North America	121	107
• Clay roof tiles	293	233
• Chimneys	169	176
• Other products	410	396
Total	**1,684**	**1,621**

**Sales after elimination of intra-Group transactions*

Gross operating income on ordinary activities *in millions of euros*	2000	1999 adjusted*	1999
• Europe	222	246	246
• Asia/Americas	17	6	6
• Overheads	-20	-20	- 4
Total	**219**	**232**	**248**

**Overheads reallocated in 1999*

Total investments* *in millions of euros*	2000	1999	1998
	178	769	172

**1998 and 1999: reprocessed as described in note 1.N page 79*

Employees	2000	1999	1998
	13,348	12,362	11,668

also recorded strong volumes. On an unchanged reporting basis, extremely strong growth was reported in several emerging markets: Malaysia (+38%), Thailand (+26%) and Brazil (+9%).

Brazil – The new ultramodern concrete roof tile plant at Quatro Barras

In Germany, new products in the concrete roof tile sector were launched with success. The new BIG roof tile, launched early in the year, constituted 10% of concrete tiles sold in Germany. Later, the launch of the Tegalit Star tile, featuring an improved appearance, was also welcomed by the market.

Germany – A private house roofed with Tegalit Star tiles

Operating results

In spite of a generally good performance in the rest of Europe and a significant increase in emerging markets, the difficulty of the German market was responsible for the drop in the Division's gross operating income on ordinary activities, from €232 million in 1999 to €219 million. Operating margins stood at 12% (as against 13.5% in 1999). After tax return on capital employed was 5.7%. In view of the weak situation of the German market, the decision was taken to proceed with a new restructuring plan.

United States – A range of roof tiles to suit every aesthetic style

Gypsum

8% of Group sales

4,521 employees

France – Argoparc, head office of the Gypsum Division in Avignon

INTERNATIONAL PRESENCE

Countries with Lafarge production facilities

Consolidated companies: 63 production sites in 20 countries (all companies: 68 production sites in 23 countries).

The Gypsum Division experienced a particularly difficult year in 2000. Sales totalled €1,000 million, an increase of 17%. Recent developments in Poland and Australia were the major factors behind this growth. Gross operating income, which had risen by 59% in 1999 to a level of €127 million, fell back to €60 million in 2000. This substantial downswing is primarily explained by the net fall in income in North America and the sharp rise in the cost of energy and raw materials in Europe and North America.

The Division's operating margin dropped from 13.7% the previous year to 5.1%. After tax return on capital employed stood at 4.1% in 2000.

Nonetheless, the difficulties encountered during the year did not prevent the Division from pressing ahead with its long-term development strategy.

Products

- **For the construction industry's finishing trades, whether for new buildings or for restoration work, gypsum adapts to all types of space and to all technical or architectural requirements.**
- **Plasterboard and partition systems, gypsum blocks and plaster coatings are produced in all forms, offering buildings their qualities of protection, comfort and safety.**

Gypsum

France –
The Hilton Hotel in Lyons

Turkey –
A new plasterboard
plant near Ankara

Aiming to speed up its international expansion and win strong local positions, the Gypsum Division's strategy links an active policy of external growth with sustained industrial investment. Combining an international profile with local operations, the Division enjoys prime market positions in developed countries and has constituted a presence on fast growth markets.

The Division market by market

Europe

Driven by expanding markets in Southern Europe, Poland and the United Kingdom as well as the growing penetration of plasterboard, volumes rose by almost 10% (3% on a like-for-like basis). A price increase late in the year was insufficient to offset the increased cost of gas and raw materials. Substantial investments were made to improve industrial performance. A new plant under construction in Germany will be capable of producing 20(*) million m^2 of plasterboard in 2002. Launched early in the year, the new Megadeco range contributed to improved volumes in the United Kingdom. The integration of the Polish company Nida Gips was backed up by a campaign to launch the new brand Lafarge Nida Gips.

Sales* *in millions of euros*	2000	1999
	1,000	855

Sales after elimination of intra-Group transactions

Gross operating income on ordinary activities *in millions of euros*	2000	1999 adjusted*	1999
• Europe	57	71	71
• North America	-19	38	38
• Other countries	19	15	15
• Overheads	3	3	
Total	**60**	**127**	**124**

Overheads reallocated in 1999

Volumes of plasterboard *in millions of m^2*	2000	1999
	447	418

Total investments* *in millions of euros*	2000	1999	1998
	297	128	169

1998 and 1999: reprocessed as described in note 1.N page 79

Employees	2000	1999	1998
	4,521	3,661	3,143

North America

Following a very favourable year in 1999, which saw gross operating income of €38 million, a loss of €19 million was recorded in 2000. This turnaround in performance is accounted for by a number of factors:

- a rapid fall in prices represented a shortfall of €21 million by comparison with 1999;
- rises in the cost of gas and paper were reflected by €16(*) million of additional costs;
- exceptional expenditure relating to the start-up of two new plants in Kentucky (2000) and Florida (early 2001). The Kentucky plant produced 15(*) million m² of plasterboard during the year.

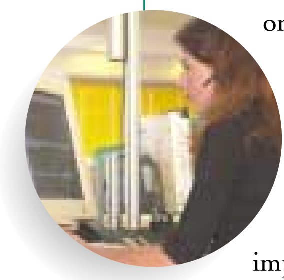
Italy – The Corfinio plasterboard plant

Asia-Pacific and South America

During 2000, Lafarge and the Australian group Boral decided to merge their gypsum operations in Asean countries, South Korea and China. At the outset, Lafarge holds initially a 73% stake in the joint venture. Volumes sold in the zone rose by 5% with particularly strong growth recorded in China. In the context of the restructuring of the construction market, volumes sold in South Korea were slightly below those of the previous year. In South America, volumes sold increased by 16%, with buoyant markets in Brazil and Chile.

Strategic investments

Major investments were once again made in 2000 and 2001, in three priority zones: Central Europe, North America and Asia. Two new plants are set to come on stream in Poland and South Korea in 2002, with total annual capacity of 64(*) million m² of plasterboard.



France – Lafarge Plâtres: the customer relations centre at Avignon represents the technical, invoicing and order processing departments to provide customers with a personalised service

In the United States, the two new plants starting up in 2000 and 2001, each of which has production capacity of 80(*) million m², will be the most competitive on the American market. The Division has also implemented an active external growth strategy. In Europe, the takeover of the Polish manufacturer Nida Gips was followed by the acquisition of a 75% stake in the Ukrainian producer Stromgyps. The Division has established a foothold in Romania by way of a joint venture with Arcom. In Asia, the alliance signed with Boral ensures leadership in the region for Lafarge.

The Division's production capacity has doubled over the last two years, to reach 700(*) million m² of plasterboard as at the start of 2001.

Specialty Products

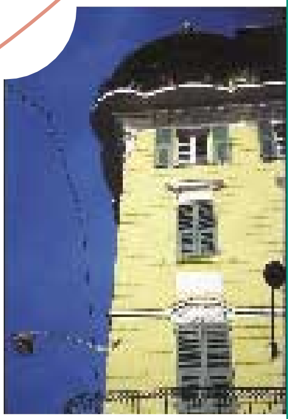
France – Mortars – Private house

In a context of positive market trends, the Specialty Products Division enjoyed a year of solid growth. Gross operating income on ordinary activities rose by 23%, from €122 million to €150 million. After tax return on capital employed stood at 11.7% for the Division taken as a whole. The results of businesses forming part of the new company Materis are fully consolidated until December 31, 2000. The Group's Road Marking operations in Europe, a business that is leader on its market, were sold to Signature, a wholly owned subsidiary of Burelle S.A., in November 2000.

INCOME FROM PRODUCTS INTENDED FOR INDUSTRY (calcium aluminates, lime, refractories) increased from €76 million to €84 million, a rise of 11%.

LIME

In Europe, on a globally favourable market, cost-cutting programmes enabled the business to record a 10% increase in gross operating income from ordinary activities, in spite of the rise in the cost of fuel. In the United States, the year was devoted to the process of integration of the joint venture formed with Carmeuse in 1999. The business suffered from a decline in the steel-manufacturing industry, particularly towards the close of the year.



France – Mortars –
An old apartment building

ALUMINATES

Lafarge Aluminates benefited from worldwide growth in the refractory and building markets to turn in a good performance. Results improved by 27%.

The opening of the Tianjin plant in China early in 2001 will strengthen the growth of the business in Asia.

REFRACTORIES

As a result of growth in business across all markets, sales rose 11%. The merger of Lafarge Refractories and Hanlon Refractories, acquired in April 2000, created the Australian number two on the refractories market. Substantial investments were made in France on marketing and R&D.

PRODUCTS INTENDED FOR CONSTRUCTION (admixtures, building paints, road marking, mortars), which enjoyed a 37% rise in income from €43 million to €59 million, broadened their international scope, with significant acquisitions in paints in Italy and in mortars in the United States.

MORTARS

The Mortars business posted a 21% improvement in sales year-on-year. Operating income rose by 50%. The Division acquired La Habra Products, American leader in decorative coatings, and Davco, market leader in tile adhesives in Australia, strengthening its international industrial network.

ADMIXTURES

The admixtures business reported a 12% increase in sales on a like-for-like basis. During the year, the resins business in France was divested, enabling the business to focus again on its core activity of admixtures for building materials.

BUILDING PAINTS

The business performed well, with operating income rising by 55% and sales by 27%, principally owning to the impact of acquisitions made during the year which enabled the business to strengthen its undisputed leadership on the Italian market and to bolster its positions in France.

ROAD MARKING

European operations enjoyed a good year as far as the sale of products was concerned, although competition in the contracting sector remained fierce. Road Marking operations in the United States, which have not been disposed of, had a difficult year, with a price war fought out on a highly competitive market.

Sales*

in millions of euros

	2000	1999
• Products		
for industry[1]	481	431
for construction[2]	906	776
Total	**1,387**	**1,207**

**Sales after elimination of intra-Group transactions*

Gross operating income on ordinary activities

in millions of euros

	2000	1999 adjusted*	1999
• Products			
for industry[1]	84	76	76
for construction[2]	59	43	43
• Holdings	0	-4	-4
• Overheads	7	7	0
Total	**150**	**122**	**115**

**Overheads reallocated in 1999*
[1] Aluminates, Lime, Refractories
[2] Admixtures, Mortars, Building Paints, Road Marking

Total investments*

in millions of euros

	2000	1999	1998
Total	**136**	**82**	**219**

**1998 and 1999: reprocessed as described in note 1.N page 79*

Following the sale of a majority of businesses in the Specialty Products Division, 950 people are still employed by the Group.




Outlook

Although a certain number of economic indicators appear to announce a slowdown in growth for 2001, construction markets display variable trends from zone to zone.

Globally, growth is expected to be more significant in emerging countries, while construction markets in mature countries should experience a more moderate rate of growth.

Cement markets in Western Europe should observe reduced growth in 2001. In North America, in spite of forecasts of a drop in the volume of new housing construction programmes, we expect demand to remain at a comparable level to that of last year, benefiting from the counter-cyclical impact of more sustained implementation of the *TEA21* public spending programme on infrastructure maintenance and construction. Growth in emerging countries should be particularly strong in such countries as India, South Africa and South Korea, where Lafarge has made key acquisitions in recent years.

Turning to the Aggregates & Concrete Division, we expect general market conditions to be moderately favourable. In Western Europe, where Lafarge's principal markets are in France and the United Kingdom, the level of demand is expected to be relatively stable. In North America, where Lafarge Corporation completed several significant acquisitions in 2000, continuing growth in demand is likely as a result of the larger share of the public works market in the consumption of aggregates.

France – Concrete – The back wall of the Allauch open-air theatre, built on the site of a former quarry, was constructed with Agilia®

In Roofing, European markets, with the exception of Germany, are expected to show a slightly favourable tendency in 2001, while the strong growth observed in 2000 on the markets of emerging countries should continue.

Germany – Roofing – A private house

We expect Gypsum markets in Europe to experience growth in 2001. In North America, where Lafarge Corporation operates highly competitive production facilities, the market will be sensitive to the effects of a fall in the number of new housing construction programmes, and prices will remain depressed. As with other Divisions, growth is expected to continue in emerging countries.

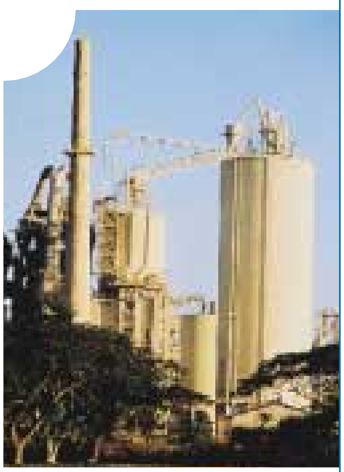
Italy – Gypsum – Maserati headquarters in Modena

Following the sale of the majority of the Specialty Products Division's assets, its businesses are no longer fully consolidated with effect from December 31, 2000.

The strategic reasons for the acquisition of Blue Circle Industries PLC

The conclusion of the Group's takeover bid for Blue Circle Industries PLC marks a major step in the development of Lafarge.

With Blue Circle Industries PLC, its natural partner, Lafarge will substantially reinforce its leadership in building materials, becoming the world number one in cement with annual production capacity of more than 150 million tonnes, strong presence in both mature and emerging countries and more powerful positions in key geographical zones.



Venezuela – The Ocumare cement plant has clocked up 30 years of uninterrupted industrial activity

Following the acquisition of Blue Circle Industries PLC by Lafarge, the breakdown by geographical zone of both sales and assets (2000 pro forma, analysts' estimation) will remain practically unchanged, but local positions will be strengthened.

Sales: Europe 48%, North America 29%, emerging countries 23%.

Assets: Europe 49%, North America 20%, emerging countries 31%.

Outlook

The new configuration of Group assets by Division will be: Cement 67%, Aggregates & Concrete 13%, Roofing 12%, Gypsum 5%, others 3%.

Beyond the effect of size, the merger of the two groups is also a wonderful opportunity to create value, thanks to the increased cash flows which will be generated by mature countries, thanks to the consolidation of Lafarge's regional positions which will provide it with new opportunities for growth, thanks to the very substantial synergies which will be generated rapidly, and thanks to the circulation of Lafarge's expertise throughout the new group.

The annual synergies that are expected should amount to €100 million by 2003.

On February 19, 2001, the shareholders of Blue Circle Industries PLC voted to accept the Lafarge bid. It received approval from the European competition regulators in early March. Still subject to clearance from North American competition authorities, it is expected to finalised during summer 2001, and the process of integration should be concluded by the end of the year.

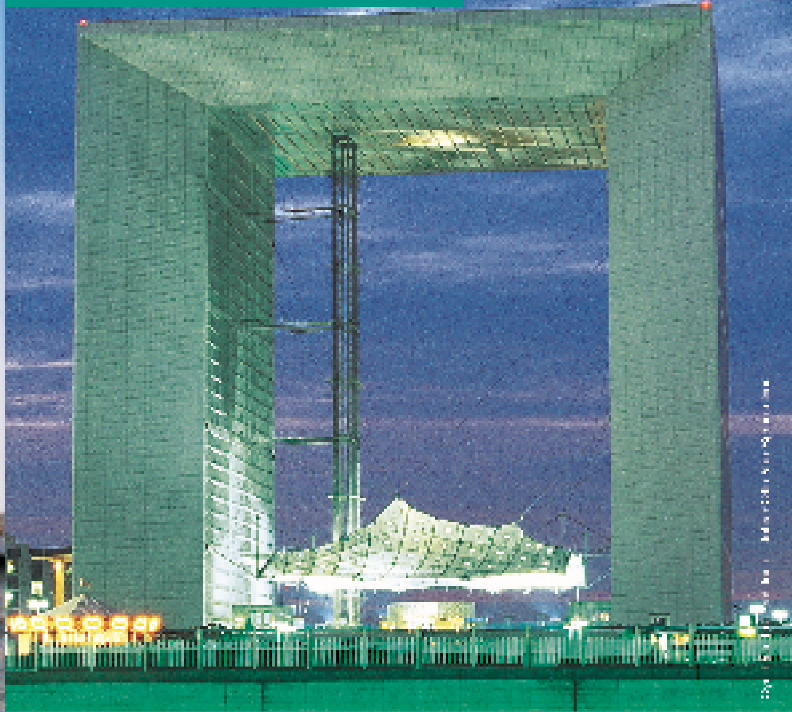
Venezuela – Cement – stained glass window by Fernand Léger, library of Caracas, Central University

Did you know that Lafarge is here...

The Shanghai Opera
(Gypsum)

Here...

The Grande Arche de la Défense in Paris
(Cement)



There...

Hundertwasser building near Stuttgart
(*Roofing*)

And there as well?

The Hassan II Mosque in Casablanca
(*Concrete*)

World leader in construction materials, Lafarge serves its customers around the world with product expertise and innovative solutions through its four Divisions:
Cement - Aggregates & Concrete - Roofing - Gypsum.

www.lafarge.com

LAFARGE

Materials for building our world

Senior managers
(operational and functional)*

Cement Division
Isidoro Miranda

Western Europe, Morocco, Turkey
Jean-Carlos Angulo
- **France:** Alain Crouÿ
- **Spain:** Jean-Pierre Taillardat
- **Morocco: Jean-Marie Schmitz**
- **Turkey:** Guillaume Roux
- **Italy:** François Dugrenot

Central Europe
Yves de Clerck
- **Germany:** Gerhard Roeser
- **Austria:** Martin Kriegner
- **Poland:** Andrzej Tekiel
- **Czech Republic:** Petr Laubé
- **Romania:** Frédéric Fleuret
- **Russia and CIS:** Jean-Louis Touati

Southern Balkans, Middle East, Northern and Western Africa, Trading
Jean-Charles Blatz
- **Trading:** Patrick Chapel

Northern and Southern Asia, Eastern and Southern Africa
Jean Desazars
- **China:** Dung Van Anh
- **South Korea:** Sylvain Garnaud
- **India:** Tom Farrell
- **Bangladesh:** Michel Folliet
- **Eastern and Southern Africa:** Alain Le Meur
  - **South Africa:** Elmor Leo
  - **Kenya, Uganda:** Didier Trésarrieu

The Philippines, Indonesia, Thailand, Malaysia
Duncan Gage
- **The Philippines:** Philippe Roseberg
- **Indonesia:** Christian Devillers

North America
John Piecuch *(until May 2001)*
Philippe Rollier *(from May 2001)*
Peter Cooke
- **Canada:** Jean-Marc Lechêne
- **United States:** Mike Balchunas

Latin America
Miguel del Campo
Brazil: Albert Corcos
Central America: Fernando Santos

Cement Performance:
Jean-François Sautin
Control: Bertrand Deau
Human Resources: Vicente Blanco

* as at April 15, 2001

Aggregates & Concrete Division
Charles de Liedekerke

France, United Kingdom
Charles de Liedekerke
- **France:**
  Aggregates: Bernard Le Bras
  Concrete: Pierre-Yves Périgois
- **United Kingdom:** Ian Reid

Spain, Italy, Morocco, Turkey
Jean-Carlos Angulo

Central Europe
Yves de Clerck

Southern Balkans, Middle East
Jean-Charles Blatz

Northern and Southern Asia, Southern Africa
Jean Desazars

North America
John Piecuch *(until May 2001)*
Philippe Rollier *(from May 2001)*
Ted Balfe
- **Eastern United States:** Claude Bastien
- **Western United States:** Pat Walker
- **Eastern Canada:** Cyrille Ragoucy
- **Western Canada:** Mike Smith

Latin America
Miguel del Campo
- **Brazil:** Albert Corcos
- **Central America:** Fernando Santos

Aggregates & Concrete Performance
Dominique Calabrese
Control: Mark Crump
Human Resources: Ian Pringle

Roofing Division
Ulrich Glaunach

Chief Operating Officer: Jean-Marc Chicco
- **Performance & Technology:** Gil Mercier
- **Germany:** Gerhard Buhlmann
- **China:** Vincent Tang

Chief Operating Officer: Paul Kolowratnik
- **Roof system components:** Michel Klein
- **Chimneys:** Mario Wallner
- **United Kingdom:** Louis Eperjesi
- **Scandinavia:** Bengt Persson
- **Italy/Turkey:** Paolo Obletter
- **Eastern Europe:** Frank Schnieber
- **Japan:** Mark Randall

Chief Operating Officer: Didier Riou
- **Marketing :** Benoit Hennaut
- **France/Switzerland:** Jacques Henceval
- **Benelux:** Johan de Rijke
- **United States:** Mike Penny
- **Brazil :** Henrique Lepecki
- **South Africa:** Johan van Jaarsveld

Finance: Thomas Kirschner
Human Resources: Keith Deighton

Gypsum Division
Bruno Lafont

France: Bernard Lekien
Northern Europe: Eric Meuriot

Euro-Mediterranean: Philippe Questiaux

Pacific, South America, International development: David Calow

Asia: Nicolas Fournier

North America:
John Piecuch *(until May 2001)*
Philippe Rollier *(from May 2001)*
Alain Bouruet Aubertot

Finance: Patrick Bavière
Human Resources: Arnaud de Bérail

Corporate Centre

Finance
Jean-Jacques Gauthier
- **Finance:** Jean-Pierre Cloiseau
- **Legal Affairs:** André-Gilles Taithe
- **Information Technology:** Dominique Malige

Human Resources & Organisation
Christian Herrault
- **Executive Careers:** Philippe Jacquesson
- **Organisation and Training:** Alexander Nieuwenhuizen

Strategy: Jacques Sarrazin
Marketing: Philippe Gruat
e-business: Jean-Christophe Barbant
Research: Frédéric de Rougemont
Scientific Affairs: Jacques Lukasik
Environment and Public Affairs: Chris Boyd
Communications: Denis Berthu
Lime Business (Christian Herrault): Agnès Lemarchand

North America
John Piecuch *(until May 2001)*
Philippe Rollier *(from May 2001)*
- **Finance:** Larry Waisanen
- **Human Resources:** Jim Nealis

Consolidated financial statements
Parent company financial statements
Financial and legal information

Consolidated financial statements

Parent company financial statements

Financial and legal information

Consolidated financial statements

→ Consolidated statements of income

(in millions of euros, unless indicated otherwise)

	Notes	2000	1999	1998
Net sales	2	**12,216**	**10,528**	**9,802**
Cost of goods sold		(7,980)	(6,823)	(6,433)
Selling and administrative expenses		(1,644)	(1,483)	(1,401)
Gross operating income		**2,592**	**2,222**	**1,968**
Depreciation and amortization		(788)	(678)	(627)
Share of earnings of equity affiliates	3	101	86	56
Operating income on ordinary activities	2	1,905	1,630	1,397
Gains (Losses) on disposals		272	182	69
Other income (expense)		(250)	(105)	(48)
Operating income		1,927	1,707	1,418
Net financial expense	4	(489)	(337)	(288)
Income before tax		**1,438**	**1,370**	**1,130**
Income tax	5	(379)	(389)	(321)
Net income before amortization of goodwill		**1,059**	**981**	**809**
Minority interests		(213)	(259)	(236)
Amortization of goodwill		(120)	(108)	(107)
Net income, Group share		**726**	**614**	**466**
Income per share (in euros)		**6,8**	**6,2**	**4,9**
Average number of shares outstanding (in thousands)		107,098	99,255	94,587

CONSOLIDATED BALANCE SHEETS

(Before appropriation, in millions of euros, unless indicated otherwise)

	Notes	2000	1999[a]	1998[a]
Goodwill	7	2,820	3,157	2,669
Intangible assets	7	1,127	1,079	791
Property, plant and equipment	9	8,882	7,904	6,619
FIXED ASSETS, NET		**12,829**	**12,140**	**10,079**
Investments in equity affiliates	10	420	333	316
Other investments	10	1,716	413	901
Long-term loans and receivables		489	384	374
OTHER LONG-TERM ASSETS		**2,625**	**1,130**	**1,591**
Inventories and work-in-progress	11	1,309	1,237	1,062
Accounts and notes receivable, trade	12	1,495	1,908	1,565
Other receivables		899	760	691
Accounts and notes payable, trade		(1,114)	(1,041)	(912)
Other payables		(1,457)	(1,655)	(1,333)
WORKING CAPITAL REQUIREMENTS		**1,132**	**1,209**	**1,073**
CASH AND CASH EQUIVALENTS	13	**1,740**	**1,061**	**970**
TOTAL		**18,326**	**15,540**	**13,713**
Common stock	14	429	400	392
Additional paid-in capital	15	3,028	2,459	2,313
Retained earnings	16	2,910	3,180	2,428
Cumulative translation adjustment		(324)	(188)	(444)
SHAREHOLDERS' EQUITY, GROUP SHARE		**6,043**	**5,851**	**4,689**
Minority interests		1,707	1,598	1,489
Other equity	17	162	439	135
TOTAL EQUITY		**7,912**	**7,888**	**6,313**
PROVISIONS	18	**2,038**	**1,181**	**1,109**
Long- and medium-term debt		7,490	5,520	5,821
Current portion of long- and medium-term debt		579	655	268
Short-term bank borrowings		307	296	202
DEBT	19	**8,376**	**6,471**	**6,291**
TOTAL		**18,326**	**15,540**	**13,713**

(a) After reclassification of cash and cash equivalents.

Consolidated statements of cash flows

(in millions of euros, unless indicated otherwise)

	Notes	2000	1999	1998
Net income before amortization of goodwill		**1,059**	**981**	**809**
Depreciation and amortization		788	678	627
Equity affiliates		(35)	(37)	(27)
Gains (Losses) on disposals		(272)	(174)	(69)
Deferred tax (and tax provisions)		31	24	16
Others		5	23	(74)
Reversal of other income (expense)		217	103	133
Cash flow from ordinary activities		**1,793**	**1,598**	**1,415**
Other income (expense) brought forward		(217)	(103)	(133)
Cash flow from operating activities		**1,576**	**1,495**	**1,282**
Net change in working capital requirements		(92)	(217)	(25)
Net cash from operating activities		**1,484**	**1,278**	**1,257**
Capital expenditures		(1,307)	(1,141)	(1,058)
Investment in consolidated companies[1]	8	(584)	(859)	(750)
Investment in non-consolidated companies		(1,484)	(147)	(644)
Total investments		**(3,375)**	**(2,147)**	**(2,452)**
Disposals[2]		991	569	391
Net (increase) decrease in loans and other long-term receivables		(33)	(24)	(8)
Net cash used in investing activities		**(2,417)**	**(1,602)**	**(2,069)**
Proceeds from issuance of common stock		322	213	604
Movements in treasury stock		(38)	381	(33)
Increase (Decrease) in other equity		7	292	6
Dividends paid		(275)	(280)	(192)
Increase (Decrease) in equity		**16**	**606**	**385**
Increase (Decrease) in long- and medium-term debt		1,656	11	575
Increase (Decrease) in short-term debt		(70)	(286)	26
Net cash from financing activities		**1,602**	**331**	**986**
Increase (Decrease) in cash and cash equivalents		**669**	**7**	**174**
Effect of exchange rate changes		10	84	(69)
Cash and cash equivalents at beginning of year		1,061	970	865
Cash and cash equivalents at end of year		**1,740**	**1,061**	**970**
(1) Net of cash balances of companies acquired		*34*	*13*	*-*
(2) Net of cash balances of companies disposed of		*179*	*23*	*39*

Consolidated statements of shareholders' equity and minority interests

(in millions of euros)

	Common stock	Additional paid-in capital	Retained earnings	Cumulative translation adjustment	Total Group share	Minority interests
Balance as of December 31, 1997	**361**	**1,849**	**2,130**	**(187)**	**4,153**	**1,338**
Net income	-	-	467	(1)	466	236
Dividends paid	-	-	(141)	-	(141)	(51)
Issuance of common stock, dividends reinvested and options exercised	31	464	-	-	495	-
Decrease (Increase) in treasury stock	-	-	(28)	-	(28)	-
Minority interests movements	-	-	-	-	-	70
Cumulative translation adjustment	-	-	-	(256)	(256)	(104)
Balance as of December 31, 1998	**392**	**2,313**	**2,428**	**(444)**	**4,689**	**1,489**
Net income	-	-	613	1	614	259
Dividends paid	-	-	(183)	-	(183)	(97)
Issuance of common stock, dividends reinvested and options exercised	8	146	-	-	154	-
Decrease (Increase) in treasury stock	-	-	322	-	322	-
Minority interests movements	-	-	-	-	-	(235)
Translation adjustment	-	-	-	255	255	182
Balance as of December 31, 1999	**400**	**2,459**	**3,180**	**(188)**	**5,851**	**1,598**
Net income	-	-	731	(5)	726	213
Dividends paid	-	-	(215)	-	(215)	(60)
Issuance of common stock, dividends reinvested and options exercised	29	569	-	-	598	-
Decrease (Increase) in treasury stock	-	-	(37)	-	(37)	-
Minority interests movements	-	-	-	-	-	(41)
Impact of the change in accounting for deferred taxes	-	-	(759)	-	(759)	(64)
Goodwill previously written off against retained earnings on subsidiaries sold	-	-	10	-	10	-
Translation adjustment	-	-	-	(131)	(131)	61
Balance as of December 31, 2000	**429**	**3,028**	**2,910**	**(324)**	**6,043**	**1,707**

Notes to the consolidated financial statements

1. Accounting policies

Accounting principles

The consolidated financial statements of Lafarge SA (the parent company) and its subsidiaries (the Group) are prepared in accordance with the provisions of French accounting legislation and standards.

New accounting standards

Effective January 1, 2000, the Group adopted the new accounting standard CRC No. 99-02 on Consolidated Financial Statement published by the French Accounting Standards Committee ("Comité de la Réglementation Comptable"). The standard requires that the balance-sheet liability method be applied for the recognition of deferred income taxes (the change in method is explained in note 1.L.).

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in France requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, such as depreciation and provisions, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results may differ from those estimates and assumptions.

A. Principles of consolidation

Criteria for consolidation and consolidation methods

Companies over which Lafarge has exclusive control are fully consolidated.

Companies over which Lafarge has significant influence, which is presumed where the shareholding exceeds 20% of the capital, are accounted for under 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.

Translation of the financial statements of 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 all the income statement items at the average annual rate of exchange. Translation gains and losses are shown separately under shareholders' equity. For companies in countries with high inflation, as an exception to the above, fixed assets, investments, inventories and the corresponding income statements 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 excess of the purchase price over the fair value of the net assets of businesses acquired is allocated to "Goodwill". Minority interests are credited with their share of the fair value of recorded assets and liabilities in acquired companies.

Specific non-amortizable intangible assets, such as

market shares and trademarks, are recorded as part of the purchase price allocation 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 intangible assets in future periods are monitored using the same criterion and where necessary an impairment of the value of such assets provided.
The Group amortizes goodwill on a straight-line basis over periods not exceeding 40 years.
Negative goodwill is amortized to income statement on a systematic basis, in accordance with a schedule that takes into account the objectives and the acquired company's prospects at the time of acquisition.

These accounting policies have been applied to acquisitions that 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 retained earnings.

Effective date of acquisitions and disposals

Revenues and expenses of companies consolidated for the first time during the year are included in the consolidated income statement only for the period starting after the transfer of control.

Similarly, only revenues and expenses recorded prior to the transfer of control of the companies disposed of during the period are included in the consolidated income statement.

B. Revenue recognition

Revenues from the sale of cement, concrete, aggregates, roofing, gypsum-based products and specialty materials are recorded when the products are shipped. Consolidated sales represent the value, net of tax, of goods and services sold by Group companies in the normal course of operations, after inter-company eliminations.

C. Other income (expense)

"Other income (expense)" results from operations and includes in particular net restructuring expenses and provisions for disputes.

D. Financial instruments

- Cash and cash equivalents: cash and cash equivalents consist of cash and highly liquid investments with maturities generally of less than three months at time of purchase. They are accounted for at their historical cost net of depreciation.

- Other investments: other investments, which consist either of shares held in non-consolidated companies or shares in listed companies treated as long-term equity investments, are valued at acquisition 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.

- Financial derivative instruments: the Group enters into financial derivatives for hedging purposes only, in order to reduce its exposure to adverse movements in interest rates and foreign exchange rates.

  Forward exchange contracts and foreign currency swaps are used to hedge the foreign exchange exposure. Hedged transactions are recorded in the financial statement using the hedging rate. Exchanges differences arising from foreign currency transactions are recorded in the income statement under net financial expense.

  The Group also enters into interest rate swaps to manage its interest rate exposure. The differences between interest paid and received are recognized as interest expense or interest income over the life of the hedged item, on a prorata temporis basis.

- Concentration of credit risk: financial instruments, which potentially expose the Group to concentration of credit risk are primarily receivables, cash and cash equivalents and financial derivative instruments. The Group manages this risk by rigorously selecting its counterparts, and strictly monitoring the exposure to avoid any significant exposure to a single third party. The Group generally requires no collateral on its receivables.

E. Property, plant and equipment

Property, plant and equipment is recorded in each country at the historical cost.
Capital leases are capitalized.
Interest on borrowings directly related to the financing of construction projects and incurred during the construction phase is included within the acquisition cost.
Depreciation in the consolidated financial statements is calculated as follows:

- land on which quarries are located is depreciated on a depletion basis; this depletion is recorded as the material extraction advances; other land is not depreciated;
- buildings are depreciated using the straight-line method over estimated useful lives varying from 20 years for industrial building to 50 years for offices or residential properties;
- cement works plant and equipment are depreciated using the straight-line method over international industry-recognized useful lives, to a maximum of 20 years;
- other plant, equipment and installations are depreciated using the straight-line over estimated useful lives varying from 8 to 20 years.

F. Intangible assets

Intangible assets 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 acquired trademarks) which meet the criteria described in the above goodwill note 1.A.

G. Impairment of long lived assets

Whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable, this carrying amount to which the associated goodwill is added, is compared with the estimated future cash flows (undiscounted and without interest charges) expected to result from the use of the assets and their possible disposition. If the sum of expected cash flows is less than the carrying amount of the assets, an impairment loss is recognized based on the fair value of the assets, generally estimated as the present value of expected cash flows.

H. Inventories

All inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

I. Pension plans and retirement indemnities

The Group's projected benefits obligation relating to defined benefit pension plans and to retirement indemnity schemes is calculated on the basis of length of service, life expectancy and turnover, taking into account actuarial assumptions. This obligation is covered either by plan assets to which the Group contributes or by reserves recorded in the balance sheet over the period the rights are acquired.
Lafarge and several French subsidiaries have made arrangements with an external organization to fund retirement termination payment and supplementary pension commitments. Foreign companies, which operate defined benefit pension plans, pay contributions to pension funds. A reserve is recorded only for the portion of commitments which exceeds the value of the plan assets.

Differences resulting from changes in actuarial assumptions in excess of 10% of the amount of the engagements or plan assets are spread over the residual life of the commitment.

J. Other post-retirement benefits

The Group's obligation relating to healthcare and life insurance benefits is recognized over the period the rights are acquired. The accrued obligation is based on an actuarial valuation, which takes into account assumptions regarding mortality and future healthcare cost trends.

K. Sites restoration

Where the Group is legally or contractually required to restore a quarry site, a reserve is recorded over the operating life of the quarry to cover such costs. This reserve 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 taxes

As of January 1, 2000, deferred income taxes are accounted for using the balance-sheet liability method on temporary differences between the tax base of assets and liabilities and their carrying amount in the balance sheet, (including tax losses available for carryforward). These deferred taxes are measured by applying currently enacted tax laws. Deferred tax assets are recognized when there is a reasonable expectation that the assets will be realized. Before January 1, 2000, the deferred tax provision was calculated using the partial allocation method, whereby deferred taxes were provided only where timing differences were expected to reverse in the foreseable future. This method only takes into account timing differences arising between the adjusted net accounting profit of consolidated subsidiaries and net taxable income.

A cumulative adjustment was recognized as a result of the adoption of the new accounting principle and the impact of this change is shown in the consolidated statements of changes in shareholders' equity (see note 18).

M. Research & Development

The company is committed to improving its manufacturing process, maintaining product quality and meeting existing and future customer needs. These objectives are pursued through various programs. Research and development costs are charged to expense as incurred.

N. Change in presentation

In 2000 the Group changed the presentation of investments and disposals of consolidated companies in the cash flow statement. They are now shown "Net of cash acquired or disposed of", and no longer "net of indebtedness acquired or disposed of".

Secondly, the caption "Cash and cash equivalents" was reclassified in the balance sheet from the liability to the asset side.

In both cases previous years figures have been restated to make the comparison possible.

2. Segment and geographic information

Operating segments are defined as components of an enterprise that engage in business activities which earn revenues, incur expenses and prepare separate financial information that is evaluated regularly by the company's chief operating decision makers in order to allocate resources and assess performance.

Up until December 31, 2000, the Group primarily operates and manages five business segments (Cement, Aggregates & Concrete, Roofing, Gypsum and Specialty Products) which represent separately managed strategic business units that have different capital requirements and marketing strategies. Cement produces a wide range of cement and hydraulic binders adapted to the needs of the construction industry. Aggregates & Concrete produces construction aggregate, ready-mixed concrete, other concrete products (gravity and pressure pipe, precast structures, pavers and masonry units). Roofing primarily consists of the sale of roof tiles, roofing accessories and chimney systems. Gypsum produces drywall for the commercial and residential construction sectors. Specialty Products produces industrial lime, calcium aluminates, admixtures for construction materials, refractories products, road marking products, façade and specialty mortars and adhesive and floor products, and indoor and outdoor paints.

The accounting policies applied in the determination of segment earnings are identical to those described in note 1.

Business segments

Division	2000			1999			1998		
(in millions of euros)	Net sales	Operating income on ordinary activities	Capital employed	Net sales	Operating income on ordinary activities	Capital employed	Net sales	Operating income on ordinary activities	Capital employed
Cement	4,420	1,167	6,789	3,635	908	6,476	3,288	784	5,065
Aggregates & Concrete	3,725	309	3,235	3,202	249	2,628	3,117	232	2,359
Roofing	1,684	219	2,848	1,621	232	2,808	1,569	221	2,362
Gypsum	1,000	60	1,166	855	127	979	670	81	834
Specialty Products	1,387	150	294(*)	1,207	122	873	1,123	85	885
Other	-	-	50	8	(8)	(82)	35	(6)	(37)
Total	**12,216**	**1,905**	**14,382**	**10,528**	**1,630**	**13,682**	**9,802**	**1,397**	**11,468**

(*) This amount excludes the capital employed of the part of the Specialty Products Division that was sold in December 2000.

Analysis by geographic area

Geographic area *(in millions of euros)*	2000		1999		1998	
	Net sales	Capital employed	Net sales	Capital employed	Net sales	Capital employed
Western Europe	5,717	6,159	5,498	6,638	5,327	6,549
of which France	*2,367*	*1,479*	*2,260*	*1,798*	*2,200*	*1,956*
Germany	*962*	*2,046*	*1,076*	*2,000*	*1,033*	*1,791*
United Kingdom	*852*	*604*	*739*	*719*	*816*	*755*
United States	2,307	2,030	1,993	1,715	1,797	1,366
Canada	985	1,319	768	906	719	678
Eastern and central Europe	501	868	359	767	399	720
Emerging Mediterranean countries	638	1,211	516	1,070	426	627
Latin America	761	829	517	791	628	764
Sub-Saharan Africa/ Indian ocean	553	406	507	421	355	373
Asia-Pacific	754	1,560	370	1,374	151	391
Total	**12,216**	**14,382**	**10,528**	**13,682**	**9,802**	**11,468**

3. Share of earnings of equity affiliates

(in millions of euros)	2000	1999	1998
Operating income on ordinary activities	101	86	56
Gains (Losses) on disposals		8	
Other income (expense)	(7)	(5)	(3)
Net financial expense	(21)	(19)	(5)
Income tax	(23)	(19)	(13)
Net income after tax[1]	**50**	**51**	**35**

(1) Of which Molins for €23 million in 2000 (€32 million in 1999, €11 million in 1998)

4. Analysis of net financial expense

(in millions of euros)	2000	1999	1998
Interest and similar expense	618	370	368
Interest income from loans and investments	(129)	(33)	(80)
Total	**489**	**337**	**288**

Interest expense on long- and medium-term debt is reported net of capitalized interest costs for construction projects of €12 million in 2000 (€6 million in 1999 and €4 million in 1998).

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 Group benefits from tax assessment on a worldwide-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.

Income tax charge

The income tax charge breaks down as follows:

(in millions of euros)	2000	1999	1998
Current	344	382	305
Deferred	35	7	16
Total	**379**	**389**	**321**

Effective tax rate

The difference between the effective tax rate and the tax rate applicable for the worldwide tax consolidation is as follows:

	2000	1999	1998
Enacted tax rate	33.3%	33.3%	33.3%
Capital gains taxed at lower rates	-5.8%	-1.0%	-2.0%
Effect of foreign tax rates differential	1.5%	-	-
Changes in tax rates in France and Germany	-2.7%	-	-
Impact of the use of the partial method	-	-2.4%	-2.4%
Other	0.1%	-1.5%	-0.5%
Effective tax rate	**26.4%**	**28.4%**	**28.4%**

6. Earnings per share - diluted

The diluted earnings per share amounts to 6.69 in 2000 and 6.12 in 1999.

The calculation of basic and diluted earnings per share is based on the weighted average number of shares in circulation, after deduction of the shares owned by the consolidated companies. The dilution effect of stock options and stock warrants is computed in accordance with the treasury stock method.

7. Intangible assets and goodwill

Analysis of changes in goodwill

(in millions of euros)	2000	1999
Goodwill, net, as of January 1	**3,157**	**2,669**
Amortization	(120)	(108)
Additions	309	580
Divestments	(185)	(20)
Fair value exercise	(352)	(182)
Translation adjustment	11	218
Goodwill, net, as of December 31	**2,820**	**3,157**

Goodwill recognized before January 1, 1989 has been debited against retained earnings. The analysis of the residual net amount of this goodwill is as follows:

(in millions of euros)	2000	1999
Goodwill, net, as of January 1	**79**	**84**
Amortization	(3)	(5)
Divestments	(10)	-
Goodwill, net, as of December 31	**66**	**79**

Intangible assets

(in millions of euros)	Market shares	Trademarks	Other	Total
Cost as of January 1, 1999	**595**	**46**	**270**	**911**
Additions	255	-	63	318
Disposals	-	-	(20)	(20)
Other changes	(6)	-	21	15
Translation adjustment	(13)	-	9	(4)
Costs as of December 31,1999	**831**	**46**	**343**	**1,220**
Accumulated depreciation and write-down	-	-	(141)	(141)
Net book value as of December 31, 1999	**831**	**46**	**202**	**1,079**
Cost as of January 1, 2000	**831**	**46**	**343**	**1,220**
Additions	76	-	79	155
Disposals	(6)	(46)	(28)	(80)
Other changes	9	-	(25)	(16)
Translation adjustment	(7)	-	5	(2)
Costs as of December 31, 2000	**903**	**-**	**374**	**1,277**
Accumulated depreciation and write-down	-	-	(150)	(150)
Net book value as of December 31, 2000	**903**	**-**	**224**	**1,127**

8. Scope Variations

Impact on the balance sheet of acquisition of consolidated companies

(in millions of euros)	2000	1999
Long-term assets	594	572
Long-term liabilities	(356)	(424)
Working capital requirements	62	(16)
Net assets of companies acquired	**300**	**132**
Lafarge share in net assets acquired	293	27
Minority interests acquired	92	487
Investments in equity affiliates	-	17
Market shares and trademarks	15	150
Residual goodwill	281	755
Cost of investments	**681**	**1 436**
Cost of investment acquired in previous years	(63)	(564)
Cost of investments acquired during the year	**618**	**872**
Net cash of acquired companies	**(34)**	**(4)**
Total	584	868

The main newly consolidated companies during the year are:

- Lafarge Halla Cement Corporation (South Korea/Cement);
- Presque Isle Corporation (USA/Aggregates);
- Warren Paving & Materials Group (Canada/Aggregates).

Change in consolidation method

The activities of the Specialty Products Division, sold at the end of the year, are recorded in the accounts using the equity method. The impact of this change on the key balance sheet headings is presented in note 10.

9. Property, plant and equipment

(in millions of euros)	Land	Buildings	Machinery, equipment, fixtures and fittings	Construction in progress	Total
Cost as of January 1, 1999	**1,417**	**1,905**	**8,118**	**539**	**11,979**
Additions	38	161	403	476	1,078
Disposals	(94)	(52)	(366)	(30)	(542)
Change in scope	68	181	292	94	635
Other changes	20	53	286	(407)	(48)
Translation adjustment	120	80	535	46	781
Cost as of December 31, 1999	**1,569**	**2,328**	**9,268**	**718**	**13,883**
Accumulated depreciation and write-down	(147)	(968)	(4,864)		(5,979)
Net book value as of December 31, 1999	**1,422**	**1,360**	**4,404**	**718**	**7,904**
Cost as of January 1, 2000	**1,569**	**2,328**	**9,268**	**718**	**13,883**
Additions	61	250	332	583	1,226
Disposals	(21)	(44)	(270)	(12)	(347)
Change in scope	144	(37)	192	(26)	273
Other changes	45	118	338	(473)	28
Translation adjustment	28	28	157	13	226
Cost as of December 31, 2000	**1,826**	**2,643**	**10,017**	**803**	**15,289**
Accumulated depreciation and write-down	(200)	(1,025)	(5,182)	-	(6,407)
Net book value as of December 31, 2000	**1,626**	**1,618**	**4,835**	**803**	**8,882**

Depreciation charge and losses due to write-down of property, plant and equipment is as follows:

(in millions of euros)	2000	1999	1998
Depreciation	741	646	604
Write-down of property, plant and equipment	23	21	34
Total	**764**	**667**	**638**

Capital leases

The gross value of property, plant and equipment includes €41 million of assets acquired under capital leases for the year ended December 31, 2000 (1999: €43 million) and the remaining debt on such assets totals €22 million for the year ended December 31, 2000 (1999: €17 million).

10. Investments

Equity affiliates

(in millions of euros)	2000	1999
Beginning of the period	**333**	**316**
Changes		
Share in net income of affiliates	50	51
Dividends received from equity affiliates	(15)	(14)
New investments or share capital increases	32	32
Divestments and reduction in ownership percentage	(1)	(21)
Change from equity method to consolidation	(28)	(24)
Change from full consolidation to equity method	39	-
Other	(4)	(23)
Translation adjustment	14	16
End of the period	**420**	**333**

Key financial statistics of major equity affiliates (presented at 100%)

Key financial statistics are derived from financial statements prepared on the same basis as Group financial statements.

Balance sheet date (as of December 31)	2000			1999		
(in millions of euros)	Total	of which Molins	of which Materis	Total	of which Molins	of which Egypt
Long-term assets	1,538	340	594	1,030	288	200
Working capital requirements	268	5	179	270	70	62
Equity	(853)	(389)	(182)	(609)	(306)	(50)
Provisions	(132)	(3)	(71)	(117)	(45)	(48)
Net indebtedness	(821)	(47)	(520)	(574)	(7)	(164)

Statement of income data (year ended December 31)			
(in millions of euros)	2000	1999	1998
Net sales	977	898	496
Operating profit on ordinary activities	154	142	77
Net income	65	93	45

Other investments

(in millions of euros)	2000	1999
Investments in non-consolidated companies	1,606	293
Long-term equity investments	110	120
Total	**1,716**	**413**

• Investments in non-consolidated companies

As of December 31, 2000, Lafarge holds 22.58% of Blue Circle Industries PLC shares for €1,031 million. On the other hand, Dresdner Bank holds 9.77% of Blue Circle Industries PLC shares.

On June, 9, Lafarge contractually agreed with Dresdner Bank to compensate the Bank for any loss incurred on the sale of Blue Circle Industries PLC shares at a smaller price than the purchase price.

• Long-term equity investments

(in millions of euros)	Gross value	Net value	Estimated value
Cost as of January 1, 1999	**176**	**176**	**308**
Net disposals	(56)	(56)	(134)
Change in estimated value	-	-	23
Cost as of December 31, 1999	**120**	**120**	**197**
Net disposals	(10)	(10)	(41)
Change in estimated value	-	-	18
Cost as of December 31, 2000	**110**	**110**	**174**

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.

11. Inventories and work-in-progress

(in millions of euros)	2000	1999
Raw materials	288	303
Work-in-progress	71	48
Finished and semi-finished goods	638	576
Maintenance and operating supplies	397	385
Inventories, gross	**1,394**	**1,312**
Less allowance	(85)	(75)
Inventories, net	**1,309**	**1,237**

12. Accounts receivable - Trade

(in millions of euros)	2000	1999
Accounts and notes receivable	1,628	2,050
Less allowance for doubtful receivables	(133)	(142)
Total	**1,495**	**1,908**

The activity in the allowance for doubtful receivables is as follows:

(in millions of euros)	2000	1999
Balance as of January 1	**(142)**	**(120)**
Provision charged to income	(76)	(75)
Release for consumption	65	67
Cancellation	5	7
Other changes	17	(12)
Translation adjustment	(2)	(9)
Balance as of December 31	**(133)**	**(142)**

In January 2000, the Group has entered into pluri-annual securitization agreements of trade receivables without recourse. "Accounts and notes receivable" is presented net of outstanding balances of receivables sold of €410 million.
The agreements are guaranteed by subordinated deposits classified in long-term deposits for €66 million as of December 31, 2000.

13. Cash and cash equivalents

In order to give a true and fair view of the accounts, in accordance with Art. 9 of the commercial law, the Group did not adhere to the strict required application of the accounting practices and included in cash and cash equivalent a receivable of €667 million representing the cash received on January 22, 2001, related to the sale of the major part of the Specialty Products Division.

14. Common equity interests

Common stock

As of December 31, 2000, Lafarge common stock comprises 112,441,935 shares with a par value of FRF25 each. Changes in common stock are as follows:

(in thousands of shares)	2000	1999
Shares outstanding at beginning of year	**104,978**	**102,787**
Dividend reinvested	366	1,325
Capital increase	3,180	494
Exercise of stock subscription options	155	372
Exercise of stock subscription warrants (ORANE)	3,763	-
Shares outstanding at the end of year	**112,442**	**104,978**
Average number of shares outstanding (for earnings per share calculation purpose, excluding treasury stock)	107,098	99,255

Stock subscription and purchase options plans as well as stock subscription warrants plans related to the bonds redeemable in stock or cash are described in the "Financial and legal information". As of December 31, 2000, voting rights attaching to the outstanding shares totaled 123,686,779, after inclusion of the double voting rights attaching to registered shares held at least two years and cancellation of the voting rights attaching to treasury stock.

Treasury shares

As of December 31, 2000, Lafarge and its subsidiaries held 1,837,840 treasury shares.

The Annual General Meetings of May 26, 1998 and May 27, 1999 granted the authorization to purchase Lafarge's stock with a view to:
- regulating the share price of the Company,
- 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 saving schemes,
- holding, disposing of or generally transferring the shares, in particular by way of exchange (or allotment),
- if necessary, canceling the stock in order to optimize the earning per share.

994,585 shares are held by Lafarge pursuant to the aforementioned authorizations, the rest being held by Group subsidiaries.

15. Additional paid-in capital

Additional paid-in capital represents the difference between the issue price in cash or in kind and the par value of the shares, after deduction of issuance costs, net of tax, of €41 million in 2000 (€36 million in 1999) .

16. Retained earnings

Retained earnings, before appropriation, are as follows:

(in millions of euros)	2000	1999
Retained earnings before deduction of treasury stock	3,023	3,268
Treasury stock	(113)	(88)
Total	**2,910**	**3,180**

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.

17. Other equity

Other equity includes investments subsidies and, in 1999, an amount of €286 million relating to shares issued during the first half of year 2000, in order to remunerate the former shareholders of Lafarge Braas following the sale of their shares.

18. Provisions

Movements of the year (excluding deferred taxes)

(in millions of euros)	Pension and other benefits	Site restoration and environment	Restructuring	Other	Total
Balance as of January 1, 1999	**541**	**174**	**114**	**256**	**1,085**
Provision of the year	49	27	27	75	178
Release for consumption	(21)	(26)	(72)	(66)	(185)
Cancellation	(2)	-	(2)	(9)	(13)
Other changes	(11)	4	22	38	53
Translation adjustment	31	11	6	-	48
Balance as of December 31, 1999	**587**	**190**	**95**	**294**	**1,166**
Provision of the year	77	23	30	129	259
Release for consumption	(56)	(32)	(52)	(77)	(217)
Cancellation	(3)	(1)	(2)	(50)	(56)
Other changes	(19)	9	27	40	57
Translation adjustment	13	1	3	-	17
Balance as of December 31, 2000	**599**	**190**	**101**	**336**	**1,226**

Deferred income taxes

As explained note 1.L., as of January 1, 2000, the Group has changed its method of accounting for deferred taxes as follows:

(in millions of euros)	2000 liability method	1999 liability method pro forma	1999 published
Balance as of December 31	810	770	13

The impact of the change in the recognition of deferred tax on the opening balance has been debited directly to retained earnings for an amount of €823 million.
Concerning the effect of the change on the income statements, the impacts are as follows:

(in millions of euros)	2000	1999 restated	1999 published
Income tax	(379)	(475)	(389)
Minority interests	(213)	(249)	(259)
Net income, Group share	726	538	614
Income per share (in euros)	6.8	5.4	6.2

Significant components of the Group's net deferred tax balance are as follows:

(in millions of euros)	2000	1999 pro forma
Deferred tax - assets		
Employee benefits liabilities	137	129
Depreciation and amortization	99	78
Expenses and provisions not deductible in the year	67	50
Restructuring reserves	16	15
Total assets	**319**	**272**
Deferred tax - liabilities		
Depreciation and amortization	891	829
Employee benefit prepayments	105	75
Others	133	138
Total liabilities	**1,129**	**1,042**
Net deferred tax - liability	**810**	**770**

19. Borrowings and financial indebtedness

A. Debt by category

Financial debt consists of:

(in millions of euros)	As of December 31, 2000	As of December 31, 1999
Perpetual loan notes (1)	247	292
Debenture loans (2)	3,219	2,610
Other notes (3)	1,481	1,398
Bank loans (4) and overdrafts	3,138	1,851
Others	291	320
Total debt	**8,376**	**6,471**
Less short-term borrowings and current portion of long-term debt	886	951
Total long-term debt	**7,490**	**5,520**

(1) Perpetual loan notes

Issuance date *(in millions of euros)*	January 31, 1990	May 9, 1990
Issued amount	610	152
Balance at December 31, 1999	230	62
Balance at December 31, 2000	194	53

In 1990, Lafarge issued two series of subordinated notes ('TSDI'), repackaged in 1996 as perpetual loan notes ('EDIs'). These notes bear interest at an annual rate of 6-month Pibor + 0.45% for an initial term of 15 years.

According to an agreement entered with third party special vehicle companies, the repackaged notes are recorded on the balance sheet for an amount that will be progressively reduced to a nil value at the end of the fifteen-year period. In this agreement, and in return for an initial lump sum payment by Lafarge, the third party companies have promised to hold or to repurchase the notes to noteholders in 2005, and have agreed to relinquish any rights for interest on these notes after that time.

According to this arrangement:

• the perpetual notes are recorded in the balance sheet at their par value after deduction of the initial lump sum payment; each year, these notes are subject to an amortization corresponding to the annual interest yielded by this invested lump sum;

• the consolidated net result of each year is impacted by the interest expenses borne on the par value, after deduction of the portion corresponding to the amortization.

The subordinated notes, issued at floating rate, have been swapped in fixed rate for an amount of €739 million.

(2) Debenture loan portfolio

(in millions of euros)	Type of rate	Interest rate	As of December 31	
			2000	1999
1 Bn FRF - 1993-2000 - Lafarge SA	Fixed	8.000%	-	152
1 Bn FRF - 1997-2007 - Lafarge SA	Fixed	6.000%	152	152
1 Bn FRF - 1997-2004 - Lafarge SA	Fixed	5.600%	152	152
1 Bn FRF - 1998-2008 - Lafarge SA	Fixed	5.400%	152	152
1 Bn FRF - 1998-2005 - Lafarge SA	Fixed	5.100%	152	152
500 M EUR - 1998-2006 - Lafarge SA	Fixed	5.125%	500	500
500 M EUR - 1999-2004 - Lafarge SA	Fixed	4.375%	500	500
700 M EUR - 2000-2007 - Lafarge SA	Fixed	6.375%	700	-
250 M USD - 1998-2005 - Lafarge Corporation	Fixed	6.380%	269	249
200 M USD - 1998-2008 - Lafarge Corporation	Fixed	6.500%	215	199
200 M USD - 1998-2013 - Lafarge Corporation	Fixed	6.880%	215	199
125 M GBP - 1991-2001 - Redland PLC	Fixed	10.875%	200	203
Other debenture loans	Fixed	-	12	-
Total			**3,219**	**2,610**

In 2000, Lafarge SA issued an €700 million bond under its Euro Medium Term Notes program, at a fixed face rate of 6.375% maturing in 7 years.

(3) Other notes

Lafarge SA has set up programs in order to issue long, medium- and short-term debts:

• an Euro Medium Term Notes program, set up in 1999 for an initial maximum amount of €1.5 billion, and increased to €3 billion in 2000. At the end of year 2000, the EMTN issuance amounted to €1,510 million, leaving an available balance of €1,490 million on the program;

• a Commercial Paper program ("Billets de Trésorerie"), with a maximum amount of €2.5 billion. At the end of 2000, commercial paper issuance were of €730 million, leaving an available balance of €1,770 million.

Some other subsidiaries (Lafarge Polska, Lafarge India) have also set up Commercial Paper programs for smaller amounts.

(4) Committed credit lines

As of December 31, 2000, the medium- and long-term committed credit lines, set up by Lafarge SA and its subsidiaries, amounted to €4.1 billion, of which €2.4 billion were available (€4.1 billion and €2.3 billion, respectively, as of December 31, 1999).

The average maturity of these lines was approximately 3 years as of end of 2000.

B. Debt by maturity

(in millions of euros)	As of December 31, 2000	As of December 31, 1999
2000	-	951
2001	886	545
2002	1,231	734
2003	685	343
2004	1,781	1,275
2005	1,178	-
beyond 5 years	2,615	2,623
TOTAL	8,376	6,471

As of end of 2000, €981 million of short-term debt (€1,003 million as of end of 1999) have been reclassified into medium- and long-term debt, as being backed by medium- and long- term committed credit lines.

C. Debt by currency

As of December 31, 2000 *(in millions of euros)*	Before swaps	Impact of currency swaps	After swaps
EUR and "in" currencies	5,087	-1,099	3,988
USD	1,208	1,100	2,308
GBP	1,455	-91	1,364
JPY	132	23	155
CHF	22	43	65
Others	472	24	496
TOTAL	8,376		8,376

As of December 31, 1999 *(in millions of euros)*	Before swaps	Impact of currency swaps	After swaps
EUR and "in" currencies	4,517	-1,312	3,205
USD	1,048	929	1,977
GBP	389	310	699
JPY	59	0	59
CHF	34	21	55
Others	424	52	476
TOTAL	6,471		6,471

D. Debt by interest rate(1)

As of December 31, 2000 *(in millions of euros)*	Before swaps	Impact of interest rate swaps	After swaps
Floating rate(2)	4,127	-1,004	3,123
Fixed rate			
below 6%	1,964	391	2,355
between 6% and 10%	1,923	593	2,516
10% and over	362	20	382
TOTAL	8,376		8,376

As of December 31, 1999 *(in millions of euros)*	Before swaps	Impact of interest rate swaps	After swaps
Floating rate(2)	3,094	-643	2,451
Fixed rate			
Below 6%	1,913	378	2,291
Between 6% and 10%	1,195	239	1,434
10% and over	269	26	295
TOTAL	6,471		6,471

(1) The average spot interest rate of the gross indebtedness, as at December 31, 2000, was 6.6% (6.1% as at December 31, 1999)
(2) As at December 31, 2000, the average effective rate of the floating rate debt, all currencies mixed, was 7.1% (5.7% as of December 31, 1999)

20. FINANCIAL INSTRUMENTS

PURPOSES FOR USING DERIVATIVE INSTRUMENTS

The Group only uses derivative financial instruments to manage market risk exposures, as these financial instruments are generally designated as hedges of underlying exposures associated with specific assets, liabilities or commitments. No derivative instrument is negotiated for speculative purpose.

FOREIGN CURRENCY RISK

Group policies require all liabilities of a company to be denominated in the same currency as the cash flow used to service and repay said liability. Similarly, all investments must be performed in the same currency as the company's cash flow. The Group may amend this general rule under special circumstances in order to take into account specific conditions in a particular country (high inflation, high interest rate, convertibility, liquidity...). When needed, currency swaps are used to convert debts most often raised in euros, into foreign currencies.

In the course of its operations, and in relation to transactional foreign currency exposures, the Group policy is to hedge all material foreign currency exposures through derivative instruments as soon as a firm commitment is entered into or known. These derivative instruments are limited to forward contracts and standard *(plain vanilla)* foreign currency options, with a term generally less than one year. The Group does not enter into foreign currency exchange contracts for speculative purposes.

If material, the Group also hedges estimated cash flows related to operational budget, forecasted investments or dividends usually using forward contracts.

Forward exchange contract and currency swap portfolio

(in millions of euros)	Principals as of December 31, 2000	Principals as of December 31, 1999
Forward purchase, including forward leg of currency swaps		
GBP	264	-
USD	33	98
SEK	19	1
Other currencies	9	2
TOTAL	**325**	**101**
Forward sales, including forward leg of currency swaps		
USD	1,085	995
GBP	168	337
CHF	50	21
SEK	24	33
JPY	21	26
BRL	-	47
Other currencies	16	16
TOTAL	**1,364**	**1,475**

At end of 2000 and 1999, all forward contracts had a maturity below than one year.
The principal amount of derivatives represents the face value of financial instruments. It is not a direct measure of the Group's exposure to foreign currency risk. Principal amounts in foreign currency are expressed in euros at the year-end exchange rate.

Interest rate risk

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

- a price risk for fixed-rate financial assets and liabilities. 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 until their maturity;
- a cash flow risk for floating rate assets and liabilities. Changes in interest rates have small impact on the market value of floating rate assets and liabilities, but directly influence the future financial income or expense flows of the company.

In accordance with general policy, the Group seeks to arbitrage these two types of risks, using derivatives instruments in order to hedge against the interest rate risk to which its financial assets and liabilities - and in particular its borrowings - are exposed. These derivatives are never held or issued for speculative purposes.

Interest rate swap and FRA portfolio

As of December 31, 2000 (in millions of euros)	Average fixed rate	Maturities of notional contract values 2001	2002	2003	2004	2005	> 5 years	Total
Interest rate swaps: pay fixed								
EUR and "in" currencies	7.06%	99	234	77	-	835	221	1,466
GBP	7.12%	48	54	-	-	-	-	102
Interest rate swaps: receive fixed								
CHF	2.77%	20	-	-	-	-	-	20
EUR and "in" currencies	5.17%	2	2	2	2	47	-	55
JPY	3.00%	-	19	-	-	-	-	19
ZAR	14.64%	4	4	4	3	-	-	15
Interest rate swaps: pay and receive floating								
EUR and "in" currencies	N/A	-	175	-	-	-	-	175
TOTAL		**173**	**488**	**83**	**5**	**882**	**221**	**1,852**

As of December 31, 1999 (in millions of euros)	Average fixed rate	Maturities of notional contract values 2000	2001	2002	2003	2004	> 5 years	Total
Interest rate swaps: pay fixed								
EUR and "in" currencies	7.71%	222	99	84	77	-	739	1,221
GBP	7.24%	48	48	55	-	-	-	151
SEK	6.03%	16	-	-	-	-	-	16
Interest rate swaps: receive fixed								
CHF	2.77%	-	19	-	-	-	-	19
EUR and "in" currencies	7.09%	141	2	2	2	2	47	196
GBP	7.00%	8	-	-	-	-	-	8
JPY	2.97%	39	-	19	-	-	-	58
ZAR	14.64%	4	4	4	4	3	-	19
Interest rate swaps: pay and receive floating								
EUR and "in" currencies	N/A	-	-	5	-	-	-	5
USD	N/A	30	-	-	-	-	-	30
FRA purchased								
PLN	18.95%	6	-	-	-	-	-	6
TOTAL		**514**	**172**	**169**	**83**	**5**	**786**	**1,729**

The principal amount of derivatives represents the face value of financial instruments. It does not represent actual amount exchanged by the counterparts and thus is not a direct measure of the Group's exposure to interest rate risk. Notional amounts in foreign currency are expressed in euros at the year end exchange rate.

COMMODITY RISK

The Group is subject to a risk of price changes principally in the coal, electricity, pet coke, gas and clinker markets. Until now, the Group has rarely used derivatives related to commodities.

As of end of 1999 and 2000, the Group had no derivative instrument related to commodities.

COUNTERPARTY RISK

The Group is exposed to credit risk in the event of a counterpart's default. The Group limits its exposure to counterpart risk by rigorously selecting the counterparts with which it trades over the counter, through regularly monitoring limits calculated according to several criteria (rating assigned by rating agencies, assets and equity), as well as the nature and maturity of operations. These limits are regularly updated.

The Group's exposure to credit risk is limited and there is no material concentration of risk with any counterpart. We do not anticipate any third party default that might have a significant impact on our financial positions and results.

21. Fair value

Cash and cash equivalents, trade accounts receivable, bank overdrafts and other short-term borrowings, trade accounts payable:
given the short-term nature of these balances, carrying amount is considered to represent fair value.

Marketable securities, investment securities:
estimated fair value of publicly traded securities are based on quoted market prices as of December 31, 2000 and 1999. For other investments for which there is no quoted price, a reasonable estimate of fair value could not be made without incurring excessive costs.

Debenture loans:
the fair value of the debenture loans is estimated at the quoted value for borrowings listed on a sufficiently liquid market.

Other long-term debts:
the fair value of the other long-term debts is determined for each borrowing by estimating future cash flows, discounting these future cash flows using the swap interest rate curves at year end, and taking into account a spread that corresponds to the average risk classification of the Group.

Off- balance sheet instruments:
the fair value of foreign exchange forward contracts and currency swaps is calculated by the Group, using December 31 market prices for contracts of similar terms.
The fair value of interest rate swaps is obtained from the banks that are counterparts of the transactions.

(in millions of euros)	As of December 31, 2000		As of December 31, 1999	
	Carrying amount	Net fair value	Carrying amount	Net fair value
Balance sheet financial instruments				
Assets				
Cash	1,451	1,451	486	486
Marketable securities	289	289	575	575
Cash and cash equivalents	**1,740**	**1,740**	**1,061**	**1,061**
Accounts receivable - Trade	1,495	1,495	1,908	1,908
Investments (other than equity affiliates)	1,716	1,916	413	632
Liabilities				
Bank overdrafts and other short-term borrowings	307	307	296	296
Accounts payable - Trade	1,114	1,114	1,041	1,041
Debenture loans	3,219	3,140	2,610	2,528
Other long-term debts	4,850	4,875	3,565	3,580
Off-balance sheet financial instruments				
Interest rate swaps	1,852	-211	1,729	-224
Forward rate agreements	-	-	6	-
Forward exchange contracts	98	1	98	6
Currency swaps	1,580	58	1,412	-25

22. Commitments and contingencies

(in millions of euros)	2000	1999
Securities and assets pledged	264	54
Mortgages	214	71
Guarantees given	223	397
Capital expenditures commitments	98	52
Non-capitalized lease commitments	205	140
Other commitments	44	75
Total	**1,048**	**789**

Other commitments:

The Group, as part of the agreements for the purchase of certain consolidated companies, has granted third party shareholders put options. The exercise of these options would result in an increase in the percentage of ownership interest in these companies. Most of these options are exercisable after 2003. Assuming that all of them are exercised, the purchase price resulting from such exercise would amount to, as of December 31, 2000, €311 million.

23. Related party transactions

Transactions with equity affiliates (excluding Specialty Products companies) are not significant in 2000.

The transactions entered into with the other related parties were made at normal terms and conditions, similar to those normally granted to comparable groups.

24. Employees as at December 31 and employees cost

	2000	1999	1998
Management staff	7,546	8,539	7,768
Non-management staff	58,407	62,406	57,910
Total employees	**65,953**	**70,945**	**65,678**
Employees costs (millions of euros)	**2,253**	**1,892**	**1,845**

25. Directors' and executive officers' remuneration for services in consolidated companies

(in millions of euros)	2000	1999	1998
Board of Directors*	0.5	0.4	0.3
Senior Executives	8.1	8.1	6.1
Total	**8.6**	**8.5**	**6.4**

** Directors' fees*

26. Litigation and other non-recurring matters

Penalties given by the European Commission to several cement companies in the Group in 1994 have been reduced by approximately 50% by a ruling of The Court of first instance of the European communities on March 15, 2000, which decreases the total amount of the fines from €29.0 million to €15.2 million for the Group.

In accordance with the article 81 of the Rome Treaty, the European Commission is conducting an inquiry with respect to the gypsum industry in Europe, however it is not possible, at this stage, to foresee the end-result nor the deadline. As at December 31, 2000, no liability has been booked in the Group accounts.

Finally, 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.

27. Five year summary of Group financial data

(in millions of euros, unless otherwise indicated)	**2000**	**1999**	**1998**	**1997**	**1996**
Financial data at year end					
Number of shares outstanding (in thousands)	112,442	104,978	102,787	94,663	94,403
Total equity	7,912	7,888	6,313	5,517	4,658
Shareholders' equity Group share	6,043	5,851	4,689	4,153	3,827
Shareholders' equity Group share per share (in euros)	54.6	56.6	48.3	46.5	42.7
Net indebtedness(1)	6,636	5,410	5,321	4,920	1,420
Consolidated income					
Sales	12,216	10,528	9,802	6,413	5,376
Net income before amortization of goodwill	1,059	981	809	559	412
Net income Group share	726	614	466	371	281
Net cash from operating activities	1,576	1,495	1,282	883	715
Per share data (in euros)					
Attributable net income for the year	6.8	6.2	4.9	4.1	3.1
Cash flow from operating activities	14.7	15.1	13.6	9.9	7.9
Employees					
Number of employees as at December 31	65,953	70,945	65,678	37,097	35,232

(1) Including perpetual loan notes (EDIs) of €247 million in 2000, €292 million in 1999, €333 million in 1998, €371 million in 1997 and of €404 million in 1996.

28. Rates of exchange as at December 31, 2000 (against the euro)

	Year-end rate			Average rate		
	2000	1999	1998	2000	1999	1998
US dollar (USD)	1.0747	0.9954	0.8571	1.0820	0.9374	0.9031
Canadian dollar (CAD)	0.7170	0.6846	0.5537	0.7286	0.6307	0.6078
Deutsche mark (DEM)	0.5113	0.5113	0.5113	0.5113	0.5113	0.5111
Peseta (ESP)	0.0060	0.0060	0.0060	0.0060	0.0060	0.0060
Sterling (GBP)	1.6023	1.6085	1.4175	1.6405	1.5171	1.4935
Austrian schilling (ATS)	0.0727	0.0727	0.0727	0.0727	0.0727	0.0726
Polish zloty (PLN)	0.2598	0.2405	0.2446	0.2495	0.2366	0.2576
Moroccan dirham (MAD)	0.1014	0.0987	0.0922	0.1019	0.0956	0.0936
South african rand (ZAR)	0.1422	0.1616	0.1461	0.1557	0.1532	0.1643
Brasilian real (BRL)	0.5508	0.5545	0.7092	0.5908	0.5153	0.7761
Chinese yuan (CNY)	0.1298	0.1202	0.1035	0.1307	0.1132	0.1086
Philippine peso (PHP)	0.0215	0.0246	0.0219	0.0244	0.0239	0.0219

Companies included in the consolidation

	Divisions					Consolidation method and percentage as of 12/31/2000		
Country and companies	**Cement**	**Aggregates & Concrete**	**Roofing**	**Gypsum**	**Speciality Products**	**Method**	**% control**	**% interest**
Argentina								
Durlock S.A.				■		Proportionate	40.00	40.00
Klaukol[1]					Mortars	Equity	34.69	34.69
Lafarge Losa			■			Full	60.00	60.00
Australia								
Pioneer Plasterboard				■		Full	100.00	100.00
Davco Australie[1]					Mortars	Equity	34.69	34.69
Austria								
Lafarge Perlmooser AG	■	■				Full	100.00	98.00
Schiedel Kaminwerke GmbH			■			Full	100.00	100.00
Bramac Dachsysteme International GmbH			■			Proportionate	50.00	50.00
Ziegelwerke Gleinstätten GmbH & Co KG			■			Equity	25.00	25.00
Belgium								
Lafarge Réfractaires Monolithiques Benelux[1]					Refractories	Equity	34.69	34.69
Bengladesh								
Lafarge Surma Cement	■					Full	100.00	100.00
Bosnia								
Schiedel Sistemi Dimnnjaka D.j.l			■			Full	100.00	100.00
Brazil								
Companhia Nacional de Cimento Portland	■					Full	99.75	99.75
Concrebras	■	■				Full	100.00	91.06
Gipsita SA Mineraçào, Industria E commercio				■		Proportionate	60.00	60.00
Lafarge Aluminoso Do Brazil[1]					Aluminates	Equity	34.69	34.69
Cimento Tupi S.A.	■					Equity	20.00	19.95
Lafarge Braas Roofing Brazil			■			Full	100.00	100.00
Bulgaria								
Beker EOOD			■			Proportionate	50.00	50.00
Cameroon								
CIMENCAM - Cimenteries du Cameroun	■					Full	55.31	55.31
Chile								
Sociedad Industrial Romeral S.A.				■		Proportionate	40.00	40.00

	Divisions					Consolidation method and percentage as of 12/31/2000		
Country and companies	**Cement**	**Aggregates & Concrete**	**Roofing**	**Gypsum**	**Speciality Products**	**Method**	**% control**	**% interest**
China								
Beijing Chinefarge Cement Limited Liability Company	■					Full	65.00	56.79
Beijing Ycheng Lafarge Concrete		■				Full	76.71	67.03
Lafarge Onoda Gypsum in Shanghai				■		Full	57.20	57.20
Lafarge Aluminates China[1]					Aluminates	Equity	34.69	34.69
Dujiangyan	■					Full	75.00	65.53
Lafarge Braas Roofing China			■			Full	100.00	100.00
Czech. Republic								
Cízkovická Cementárna a.s.	■	■				Full	96.37	94.48
Denmark								
Lafarge Braas Dansk Tag A/S			■			Full	100.00	100.00
Egypt								
Beni Suef Cement Company	■					Proportionate	47.50	47.50
Finland								
Lafarge Braas Ormax Katot Oy AB			■			Full	100.00	100.00
France and Overseas								
Lafarge Ciments	■					Full	100.00	100.00
Société des Ciments Antillais	■	■				Full	69.16	69.16
Lafarge Bétons		■				Full	100.00	100.00
Lafarge Granulats		■				Full	100.00	100.00
Lafarge Plâtres				■		Full	100.00	100.00
Chryso[1]					Admixtures	Equity	34.69	34.69
Lafarge Aluminates[1]					Aluminates	Equity	34.69	34.69
Lafarge Mortiers SA[1]					Mortars	Equity	34.69	34.69
Lafarge Peintures[1]					Paints	Equity	34.69	34.69
Lafarge Réfractaires Monolithiques[1]					Refractories	Equity	34.69	34.69
Lafarge Couverture SA			■			Full	100.00	100.00
Germany								
Lafarge Zement GmbH	■	■				Full	100.00	100.00
Lafarge Gips GmbH				■		Full	100.00	100.00
Lafarge Aluminates GmbH[1]					Aluminates	Equity	34.69	34.69
Lafarge Braas GmbH			■			Full	100.00	100.00
Braas Dachsysteme GmbH & Co			■			Full	100.00	100.00
Dasy Roofing Accessories Production GmbH & Co			■			Full	100.00	100.00
RuppKeramik GmbH			■			Full	100.00	100.00
Schiedel GmbH & Co			■			Full	100.00	100.00
Basalt Feuerfest GmbH[1]					Refractories	Equity	34.69	34.69

	Divisions					Consolidation method and percentage as of 12/31/2000		
Country and companies	**Cement**	**Aggregates & Concrete**	**Roofing**	**Gypsum**	**Speciality Products**	**Method**	**% control**	**% interest**
Great-Britain								
Lafarge Redland Aggregates Ltd		■			Lime	Full	100.00	100.00
Lafarge Plasterboard Ltd				■		Full	100.00	100.00
Lafarge Aluminates Ltd[1]					Aluminates	Equity	34.69	34.69
Lafarge Monolithics[1]					Refractories	Equity	34.69	34.69
Redland Roofing Systems Ltd			■			Full	100.00	100.00
Greece								
Hellamat		■				Full	100.00	100.00
Honduras								
Industria Cementera Hondurena	■					Full	53.00	52.44
India								
Lafarge India Ltd	■					Full	85.42	85.42
Indonesia								
P.T. Semen Andalas Indonesia	■					Full	82.36	79.93
P.T. Monier Indonesia			■			Full	100.00	100.00
Ireland								
Lafarge Plasterboard Ireland Ltd				■		Full	100.00	100.00
Redland Tile and Brick Ltd			■			Full	100.00	100.00
Italy								
Lafarge Adriasebina	■	■				Full	100.00	98.95
Lafarge Gessi SpA				■		Full	100.00	100.00
Lafarge Coatings Italia[1]					Paints	Equity	34.69	34.69
Lafarge Paints Italia[1]					Paints	Equity	34.69	34.69
Lafarge Refrattari Monolitici Italia SRL[1]					Refractories	Equity	34.69	34.69
Lafarge Braas Italia SpA			■			Full	100.00	100.00
Baldini[1]					Paints	Equity	34.69	34.69
Japan								
Lafarge Svenska Höganäs KK[1]					Refractories	Equity	34.69	34.69
Lafarge Braas Roofing Japan			■			Full	60.94	60.94
Jordan								
Jordan Cement Factory	■					Full	43.31	43.31
Kenya								
Bamburi Cement Ltd	■					Full	40.00	28.35
Korea								
Lafarge Buycksan Gypsum				■		Full	100.00	84.14
Lafarge Halla Cement	■					Proportionate	39.90	39.90
Malaysia								
Lafarge Braas Roofing Malaysia			■			Full	100.00	100.00
Mexico								
California Clay Tile de Mexico			■			Equity	50.00	50.00
Cemento Portland Blanco de Mexico	■					Full	100.00	98.95

	Divisions					Consolidation method and percentage as of 12/31/2000		
Country and companies	**Cement**	**Aggregates & Concrete**	**Roofing**	**Gypsum**	**Speciality Products**	**Method**	**% control**	**% interest**
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 BV			■			Full	100.00	100.00
North America								
Lafarge Canada	■	■		■		Full	54.33	54.00
Lafarge Corporation	■	■		■		Full	54.33	54.00
Lafarge Calcium Aluminates[1]					Aluminates	Equity	34.69	34.69
Parex Inc[1]					Mortars	Equity	34.69	34.44
Carmeuse North America					Lime	Equity	40.00	40.00
Monier Inc			■			Full	100.00	100.00
Lafarge Road Marking System					Road Markings	Full	100.00	100.00
La Habra[1]					Mortars	Equity	34.69	34.69
Norway								
Zanda AS			■			Full	100.00	100.00
Philippines								
Lafarge Philippines	■					Full	100.00	100.00
CPAC Monier			■			Proportionate	50.00	50.00
Poland								
Lafarge Polska Spolka Akcyja	■	■			Lime	Full	77.57	76.02
Braas Polska Sp z.o.o			■			Full	100.00	100.00
Rupp Ceramika Polska Sp z.o.o			■			Full	100.00	100.00
Lafarge Gips Polska				■		Full	100.00	100.00
Romania								
Lafarge Romcim SA	■	■			Lime	Full	92.54	72.67
Russia								
OAO Voskresenskcement	■					Full	83.85	83.85
OOO Braas DSK 1			■			Full	67.10	67.10
South Africa								
Lafarge South Africa Limited	■	■				Full	100.00	100.00
Lafarge Braas Roofing South Africa			■			Full	100.00	100.00
Lafarge Aluminates Southern Africa[1]					Aluminates	Equity	34.69	34.69
Spain								
Lafarge Asland SA	■	■				Full	99.62	98.95
Texsa SA					Mortars	Full	100.00	100.00
Yesos Ibericos				■		Equity	40.69	40.69
Cementos Molins	■					Equity	40.91	40.48
Redland Ibérica SA			■			Equity	47.00	47.00
Singapour								
Davco Singapour[1]					Mortars	Equity	34.69	34.69

	Divisions					Consolidation method and percentage as of 12/31/2000		
Country an companies	**Cement**	**Aggregates & Concrete**	**Roofing**	**Gypsum**	**Speciality Products**	**Method**	**% control**	**% interest**
Sweden								
Orebrö Kartongbruck AB				■		Full	100.00	100.00
Lafarge Hogänäs Eldfast AB and affiliates[(1)]					Refractories	Equity	34.69	34.69
Lafarge Braas Scandinavia AB			■			Full	100.00	100.00
Switzerland								
Cementia Trading Ltd AG	■					Full	96.72	96.72
Marine Cement Ltd	■					Full	50.00	48.36
Braas Schweiz AG			■			Full	100.00	100.00
Taïwan								
Lafarge Eastern Monolithic Refractories Co Ltd					Refractories	Full	100.00	100.00
Thaïland								
Lafarge Prestia Co Ltd				■		Full	99.81	99.81
CPAC Roof Tiles			■			Equity	24.90	24.90
Turkey								
Lafarge Aslan Cimento AS	■	■				Full	96.84	95.55
Agretas Agrega Insaat San.ve Tic. AS	■	■				Full	100.00	99.58
Dalsan Alçy AS				■		Proportionate	50.00	50.00
Lafarge Entegre Harç Sanayi ve Ticaret AS					Mortars/ Lime	Full	50.00	49.79
Braas Cati Sistemleri Ticaret AS			■			Full	100.00	100.00
Uganda								
Hima Cement Ltd	■					Full	100.00	34.35
Venezuela								
Fabrica Nacional de Cementos	■					Full	61.14	60.55
Cementos Catatumbo CA	■					Equity	23.32	23.32
Indocunagre		■				Full	100.00	60.55

Note :The **percentage of interest** reflects the share of equity owned by the parent company in a subsidiary, directly or indirectly.
The **percentage of control** indicates whether the parent company has the power to govern the subsidiary. It determines the consolidation method (see note 1 page 76).

(1) These companies are part of the new Materis subgroup.

Auditors' report on the consolidated financial statements

For the year ended December 31, 2000

Deloitte Touche Tohmatsu *185, avenue Charles-de-Gaulle* *B.P. 136* *92203 Neuilly-sur-Seine cedex*	*Cogerco Flipo* *9 avenue Percier* *75008 Paris*

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, 2000, prepared in euros.
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 of December 31, 2000 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Without qualifying the above opinion we would draw your attention to Note 1.L.) to the consolidated financial statements for the year ended December 31, 2000, disclosing the change in accounting method resulting from the application, with effect from January 1, 2000, of the new regulation issued by the Accounting Regulation Committee applicable to consolidated financial statements.

We also performed procedures on the information presented in the Group management report, in accordance with professional standards applicable in France. 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 1, 2001

The Auditors'

Deloitte Touche Tohmatsu

Arnaud de Planta

Jean-Paul Picard

Cogerco Flipo

Henri Lejetté

This is a free translation of the original French text for information purposes only)

Parent company financial statements

The Lafarge financial statements are published in full in the presentation document for the Combined General Meeting of May 28, 2001.

BALANCE SHEET AS OF DECEMBER 31, 2000

Assets *(in millions of euros/French francs)*	2000		1999		1998	
	euros	French francs	euros	French francs	euros	French francs
Fixed assets	5,736	37,626	5,304	34,793	4,220	27,684
Other assets	3,924	25,742	2,988	19,598	4,101	26,900
TOTAL ASSETS	**9,660**	**63,368**	**8,292**	**54,391**	**8,321**	**54,584**
Liabilities						
Shareholders' equity	4,870	31,947	4,220	27,678	4,035	26,465
Provisions for contingencies and losses	34	220	66	436	61	402
Borrowings	4,563	29,929	3,808	24,981	4,068	26,686
Other liabilities	148	974	150	984	136	893
Accruals and deferred income	45	298	48	312	21	138
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,660**	**63,368**	**8,292**	**54,391**	**8,321**	**54,584**

INCOME STATEMENT AS OF DECEMBER 31, 2000

(in millions of euros/French francs)	2000		1999		1998	
	euros	French francs	euros	French francs	euros	French francs
Net financial income	**252**	**1,656**	**169**	**1,110**	**152**	**996**
Operating loss	(193)	(1,270)	(83)	(543)	(83)	(542)
Income before non-recurring items and income tax	**59**	**386**	**86**	**567**	**69**	**454**
Non-recurring income	227	1,490	137	898	131	857
Income tax	(21)	(137)	(9)	(63)	(6)	(37)
Net income for the year	**265**	**1,739**	**214**	**1,402**	**194**	**1,274**

CASH FLOW STATEMENT AS OF DECEMBER 31, 2000

(in millions of French francs)	2000	1999	1998
Net cash from operating activities before changes in working capital	1,538	1,420	1,437
Net cash from (used in) operating activities	(5,614)	9,681	(15,465)
Net cash from (used in) investing activities	(2,846)	(7,094)	3,868
Net cash from (used in) financing activities - equity	2,528	(189)	2,264
Increase (Decrease) in net indebtedness	5,932	(2,398)	9,333
Closing net indebtedness	29,433	23,501	25,899

DIVIDEND DISTRIBUTIONS

Dividend distributions for the last three fiscal years are presented in the following table. The Annual and Ordinary General Meeting of May 28, 2001 will be asked to approve the distribution of an ordinary dividend of €2.20 per share and a loyalty dividend of €2.42 per share, to which tax credits will be added, representing an increase of 7% on fiscal 1999. Shares will be quoted ex-dividend from June 5, 2001. Shareholders may elect between June 5 and June 22, 2001 for payment of their dividends in shares (scrip). Cash dividends will be paid on July 5, 2001.

This proposal represents a total dividend distribution of €278,738,923.10 (FRF1,828,407,477.80), some 38% of consolidated net income for the year, Group share.

Dividend per share	2000		1999		1998
	euros	French francs	euros	French francs	French francs
Net dividend	2.20	14.43	2.05	13.45	12.00
Net loyalty dividend	2.42	15.87	2.26	14.82	13.20
Gross dividend	3.30	21.65	3.08	20.17	18.00
Gross loyalty dividend	3.63	23.81	3.39	22.24	19.80

Lafarge financial results for the last five fiscal years

(Articles 133-135 and 148 of the Decree of March 23, 1967 concerning commercial companies)

	2000	1999	1998	1997	1996
Financial results					
Operations and income for the year (in thousands of euros)					
Net sales	799,222	575,370	564,294	347,288	316,106
Net income before income tax, employee profit-sharing, depreciation, amortization and provisions	237,703	226,822	215,558	154,145	176,007
Income tax	20,836	9,614	5,703	893	3,947
Employee profit-sharing for the year	-	-	-	-	-
Net income after income tax, employee profit-sharing, depreciation, amortization and provisions	265,126	213,756	194,287	170,274	168,585
Dividend distribution	278,739	216,207	189,106	158,745	143,916
including 10% loyalty dividend(1)	2,511	3,115	2,273		
Per share data (in euros)					
Net income after income tax and employee profit-sharing, but before depreciation, amortization and provisions	1.71	2.07	2.04	1.62	1.82
Net income after income tax, employee profit-sharing, depreciation, amortization and provisions	2.09	2.04	1.89	1.80	1.79
Ordinary net dividend	2.20	2.05	1.83	1.68	1.52
Loyalty net dividend	2.42	2.26	2.01		
Ordinary gross dividend	3.30	3.08	2.75	2.52	2.28
Loyalty gross dividend	3.63	3.39	3.02		
Employee data					
Number of employees as of December 31	379	338	303	272	277
Total payroll for the year (in thousands of euros)(2)	43,151	37,346	33,048	26,816	24,675
Employee benefits for the year (in thousands of euros)(3)	20,980	18,467	15,508	13,373	11,833
Amounts paid in respect of employee profit-sharing and incentive schemes for the year (in thousands of euros)	1,451	1,042	745	483	547

(1) Loyalty dividend payable to registered shares held at least 2 years.
(2) Including retirement termination payments.
(3) Social security, welfare payments, etc.

Investments

This section summarizes all investment-related information.

Subsidiaries and affiliates

(in millions of French francs)	Share-holders' equity	% of common stock held	Net book value of investments 2000	Net book value of investments 1999	Outstanding loans and advances granted by parent co.	Guarantees given by parent company	Net sales for the most recent fiscal year	Net income (loss) for the most recent fiscal year	Dividend received by parent co. during the year
A. Detailed information on subsidiaries and affiliates									
A1. French subsidiaries (more than 50% of common stock)									
Sofimo	25,396	99.99	24,680	21,680	7,076			646	1,124
Lafarge Ciments	1,673	99.99	1,360	1,360	-		4,466	858	797
Société des Ciments Antillais	221	58.66	33	33	-		308	26	8
Lafarge Aluminates	398	99.99	284	284	446		1,067	102	168
Lafarge Gypsum International	1,571	99.99	1,898	1,898	3,465			(18)	24
Lafarge Immobilier	202	99.99	201	201			5		
Lafarge Conseils Etudes	44	99.99	45	45				3	
Foreign subsidiaries									
Sabelfi	380	99.99	378	378	9			13	
Lafarge (US) Holdings	-	100.00	2,531	2,404					125
Companhia Nacional de Cimento Portland	959	99.66	1,379	1,379				121	117
Mykolaiv cement		81.77	30	30					
A2. Foreign affiliates (10% to 50% of common stock)									
Lafarge Maroc	1,057	41.20	367	367				72	1
Aslan	885	32.24	173	173			300	30	
Ciments du Cameroun	48	44.22	76	76			521	40	
A3. Other affiliates									
Cimento Maua	1,086	7.28	48	48			711	63	9
Sté Nationale d'Investissement	14,475	2.25	66	66			-	1,144	3
B. Summary information on other subsidiaries and affiliates									
B1. Subsidiaries not included in paragraph A1									
French (all)									
Foreign (all)									
B2. Affiliates not included in paragraphs A2 and A3									
French (all)			5	5					
Foreign (all)			16	16	411				2
Total			**33,570**	**30,443**	**11,407**		**0**		**2,378**

Financial and legal information

COMMON STOCK, VOTING RIGHTS AND FINANCIAL AUTHORIZATIONS

The following financial information for the period subsequent to December 31, 2000 is valid as of February 28, 2001, the date of the Board of Directors' meeting which approved the contents of this annual report.

The common stock of the Company as of December 31, 2000 was FRF2,811,048,375, and comprised 112,441,935 shares of FRF25 par value each.

As of the same date, voting rights attaching to these shares totaled 123,686,779, after inclusion of the double voting rights attaching to registered shares held at least two years and cancellation of the voting rights attaching to treasury stock.

1. Changes in the common stock during fiscal 2000

The common stock of the Company as of December 31, 1999 was FRF2,624,455,150 and comprised 104,978,206 shares of FRF25 par value each.

The 7,463,729 increase in the number of shares in the common stock since December 31, 1999 was the result of the following operations:

	Number of shares created	Subscription value (in French francs)		
		Common stock	Additional paid-in capital	Total
Stock subscription options exercised between January 1, 2000 and December 31, 2000	154,818	3,870,450	42,878,639	46,749,089
Stock subscription warrants issued in February 2000 exercised between March 20, and December 31, 2000	3,763,140	94,078,500	1,732,580,349	1,826,658,939
Stock issue reserved for Redland Deutschland GmbH	3,180,000	79,500,000	1,797,848,934	1,877,348,934
Scrip dividend in respect of fiscal 1999	365,771	9,144,275	186,590,658.03	195,734,933.03
TOTAL	**7,463,729**	**186,593,225**	**3,757,240,273.03**	**3,943,833,798.03**

2. Stock subscriptions during fiscal 2000

Stock issue duly noted on	Origin of stock issued	Number of shares created	Common stock increase (in French francs)
February 4, 2000	Exercise of stock subscription options	17,346	433,650
July 6, 2000	Stock issued reserved for Redland Deutschland GmbH	3,180,000	79,500,000
	Exercise of stock subscription options	13,515	337,875
	Exercise of stock subscription warrants	846,369	21,159,225
	Scrip dividends	365,771	9,144,275
January, 2001 (stock issue performed as of 12/31/2000)	Exercise of stock subscription options	123,957	3,098,925
	Exercise of stock subscription warrants	2,916,771	72,919,275
TOTAL		**7,463,729**	**186,593,225**

February 2001 stock issue

To contribute to the financing of the Blue Circle acquisition, Lafarge performed a stock issue between January 22 and February 2, 2001 aimed at existing shareholders.

The common stock issue with retention of preferential subscription rights was performed on the basis of one new share for eight existing shares, at a price of €80 per share. During the subscription period, the preferential subscription rights were listed on the Paris Euronext *Premier Marché*.

On completion of this stock issue, 14,110,592 shares of FRF25 par value each had been subscribed at a price of €80 per share, representing a total of €1,728,847,360. The common stock was increased from FRF2,822,118,675 (dividend into 112,884,747 shares) to FRF3,174,883,475 (divided into 126,995,339 shares).

3. Potential common stock

• As of December 31, 2000

Common stock as of December 31, 2000 could be increased by up to 3,367,931 new shares,

- by the exercise of stock subscription options granted to Group employees. 1,297,985 of these options were available for exercise as of December 31, 2000, while the remaining options may only be exercised after a period of five years (options granted after December 1997)
- by the exercise of 2,069,946 stock subscription warrants of the 8,279,784 subscription warrants not exercised as of this date.

As of December 31, 2000, there were no other securities in circulation granting direct or indirect access to the common stock of the Company.

• As of February 2001

- As of February 28, 2001, 84,682 stock subscription options (29,334 in January and 55,348 in February) had been exercised, giving rise, after adjustment, to the creation of 84,682 shares.
- As of February 25, 2001, 1,660,480 stock subscription warrants had been exercised, giving rise, after adjustment, to the creation of 415,151 shares.

The potential common stock is, therefore 2,938,123 shares, including:

- 1,694,542 shares in respect of 6,619,304 stock subscription warrants not exercised as of February 26, 2001;
- 1,243,581 shares in respect of stock subscription options available for exercise as of March 1, 2001.

4. Common stock ownership and voting rights as of December 31, 2000

Since 1987, the bylaws of the Company authorize Lafarge to request information from Sicovam on the identity of holders of bearer shares. The Company makes such inquiries on a regular basis. The most recent information request was submitted on December 31, 2000.

The Company is informed of the identity of its principal shareholders by a combination of legal and bylaw provisions which require shareholders to inform the Company when their stockholdings or number of voting rights cross the 1% (bylaws provision), 5%, 10% or 33% (legal provisions) thresholds.

To the Company's knowledge, no shareholder held more than 5% of the Company's stock or voting rights as of December 31, 2000.

Based on the information provided by Sicovam and that recorded in the shareholders register kept by the Company, stock and voting rights were held as follows as of December 31, 2000:

	stock	voting rights	% capital	% voting rights
Private individuals	23,070,494	26,929,742	20.5%	21.8%
Resident institutional investors	31,590,138	37,561,460	28.1%	30.4%
Non-resident institutional investors	55,943,463	59,195,577	49.8%	47.8%
Treasury stock	1,837,840	0	1.6%	0.0%
Total	**112,441,935**	**123,686,779**	**100.0%**	**100.0%**

Private individuals

Private individuals hold 20.5% of the common stock compared to 17.3% at the end of 1999. The Company has some 257,000 private individual shareholders, up some 44% on December 31, 1999. Private individuals hold 21.8% of voting rights as of December 31, 2000.

Employee shareholders

11.4% of the private individual shareholders are Group employees. Employee shareholders hold 1.2% of the common stock and 1.7% of voting rights.

For several years now, Lafarge has encouraged employee stock ownership within the Group by offering employees the opportunity to subscribe to stock issues reserved for them or purchase stock on the market within the framework of a unit trust stock savings scheme.

As of December 31, 2000, 0.5% of employee stock was held in the Lafarge 2000 unit trust, with the remaining balance held directly by employees.

Institutional investors

Institutional investors held approximately 78.2% of voting rights as of December 31, 2000.

Treasury stock as of December 31, 2000

Lafarge held 1,837,840 treasury shares, representing 1.63% of the common stock, following the purchase on the market of 321,550 shares in 2000. 994,585 of the treasury shares held at the yearend were held by Lafarge SA, with the remaining shares held by a Group subsidiary.

As of December 31, 2000, 992,067 of these shares were reserved for stock purchase options allotted in 1997, 1998 and 2000.

5. Changes in Lafarge common stock during the last five fiscal years

	2000	1999	1998	1997	1996
Opening common stock (number of shares)	**104,978,206**	**102,787,006**	**94,663,250**	**94,403,002**	**92,251,318**
Stock issued during the year	**7,463,729**	**2,191,200**	**8,123,756**	**260,248**	**2,151,684**
payment of scrip dividends	365,771	1,324,857	-	-	2,101,168
exercise of stock subscription options	154,818	372,389	233,915	260,248	46,012
exercise of stock subscription warrants	3,763,140	-	-	-	4,504*
stock issue reserved for employees	-	493,954	-	-	-
stock issue reserved for Redland Deutschland GmbH	3,180,000	-	-	-	-
common stock issue	-	-	7,889,841	-	-
Maximum number of future shares to be issued	**4,836,293**	**2,745,860**	**2,189,327**	**2,271,538**	**2,236,508**
exercise of stock subscription options	2,766,347***	2,745,860	2,189,327	2,271,538	2,236,508
exercise of stock subscription warrants	2,069,946**	-	-	-	-
Closing common stock					
in French francs	2,811,048,375	2,624,455,150	2,569,675,150	2,366,581,250	2,360,075,050
number of shares	112,441,935	104,978,206	102,787,006	94,663,250	94,403,002

* Expired April 1, 1996.
** Expire March 20, 2001.
*** Including options not available for exercise as of December 31, 2000.

123,686,779 voting rights are attached to the 112,441,935 shares making up the common stock of the Company as of December 31, 2000 (BALO Legal Journal, January 12, 2001).

6. Shareholders' agreements Undertakings in relation to certain Group companies Other agreements

Shareholders' agreements

No shareholders' agreements have been transmitted to the stock exchange authorities for publication. To the Board of Directors' knowledge, there are no shareholders' agreements in existence.

Undertakings in relation to certain Group companies

On July 31, 1990, an arrangement was made, aimed, in the event of a public offering presented to the shareholders of Lafarge, at extending its scope to shareholders of Group companies listed abroad. Following authorization by the Board of Directors, the Chairman decided to renew the trust agreements concerning the companies Lafarge Corporation and Cementia and extend the trust mechanism to encompass Fabrica Nacional de Cementos, a company listed on the Caracas stock exchange, in which Lafarge Asland, a Lafarge sub-

sidiary, holds an interest of approximately 56%. The following companies are covered by these new trust agreements: Cementia Holding AG (Switzerland), Lafarge Corporation (USA) and its Canadian subsidiary Lafarge Canada Inc. and Fabrica Nacional de Cementos (Venezuela)[1].
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 takeover bid, the potential buyer would be requested to extend the bid to the companies concerned. If it did not do so, Lafarge would substitute itself for the potential buyer and make the shareholders of these companies a complementary bid, under similar price terms and subject to the success of the principal bid addressed to its shareholders.

In order to establish the credibility of Lafarge's commitment and ensure the protection of its shareholders, 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 takeover bid 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 bids fall through, these measures would apply until the fifth anniversary of the publication of the results of the French bid. 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.

(1) Cementia Holding AG is listed on the Zurich Stock Exchange, Lafarge Corporation on the New York, Toronto and Montreal Stock Exchanges, Lafarge Canada Inc. on the Toronto and Montreal Stock Exchanges and Fabrica Nacional de Cementos on the Caracas Stock Exchange.

Other agreements entered into by the Company

Peugeot and AGF have advised Lafarge that they intend to sell between 15% and 20%, depending on the company, of their stockholdings in Lafarge. They have given Lafarge a period of between 1 and 3 months to find another buyer for their stock, under the same terms and conditions. Peugeot and AGF hold interests of 1.43% and 0.35% in the common stock of Lafarge respectively.

7. Utilization of financial authorizations

At regular intervals, the Annual General Meeting of shareholders delegates the necessary powers to the Board of Directors to obtain the financial resources required for the development of the Group.
These authorizations to issue securities conferring immediate or future entitlement to a share in the common stock of the Company are granted for a period of 26 months.

In 2000, these financial authorizations were used under the following conditions:

Issue of Bonds redeemable in stock or cash

In its meeting of January 27, 2000, the Board of Directors decided the issue of bonds redeemable in stock or cash, with stock subscription warrants attached.
By deed dated February 8, 2000, the Chief Executive Officer, Mr B. Collomb, acting in accordance with the powers delegated by the Board meeting of January 27, 2000,

- set the number of bonds to be issued at 23,332,344 and the subscription rate at 2 bonds with stock subscription warrants attached for 9 subscription rights, with each existing share carrying 1 stock subscription right;
- and set the subscription price for one bond and one subscription warrant at €74.

4 subscription warrants grant entitlement to subscribe to 1 share at a price of €74 up to March 20, 2001.

All the bonds were redeemed on May 24, 2000 at a price of €74.72 each, representing a premium of 5.5% calculated over the period.

The stock subscription warrants are listed on the ParisBourse[SBF]SA, Euronext market, under the Sicovam code 23 834.

This issue was performed pursuant to:
- the authorization granted to the Board of Directors by the Annual General Meeting of May 27, 1999 to issue bonds up to a maximum amount of FRF2,286.7 million. At a subscription price of EUR 74 per bond, this issue used up this authorization in the amount of €1,726.6 million;
- the authorization granted to the Board of Directors by the Extraordinary General Meeting of May 27, 1999 to issue securities granting indirect access to the common stock of the Company, up to a maximum common stock increase of €183 million, and subject to a sub-limit applicable to issues of bonds with stock subscription warrants attached of €146 million par value. At a par value of FRF25 each for the potential shares resulting from this issue (23,332,344 shares resulting from the redemption of the bonds and 5,833,086 shares resulting from exercise of the subscription warrants), this issue uses this authorization in the amount of €111.1 million.

Trading in the Company's stock

In 2000, the Company purchased 321,550 of its own shares on the stock market at an average price of €83.06 per share.
During the same period the Company did not sell any shares.

These operations were performed pursuant to the authorizations granted by the Annual General Meetings of May 27, 1999 and May 25, 2000 to trade in the Company's stock, subject to a maximum purchase price of €115 and a minimum selling price of €20. The latter authorization was the subject of a prospectus approved by the French stock exchange regulatory body *(Commission des Opérations de Bourse)* on May 2, 2000 under the number 00-671.

A total of 994,585 shares are recorded in the balance sheet of Lafarge as of December 31, 2000, after taking into account trading operations during recent years. These shares represent 0.88% of the common stock of the Company as of this date and have a total value of FRF465.47 million.

992,067 of these shares are reserved for stock purchase options granted by the Board of Directors in December 1997, 1998 and 2000.

Bond issues

Pursuant to the authorization granted by the Annual General Meeting of May 25, 2000 to the Board of Directors to issue debenture loans up to a maximum amount of €3 billion, the following operations were carried out:
- issue on July 26, 2000 of a debenture loan on the Euromarché in the amount of €700 million, maturing July 26, 2007 and bearing interest at a fixed rate of 6.375% pa; the issue was the subject of a prospectus approved by the *Commission des Opérations de Bourse* on July 21, 2000 under the number 00-1323;

- €20 million issue on August 16, 2000, bearing interest at Euribor + 0.20%, and maturing August 2002;
- €30 million issue on September 29, 2000, bearing interest at Euribor + 0.68% and maturing March 29, 2008;
- €40 million issue on October 4, 2000, bearing interest at Euribor + 0.64% and maturing January 4, 2008;
- €150 million issue on October 16, 2000 which was the subject of a prospectus approved by the *Commission des Opérations de Bourse* on October 12, 2000 under the number 00-1650. This tranche bears interest at Eonia + 0.36 % (after Euribor swap + 0.30 %) and matures October 16, 2002;
- €50 million issue on October 31, 2000, bearing interest at Euribor + 0.53% and maturing October 31, 2005.

These issues were performed pursuant to the authorization granted by the Annual General Meeting of May 27, 1999 to the Board of Directors to issue bonds up to a maximum amount of €2,286 million.

Authorizations requested of the Combined General Meeting of May 28, 2001:

The Combined General Meeting of May 28, 2001 is request to renew, for a period of 26 months, the authorization granted to the Board of Directors to issue bonds, equivalent securities and other securities conferring a similar debt right on the company up to a maximum of €5 billion.

The Combined General Meeting of May 28, 2001 deliberating as an Extraordinary General Meeting is asked to renew the following authorizations for a period of 26 months:

- issue of common stock and securities conferring entitlement to the common stock of the company with retention of shareholder preferential subscription rights, up to a maximum amount of €200 million;
- issue of common stock and securities conferring entitlement to the common stock of the company, with cancellation of shareholder preferential subscription rights, up to a maximum amount of €200 million;
- common stock increase by capitalization of profits, reserves and additional paid-in capital, up to a maximum amount of €100 million;
- issue of common stock and securities conferring entitlement to the common stock of the company in the event of a public exchange offering launched by Lafarge, up to a maximum amount of €200 million;
- issue of shares and securities representing a share in the common stock of Lafarge as a result of issues of stock subscription warrants or composite securities by Group subsidiaries, up to a maximum amount of €160 million;
- delegation of powers to the Board of Directors to issue shares reserved for Group employees, up to a maximum amount of €13.7 million.

8. Options

Allotment policy

The allotment of options is recommended to the Board of Directors by the Organization and Management committee, which is chaired by Mr. A. Joly and comprises Messrs, L. Owen-Jones, M. Pébereau and M. Blakenham.

Options are allotted to executive and senior management, as well as to middle management and other employees who have contributed significantly to the performance of the Group, on the recommendation of the Organization and Management committee.

Options are allotted at times decided by the Board of Directors. In principle, options are allotted once yearly during the December Board meeting. The number of beneficiaries varies year on year (wide distribution every two years, with a reduced

number of options allotted the second year).
Over the last two years, the average number of options allotted annually represented 690,000 shares, or approximately 0.6% of the common stock of the Company. The Board considers that this average could be increased to 0.7% of the common stock. A total of 1,552 individuals received options in 1999 and 438 in 2000.

A total of 3,758,414 allotted options had still to be exercised at the end of December 2000, representing approximately 3.3% of the common stock of the Company. Group management (14 individuals) held 15.8% of these options.

The Board of Directors may allot either stock subscription or stock purchase options.

Option characteristics

All options are valid for a period of 10 years.
The option exercise price is set, without discount or reduction, at the average stock market price of the twenty trading days preceding the date of allotment.
Options may be exercised in whole or in part.

Option exercise conditions

Options allotted up to and including May 1995 may be exercised freely.
In December 1995, the Board of Directors introduced a four-year period during which options cannot be exercised. The Board nonetheless decided that options allotted under the *Lafarge en action 95* employee stock ownership program (stock increase reserved for employees under which employees could subscribe for 1 to 110 shares, with every share from the eleventh granting entitlement to one option), could be exercised from allotment.
In December 1997, the Board of Directors increased this waiting period from four to five years for all options allotted from 1997 onwards.

Finally, the Board of Directors decided that the waiting period could be brought to an end by the retirement, early retirement or redundancy of the beneficiary or in the event of a takeover bid for Lafarge, its merger or absorption.

Loss or retention of options

Options lapse if not exercised within the ten years following their allotment.
Options also lapse following the resignation or dismissal of the beneficiary for fault.
Options can remain valid following the transfer of the beneficiary outside the Group with the approval of his or her employer, or in the event of the sale of the company employing the beneficiary (removal from the Group structure).

Stock subscription and purchase options outstanding during 2000

Allotment authorized by the GM of	Date of allotment by the Board of Directors	Type of option	Number of options originally allotted (not adjusted)	Initial number of beneficiaries
06/17/87	11/28/90	subscription	172,335	535
06/17/87	11/27/91	subscription	173,480	578
06/15/92	12/17/92	subscription	185,730	653
06/15/92	12/15/93	subscription	252,100	722
06/15/92	09/27/94	subscription	269,550	772
05/22/95	05/22/95	subscription	27,200	52
05/22/95	12/13/95	subscription	593,840	1,039
05/22/95	12/13/95	subscription *Lafarge en action 95*	331,060	8,368
05/21/96	12/18/96	subscription	71,400	127
05/21/97	12/17/97	subscription	346,650	999
05/21/97	12/17/97	purchase	402,550	127
05/21/97	05/26/98	subscription	122,775	108
05/21/97	12/10/98	purchase	98,450	150
05/27/99	12/15/99	subscription	918,200	1,552
05/28/2000	12/13/2000	purchase	461,900	438

Stock subscription and purchase options as of December 31, 2000

The exercise price and number of options reported below has been adjusted, since allotment, for each financial operation performed by the Company which impacted on the value of the securities (stock increase, bonus issue), to maintain the total value of options held by each beneficiary at a constant level.

NB: the option exercise price was adjusted on March 1, 2000 following the issue, with retention of shareholder preferential subscription rights, of bonds redeemable in stock or cash, with stock subscription warrants attached. The number of options outstanding was adjusted accordingly.

The number of options outstanding as of December 31, 2000 is not, therefore, equal to the difference between the number of options outstandings as of December 31, 1999 and the number of options exercised in fiscal 2000.

Option exercise was suspended from February 5, 2000 to March 1, 2000 (inclusive). The option exercise price and the number of options allotted to each beneficiary was adjusted on March 1, 2000 to take account of the value of subscription rights to the bond issue redeemable in stock or cash, with the same number of stock subscription warrants attached, which was the subject of a prospectus approved by the *Commission des Opérations de Bourse* on February 9, 2000 under the number 00-147.

Allotment authorized by the AGM of	Date of allotment by the Board of Directors	Type of option	Number of options outstanding as of December 31, 1999	Number of shares purchased or subscribed to between 01/01 and 02/04/00	Total options outstanding as of 03/02/00 after adjustment	Number of shares purchased or subscribed to between 03/02 and 12/31/00	Total options outstanding as of 12/31/00	Available for exercise from	Option exercise period lapses	Exercise price as of 12/31/00 after the 03/02/00 adjustment
06/17/87	11/28/90	subscription	18,259	300	19,851	15,908	0	11/28/90	11/28/00	35.33
06/17/87	11/27/91	subscription	29,947	279	32,349	3,050	29,299	11/27/91	11/27/01	34.28
06/15/92	12/17/92	subscription	51,062	379	51,739	6,517	45,222	12/17/92	12/17/02	32.99
06/15/92	12/15/93	subscription	141,221	2,968	147,795	7,392	140,403	12/15/93	12/15/03	51.85
06/15/92	09/27/94	subscription	193,778	3,393	204,244	13,538	190,706	09/27/94	09/27/04	52.55
05/22/95	05/22/95	subscription	22,046	0	23,900	1,586	22,314	05/22/95	05/22/05	47.78
05/22/95	12/13/95	subscription	562,144	8,043	589,905	37,937	551,968	12/13/99	12/13/05	46.59
05/22/95	12/13/95	subscription *Lafarge en action 95*	272,038	1,123	292,301	48,045	244,256	12/13/95	12/13/05	46.59
05/21/96	12/18/96	subscription	70,774	0	75,281	1,464	73,817	12/18/00	12/18/06	46.02
05/21/97	12/17/97	subscription	343,616	861	365,097	2,035	363,062	12/17/02	12/17/07	54.26
05/21/97	12/17/97	purchase	401,852	0	427,079	1,611	425,468	12/17/02	12/17/07	54.26
05/21/97	05/26/98	subscription	122,775	0	129,716	0	129,716	05/26/03	05/26/08	80.77
05/21/97	12/10/98	purchase	98,450	0	104,699	0	104,699	12/10/03	12/10/08	80.19
05/27/99	12/15/99	subscription	918,200	0	975,584	0	975,584	12/15/04	12/15/09	89.40
05/27/99	12/13/00	purchase	0	0	0	0	461,900	12/13/05	12/13/10	86.20
Total			**3,246,162**	**17,346**	**3,439,540**	**139,083**	**3,758,414**			

Stock subscription and purchase options outstanding in 2000 allotted to Group Management*

Allotment date	Number of options originally allotted: subscription (not adjusted)	Number of options originally allotted: purchase (not adjusted)	Number of Group management members concerned
11/29/89	17,980	-	9
11/28/90	8,250	-	6
11/27/91	8,950	-	6
12/17/92	9,100	-	5
12/15/93	28,750	-	9
09/27/94	37,600	-	10
05/22/95	2,000	-	2
12/13/95	83,500	-	11
12/13/95*	800	-	8
Lafarge en actions 95		-	-
12/18/96	4,500	-	3
12/17/97	10,000	144,500	10
05/26/98	-	-	-
12/10/98	-	9,000	4
12/15/99	146,000	-	11
12/13/00	-	93,000	11

* Group management members are presented on page 121; additional information regarding certain members is presented on page 122.

Stock subscription and purchase options held by Group Management as of December 31, 2000

The exercise price and number of options reported below has been adjusted, since allotment, for each financial operation performed by the Company which impacted on the value of the securities (stock increase, bonus issue), to maintain the total value of options held by each beneficiary at a constant level.

Allotment date	Type of option	Number of options held as of 12/31/99 before adjustment	Number of options outstanding after adjustment as of 12/31/99	Number of options exercised	Number of options allotted in 2000	Number of options outstanding as of 12/31/2000	Number of Group management members holding options as of 12/31/00
11/29/89	subscription	-	-	-	-	-	-
11/28/90	subscription	456	485	485	-	-	-
11/27/91	subscription	3,056	3,248	-	-	3,248	1
12/17/92	subscription	3,056	3,248	-	-	3,248	1
12/15/93	subscription	19,225	20,432	-	-	20,432	6
09/27/94	subscription	24,559	26,101	-	-	26,101	6
05/22/95	subscription	2,669	2,837	-	-	2,837	3
12/13/95	subscription	85,963	91,354	-	-	91,354	12
12/13/95**	subscription	918	981	109	-	872	8
12/18/96	subscription	4,548	4,834	-	-	4,834	3
12/17/97	subscription	10,101	10,734	-	-	10,734	1
12/17/97	purchase	153,329	162,942	-	-	162,942	11
05/26/98	subscription	-	-	-	-	-	-
12/10/98	purchase	9,000	9,566	-	-	9,566	4
12/15/99	subscription	153,500	163,122	-	-	163,122	13
12/13/2000	purchase	-	-	-	93,000	93,000	11
Total		**470,380**	**499,884**	**594**	**93,000**	**592,290**	**14**

*Group management members are presented on page 121; additional information regarding certain members is presented on page 122.
**Lafarge en action 95

Options allotted to Company Officers

Under the two-year allotment scheme referred to above, company officers were not allotted any additional options in fiscal 2000.

Messrs. B. Collomb and B. Kasriel received 20,000 and 15,000 Lafarge Corporation stock subscription options respectively in June 2000 at a price of USD23.

Options held by Group Management in subsidiary companies

Four members of Group Management hold a total of 500,250 Lafarge Corporation stock subscription options. 5,000 of these options were exercised in fiscal 2000 at a unit price of USD17.875.

Corporate governance

A. Board of Directors

Board of Directors' report on the adequacy of its structure and operations with respect to its duties

In accordance with the recommendations of the Viénot report, the Board of Directors in its meeting of March 9, 2000 examined its make-up, organization and operation.

It was noted that the Company already implements the working methods recommended by the report, with respect to the number of non-executive Directors, the existence, role and operation of Advisory Committees and information provided to shareholders and has done so for a number of years. The Board also noted, with satisfaction, more recent progress, in particular with respect to the presentation and discussion of strategy. A variety of suggestions were made to improve the preparation and efficiency of deliberations.

The Board indicted a desire to restructure, extend and improve the presentation of corporate governance information in future annual reports. In addition, it undertook to publish the annual results before the end of February.

Composition

The make-up of the Board of Directors is designed to enable the Group to benefit from the experience and independence of its Directors.
As and when necessary, new Directors are nominated by the Organization and Management committee.

The Directors

Bertrand Collomb, Chairman and Chief Executive Officer of Lafarge, was appointed to the Lafarge Board of Directors in 1987. His current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. He holds 24,474 shares and is 58 years old. He is also Chairman of Lafarge Corporation and a company officer of several Group subsidiaries. He is a Director of Crédit Commercial de France, Total Fina Elf and Atco and a member of the Allianz Supervisory Board.

Bernard Kasriel, Vice-Chairman and Chief Operating Officer of Lafarge, was appointed to the Lafarge Board of Directors in 1989. His current term of office expires at the end of the Annual and Ordinary General Meeting held to adopt the 2000 financial statements. He holds 4,311 shares and is 54 years old. He is also Vice-Chairman of Lafarge Corporation and a company officer of several Group subsidiaries. He is a Director of Sonoco Products Company.

Jacques Lefèvre, was appointed to the Lafarge Board of Directors in 1989. His current term of office expires at the end of the Annual and Ordinary General Meeting held to adopt the 2000 financial statements. He holds 1,357 shares and is 62 years old. He is also a company officer of several Group subsidiaries. He is a Director of Compagnie de Fives Lille, Société Nationale d'Investissement (Morocco) and a member of the ABN-Amro France Supervisory Board. He asked to be relieved of his functions as Vice-Chairman Chief Operating Officer of Lafarge with effect from September 6, 2000 but remains Vice-Chairman of the Board of Directors.

Michael Blakenham was appointed to the Lafarge Board of Directors in 1997. His current term of office expires at the end of the Annual General Meeting held to adopt the 2002 financial statements.

He holds 1,300 shares and is 62 years old. He is also Chairman of the Royal Botanic Gardens Kew and a Director of Sotheby's Holdings Inc, UK Japan 21st Century Group and Toshiba Corporation International Advisory Group.

Michel Bon was appointed to the Lafarge Board of Directors in 1993. His current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. He holds 1,963 shares and is 57 years old. He is also Chairman and Chief Executive Officer of France Telecom and its mobile phone subsidiary Orange. He is Chairman of the Supervisory Board of Editions du Cerf and Director of Société des Lecteurs du Monde, Bull, Grand Vision and Air Liquide. He is a member of the Sonepar Distribution Supervisory Board.

Guilherme Frering was appointed to the Lafarge Board of Directors in 1997. His current term of office expires at the end of the Annual General Meeting held to adopt the 2002 financial statements. He holds 1,364 shares and is 42 years old. He is also Chairman of Cimento Maua and a Director of Caemi Mineraçao e Metalurgia S.A. and S.A. White Martins.

Patrice le Hodey was appointed to the Lafarge Board of Directors in 1987. His current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. He holds 2,819 shares and is 56 years old. He is also Vice-Chairman of the press group Libre Belgique Dernière Heure (IPM) and a company officer of several of this group's subsidiaries. In this capacity he is Vice-Chairman of the Belga agency and Director of RTL-TVI. He is Chairman of Derouk Holding and a company officer of several of this group's subsidiaries.

Bernard Isautier was appointed to the Lafarge Board of Directors in 1989. His current term of office expires at the end of the Annual and Ordinary General Meeting held to adopt the 2000 financial statements. He holds 1,144 shares and is 58 years old. He is also Chairman of Hurricane Hydrocarbons Ltd.

Alain Joly was appointed to the Lafarge Board of Directors in 1993. His current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. He holds 1,652 shares and is 62 years old. He is also Chairman and Chief Executive Officer of Air Liquide and is a company officer of several of this group's companies. He is a Director of BNP-Paribas.

Jean Keller, former financial Director of Lafarge Ciments, was appointed to the Lafarge Board of Directors in 1998. His current term of office expires at the end of the Annual General Meeting held to adopt the 2003 financial statements. He holds 1,233 shares and is 65 years old. He was also the French representative on the International Accounting Standards Committee Board up to December 31, 2000.

Raphaël de Lafarge was appointed to the Lafarge Board of Directors in 1982. His current term of office expires at the end of the Annual General Meeting held to adopt the 2002 financial statements. He holds 41,908 shares and is 58 years old. He is also a Director of Borgey SA.

Robert W. Murdoch, former Deputy Chief Executive Officer of Lafarge and consultant, was appointed to the Lafarge Board of Directors in 1993. His current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. He holds 1,553 shares and is 58 years old. He is also a Director of Lafarge Corporation and Lafarge Canada. He is a Director of Sierra Systems Group Inc, Lallmand Inc, A.P. Plasman Inc,. and Usinor Sacilor.

Lindsay Owen-Jones was appointed to the Lafarge Board of Directors in 1993. His current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. He holds 1,622 shares and is 54 years old. He is also Chairman of L'Oréal and a company officer of several of this group's subsidiaries. He is a Director of BNP-Paribas, Gesparal, Sanofi-Synthélabo, Galderma Pharma SA and Air Liquide.

Michel Pébereau was appointed to the Lafarge Board of Directors in 1991. His current term of office expires at the end of the Annual General Meeting held to adopt the 2002 financial statements. He holds 1,521 shares and is 58 years old. He is also Chairman of BNP-Paribas and a company officer of several of this group's subsidiaries. He is a Director of Total Fina Elf and Saint-Gobain and a member of the Supervisory Board of Axa, Galeries Lafayette and Dresdner Bank AG Francfort. He is the permanent representative of BNP-Paribas on the Board of Directors of Renault.

Hélène Ploix was appointed to the Lafarge Board of Directors in 1999. Her current term of office expires at the end of the Annual General Meeting held to adopt the 2004 financial statements. She holds 1,200 shares and is 56 years old. She is also Chairman of Pechel Industries and a company officer of several of this group's subsidiaries. She is a Director of Boots (The Boots Company Plc), Ferring and Publicis.

Two Directors are also members of Lafarge Executive Management: Messrs. B. Collomb and B. Kasriel. Mr. J. Lefèvre was a member up to September 6. Two Directors are retired Group managers: Messrs. J. Keller and R. W. Murdoch. Ten Directors (Messrs. M. Blakenham, M. Bon, G. Frering, B. Isautier, A. Joly, R. de Lafarge, P. le Hodey, L. Owen-Jones, M. Pébereau and Mrs. H. Ploix) satisfy the Viénot report definition of non-executive Directors, that is they do not have any relation of any nature with the Company which could compromise their freedom of judgement.

Operation

• Frequency of Board of Director and sub-committee meetings

The Board of Directors meets, in accordance with the bylaws, at least four times a year, in France or abroad. In 2000 the Board met on January 27, March 9, May 25, June 15, September 6 and December 13. The average attendance rate at Board meetings was 84.4%.

• Board of Directors sub-committees

The Board of Directors appoints the members of these sub-committees from its own ranks. The Board of Directors decides the matters considered by these committees. Their role is purely of a consultative nature and their deliberations are summarized in reports to the Board. The Board of Directors sub-committees generally meet twice yearly. The Strategy and Investment committee only met once in 2000. The average attendance rate at committee meetings was 84.8%.

Organization and Management committee

Messrs. 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 and where appropriate nominates new Directors and company officers.

Strategy and Investment committee

Messrs. M. Bon, P. le Hodey, B. Isautier, A. Joly, R. W. Murdoch, L. Owen-Jones, and G. Frering 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.

Financial committee

Messrs. M. Bon, P. le Hodey, J. Keller, B. Isautier, R. de Lafarge, R. W. Murdoch, G. Frering, and Mrs. H. Ploix sit on this committee which is chaired by Mr. 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.

Information on agreements involving directors of the Company

Pursuant to the decision to launch a takeover bid for the UK company Blue Circle Industries, the Board of Directors, in its meeting on January 27, 2000:

- with respect to the issue of bonds redeemable in stock or cash, with stock subscription warrants attached, authorized the signature of a contract underwriting the subscription of said bonds, including a management contract, with any bank syndicate with Banque Nationale de Paris (BNP-Paribas) and Dresdner Kleinwort Benson as joint lead banks. Due to their membership on the BNP-Paribas Board of Directors, three Lafarge Directors (Messrs. M. Pébereau, A. Joly and L. Owen-Jones), did not vote on this resolution;
- similarly, and with respect to the "Term and Revolving Credit Facility" loan agreement entered into with BNP-Paribas as lender, arranger and agent and Dresdner Bank AG (London) as lender and arranger, the Board of Directors authorized the signature of said loan agreement with BNP-Paribas as joint lead bank. Due to the existence of the same common Lafarge and BNP-Paribas Directors, the Directors concerned (Messrs. M. Pébereau, A. Joly, L. Owen-Jones) did not vote on this resolution.

In its meeting of December 13, 2000, the Board of Directors authorized the company to guarantee the Directors of the US subsidiary, Lafarge Corporation, in the event of insurance failure, the reimbursement of any damages for which they are found liable and the corresponding legal fees (except in the case of negligence or receipt of unjustified personal advantage). The Directors concerned (Messrs. B. Collomb, B. Kasriel, J. Lefèvre, R. W. Murdoch) did not vote on this resolution.

Directors' fees

• Allocation rules

The Annual General Meeting of May 22, 1995 limited total annual Directors' fees to a maximum of FRF3 million.

Half of this amount is allocated to fixed annual Directors' fees of FRF100,000 per Director. This amount is increased by 25% for Committee Chairmen and restricted to 50% for new Directors appointed and Directors whose term of office expires during the course of the year.

Variable fees of FRF13,900 are payable to Directors for each Board or committee meeting attended.

Total Directors' fees paid in fiscal 2000 amounted to FRF2.996 million (FRF2.926 million in 1999). Messrs. M. Blakenham, G. Frering, B. Isautier, J. Keller, R. de Lafarge, R. W. Murdoch and Mrs. H. Ploix received FRF211,200 each.

Messrs. M. Bon, B. Collomb, B. Kasriel received FRF183,400 each.
Mr. P. le Hodey received FRF225,100.
Mr. A. Joly received FRF250,100.
Mr. J. Lefèvre received FRF155,600.
Mr. L. Owen-Jones received FRF141,700.
Mr. M. Pébereau received FRF194,500.

Information on directors' interests in the common stock and voting rights of the Company

Directors hold 0.06% of the common stock of the Company and 0.10% of voting rights.

B. Group Management

Group Management consists of Executive Management, the Advisor to the Chairman and the Executive Vice-Presidents, a total of 16 individuals. The following information relates to Group Management.

Group Management as of December 31, 2000

- **Executive Management**
  Bertrand Collomb*
  Bernard Kasriel*
  Jacques Lefèvre*(up to September 2000)
  Michel Rose*

- **Advisor to the Chairman**
  Serge Feneuille (up to December 2000)

- **Executive Vice-Presidents**
  Jean-Carlos Angulo, Executive Vice-President, Western Europe Zone, Morocco, Turkey (from September 2000)
  Miguel Del Campo, Executive Vice-President and Chief Financial Officer*
  Yves de Clerck, Executive Vice-President, Cement*
  Erich Gerlach, Executive Vice-President, Roofing (up to May 2000)*
  Ulrich Glaunach, Executive Vice-President, Roofing (from May 2000)*
  Christian Herrault, Executive Vice-President, Human Resources and 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 (up to March 2000)
  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

Information on Group management's interests in the common stock and voting rights of the company

Group management holds 0.01% of the common stock of the Company and 0.01 % of voting rights.

Remuneration policy

The Organization and Management committee makes recommendations to the Board of Directors on the remuneration of company officers.

The committee bases its recommended remuneration structure on studies carried out by external consultants on market practice within comparable companies.
Remuneration comprises a fixed and variable component, with the variable component limited to a maximum of 120% of the fixed component for the Chairman and 80% of the fixed component for the Vice Chairmen.

Total remuneration received by Group management members in respect of their activities as company officers within Group subsidiaries are included in this fixed portion.

The variable portion is determined in part by the extent to which Group financial results meet the objectives set at the beginning of the year, as well as an appraisal of the individual's performance during the year.
The financial appraisal criteria adopted in fiscal 2000 were net income per share and the increase in EVA (Economic Value Added), which reflects the return received on the capital invested by the Company.
The individual appraisal is primarily based on the personal objectives set at the beginning of the year with respect to the principal expected actions.

• **Group management remuneration**

Total Group Management remuneration in fiscal 2000

The amount indicated below:

- includes fixed remuneration paid to Group Management members in respect of fiscal 2000 and variable remuneration paid in 2000 in respect of fiscal 1999;
- concerns all Group Management members in fiscal 2000, for the period during which they were members of Group Management. It therefore includes the remuneration paid to Mr. P. Nodé-Langlois up to March 31, 2000, Mr. E. Gerlach up to April 30, Mr. J. Lefèvre up to September 12 and Mr. S. Feneuille up to 30 November. Total remuneration, as defined above, paid to Group Management members amounted to FRF53 million in fiscal 2000 (14 individuals including 2 appointed during 2000, plus 4 individuals who ceased their Group Management functions during the year). Total remuneration in fiscal 1999 was FRF53 million (16 individuals), including the variable remuneration portion.

Individual remuneration of company officers in respect of fiscal 2000

The individual remuneration of company officers in respect of fiscal 2000, as defined above, was as follows:

(in thousands of French francs)	Fixed remuneration paid in fiscal 2000[1]	Variable remuneration paid in 2001 in respect of fiscal 2000
B. Collomb	5,356	6,427
B. Kasriel	3,100	2,480
J. Lefèvre (up to 09/12/00)	2,161	1,729

(1) including Group subsidiary Directors' fees.

Auditors

Auditors

- Deloitte Touche Tohmatsu, 185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, represented by Mr. Jean-Paul Picard.
  First term of office:1994
  Current term of office: appointed by the Annual General Meeting of May 25, 2000 for a term of office expiring at the end of the Annual General Meeting held to adopt the 2005 financial statements.

- Cogerco-Flipo, 9, avenue Percier, 75008 Paris, represented by Mr. Henri Lejetté.
  First and current term of office: appointed by the Annual General Meeting of May 25, 2000 for a term of office expiring at the end of the Annual General Meeting held to adopt the 2005 financial statements.

Deputy Auditors

- Mr. Jean Decup, 82, Boulevard des Batignolles, 75017 Paris
  First term of office: 1994
  Current term of office: appointed by the Annual General Meeting of May 25, 2000 for a term of

office expiring at the end of the Annual General Meeting held to adopt the 2005 financial statements.

- BEAS, 7-9, villa Houssay, 92200 Neuilly-sur-Seine
  First and current term of office: appointed by the Annual General Meeting of May 25, 2000 for a term of office expiring at the end of the Annual General Meeting held to adopt the 2005 financial statements.

The 1999 financial statements were audited by the auditors in office prior to the Annual General Meeting of May 25, 2000: Deloitte Touche Tohmatsu, whose term of office was renewed and Mr. Michel Rosse, whose term of office expired at the end of this Meeting.

These terms of office will expire at the end of the Annual General Meeting held to adopt the 2005 financial statements.

Stock Exchange information

In France, the Company's stock is listed on the Euronext official market. The Lafarge stock qualifies for the deferred settlement system and is traded in single units under the Sicovam code 12053.

As of December 31, 2000, the Company's stock was also listed in the United Kingdom and Germany.
The other principal listed companies of the Group are:

- Lafarge Corporation (New York Stock Exchange) in the USA
- 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)

A. The Lafarge stock on the Paris Bourse

Lafarge stock and Euronext, ParisBourse SBF SA

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 of January 1, 2001 or will be registered until December 31, 2001. This stock will then be allocated specific codes (see below) with effect from January 1, 2002.

Specific code 6694 indicates all stock recorded in custody only or administered registered accounts in 1998 or before. This stock grants entitlement to the loyalty dividend paid in 2001 in respect of the results of fiscal 2000.

Specific code 7830 indicates all stock recorded in custody only or administered registered accounts in 1999. The two-year period during which this stock must be held to grant entitlement to a loyalty dividend commenced January 1, 2000. This stock will be entitled to the loyalty dividend paid in 2002 in respect of the results of fiscal 2001.

Specific code 7858 indicates all stock recorded in custody only or administered registered accounts in 2000. The two-year period during which this stock must be held to grant entitlement to a loyalty dividend commenced January 1, 2001. This stock will be entitled to the loyalty dividend paid in 2003 in respect of the results of fiscal 2002.

The 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, in the same way as all other stock, under the general code 12053.

- **Code 6763** indicates, during the period from January 1 of each year to the ex-dividend date (June 5, 2001 this year), the shares created since January 1 of the current year which do not grant entitlement to the dividend paid in this year. This category includes:
  - shares issued as a result of the exercise of stock subscription options during this period,
  - in 2000 and up to June 5, 2000, shares issued as a result of the exercise of stock subscription warrants attached to the aforementioned bonds during this period.

- Finally, the stock subscription warrants issued with the bonds redeemable in stock or cash on March 20, 2000 will be listed under **the code 23834** up to March 20, 2001. Both instruments are listed on the Paris Bourse *Premier Marché*, Euronext. The stock subscription warrants may be exercised up to March 20, 2001 at a rate of 4 warrants for 1,024 shares and a price of €74.

Transactions over the last 18 months*

Year	Month	Trading volumes (including after hours)		Share price (*)		Adjusted share price (*)	
		Number of shares (en milliers)	Value (in millions of euros)	high (euros)	low (euros)	high (euros)	low (euros)
1999	September	6,753	679	107.50	94.80	103.49	91.22
	October	6,700	647	103.80	91.20	99.93	87.81
	November	9,057	854	98.50	90.10	94.83	86.75
	December	6,989	707	115.60	91.80	111.28	88.38
2000	January	10,083	1,049	118.40	90.40	113.99	87.03
	February	15,539	1,299	92.46	74.50	90.50	72.92
	March	16,917	1,421	92.00	75.20	90.05	73.60
	April	14,679	1,330	95.80	84.05	93.77	82.27
	May	18,106	1,633	96.60	82.50	94.55	80.75
	June	9,209	754	85.30	77.10	83.49	75.46
	July	9,152	784	91.00	80.90	89.07	79.18
	August	7,025	607	90.00	82.55	88.09	80.80
	September	8,282	688	90.80	76.70	88.87	75.07
	October	8,664	687	87.00	73.75	85.15	72.18
	November	6,292	535	88.10	82.00	86.23	80.26
	December	8,035	719	92.15	84.35	90.19	82.56
Total 2000		131,983					
2001	January	22,850	2,241	103.50	87.60	101.30	85.74
	February	15,350	1,604	109.60	98.50	109.60	98.50

Source Euronext Paris SA

* Adjusted for subscription rights to the bonds redeemable in stock or cash issued on March 20, 2000 and the common stock issue with retention of preferential subscription rights performed February 9, 2001.

STOCK EXCHANGE DATA FOR THE LAST 5 YEARS

	2000	1999	1998	1997	1996
Daily average trading volumes on the Euronext Paris S.A					
in number of shares	521,670	368,218	326,369	289,694	261,838
in millions of euros	45.5	34.1	25.6	16.9	12.8
Market high and low (in euros)					
high	118.40	115.60	100.31	69.26	54.68
high (adjusted)*	116.46	113.70	98.70	66.80	52.70
high (adjusted as of January 22, 2001)**	113.98	111.29	96.60	65.30	51.60
low	73.75	70.10	54.73	46.50	41.94
low (adjusted)*	73.75	68.90	53.80	44.90	40.42
low (adjusted as of January 22, 2001)**	72.18	67.43	52.65	43.94	39.56
Closing price at the year end	**89.30**	**115.60**	**80.95**	**60.20**	**47.46**
Closing price at the year end (adjusted)*	**89.30**	**113.70**	**79.60**	**58.10**	**45.80**
Closing price at the year end (adjusted as of January 22, 2001)	**87.40**	**111.29**	**77.90**	**56.86**	**44.82**
Overall yield per share (%) ***	**2.7**	**3.4**	**4.26**	**4.82**	**4.75**

* Adjusted to take account of the 1993 and 1995 bonus issues, the common stock issue with preferential subscription rights of March 18, 1998 and subscription rights to the bonds redeemable in stock or cash issued on March 20, 2000.

** Adjusted following the detachment, at this date, of the preferential right to subscribe to the common stock issue performed on February 9, 2001.

*** Dividend distributed in the year in question (plus tax credit), over the last listed price for the previous year.

MONEP

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

Short-dated options

	12/31/2000	12/31/1999	12/31/1998
Number of contracts traded	1,232,767	587,848	338,117
Average daily number of contracts traded	4,834	2,270	1,360
Open positions			
number of contracts	90,526	102,732	46,875
number of securities	905,260	1,027,320	4,781,250

Long-dated options

	12/31/2000	12/31/1999	12/31/1998
Number of contracts traded	227,459	97,299	9,253
Average daily number of contracts traded	892	376	37
Open positions			
number of contracts	71,365	46,344	701
number of securities	713,650	463,440	71,502

B. Activity on the London Stock Exchange

Trading volumes over the last 18 months

(in thousands of shares)*	2001	2000	1999
January	15,322	1,763	18,996
February	7,046	4,493	4,052
March		3,026	3,098
April		9,699	7,029
May		6,717	4,027
June		2,545	4,575
July*		4,645	2,265
August		2,672	2,944
September		1,749	2,785
October		2,539	2,288
November		3,020	1,267
December		5,363	1,939

* Up to July 1999, trading volumes are based on a four or five week month. From July 1999 onwards, trading volumes are stated on a calendar month basis from the first day to the last day of the month (Source: SEAQ).

Shareholder information

Share value for French wealth tax purposes as of December 31, 2000

Closing price as of December 31, 2000: €89.30 (FRF585.77). Average closing share price over the last thirty days of 2000: €87.91 (FRF576.65).

Attendance at Annual General Meetings

All registered shareholders receive a personal invitation to attend the Shareholders' Meetings. Bearer shareholders receive the same invitation where they hold at least 200 shares. All shareholders are, nonetheless, entitled to attend the Shareholder Meetings irrespective of the number of shares they hold:

- where the shares are registered shares, they must be registered within the period decided by the Board of Directors;
- where the shares are bearer shares, the portfolio manager must forward a certificate to the Company indicating that the shares have been frozen and are unavailable as of the date of the meeting.

Shareholders' Meetings may be held at the Company's registered office or any other location indicated in the invitation to attend.

Voting rights

Each share carries one vote. However, registered shares held for a minimum period of two years carry double voting rights.

Voting rights are exercised at meetings without limit up to 1% of voting rights existing as of the date of the meeting. Beyond this 1% threshold, the number of voting rights is limited based on the number of voting rights present or represented 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 shareholder, where applicable, direct and indirect voting rights are aggregated, as are voting rights held by third parties with whom the shareholder has formed a voting block as defined by law.

Voting rights are exercised by the beneficial owner of the shares at all meetings, unless the beneficial owner and legal (bare) owner agree otherwise and jointly notify the Company five days prior to the meeting (or within any other period decided by the Board of Directors).

Dividend information

Appropriation of net income Ordinary and loyalty dividend

Since the inclusion of this provision in the bylaws in 1996, all shares held in registered form for a minimum period of two years grant entitlement to an additional 10% dividend. This increased dividend is known as the "loyalty dividend". The loyalty dividend is limited per shareholder to the number of shares corresponding to 0.5% of the common stock.

The two-year qualifying period runs from January 1 of the year following the recording of the shares in registered form. As such, to qualify for the loyalty dividend on June 5, 2001, shares must have been held in registered form on December 31, 1998 at the latest.

Scrip dividends Impact of loyalty dividends

The Annual General Meeting can offer shareholders the option to elect for payment of the dividend in new shares or cash.

Shares received as scrip dividends rank pari pasu with the stock granting entitlement to such dividends for the purpose of determining the period during which registered shares have been held. As such, shares received in respect of loyalty scrip dividends (payment on June 5, 2001) are considered to have been held in registered form for the qualifying two-year period and will confer entitlement to the loyalty dividend in 2002.

Dividend prescription

Dividends which have not been claimed within a period of five years from the payment date become statute barred and are paid to the French State in accordance with the law.

Information on bonus issues

In the event of a bonus issue, the number of shares allotted in respect of shares held more than two years is similarly increased by 10%.

Shareholder relations

Shareholders' representation

Shareholders' Consultative Committee

The Shareholders' Consultative Committee was formed in March 1995. It comprises ten members who reflect the general age, sex and geographical make-up of the private individual shareholder base. One of the seats on the Committee is, in principal, reserved for a private individual shareholders association. Members are appointed for a period of three years by the Company and selected from applications submitted by shareholders in response to invitations published in the Lafarge Shareholders' Newsletter. One third of the Committee is replaced each year. The Committee was renewed in March 2000.

The role of the Committee is to help improve communication between the Group and individual shareholders. It met and was consulted on several occasions during 2000. It assisted with the preparation of the Shareholders' Meeting of May 25 and June 15, 2000, the drafting of the two Shareholders' Newsletters, the periodic update of the Shareholders' handbook and the drafting of a guide to the Group's industrial sites. The Committee actively participated at the information meetings and the Salon Actionaria (Private Shareholder Fair) in Paris.

Shareholder information

Besides the annual report in French and English, the following information sources are available to shareholders:
- summaries of this annual report;
- the shareholders' handbook;
- a guide to the French Group's industrial sites;
- the semi-annual report as of June 30 of each year;
- the shareholders' newsletter (twice annually);
- the Internet site, Lafarge.com (in French and English.

The closing stock market price can be consulted in French and English by calling (33) 1 44 34 19 00. A toll free number is available to shareholders in France: 0 800 235 235.

Lafarge shareholder services for custody-only registered 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 shareholders. 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 09 89 97,
or by calling the toll free number (France only): 0 800 06 06 46.

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, aggregates and concrete, roofing, gypsum and specialty products
- Fiscal year: from January 1 to December 31
- Common stock as of December 31, 2000: FRF2,811,048,375 divided into 112,441,935 shares of FRF25 par value each
- Number of voting rights as at December 31, 2000: 123,686,779 (the most recent entry in the BALO legal journal was based on the number of voting rights as of May 25, 2000, the date of the General Meeting, and indicated 116,313,019 voting rights. Actual voting rights have not varied by more than 5% since this date)

- Legal documents (bylaws, minutes of meetings, auditors' reports, etc.) may be consulted at or requested from the Shareholder Relations Department ("Service des relations avec les actionnaires") at the registered office.

Senior executives**

Bertrand Collomb*
Chairman and Chief Executive Officer
Bernard Kasriel*
Vice Chairman and Chief Operating Officer
Michel Rose*
Senior Executive Vice President
Jean-Carlos Angulo
Executive Vice President, Western Europe
Miguel del Campo
Executive Vice President, South America
Yves de Clerck
Executive Vice President, Central Europe
Jean-Jacques Gauthier*
Executive Vice President, Finance
Ulrich Glaunach*
Executive Vice President, Roofing
Christian Herrault*
Executive Vice President, Human Resources & Organization
Bruno Lafont*
Executive Vice President, Gypsum
Charles de Liedekerke*
Executive Vice President, Aggregates & Concrete
Isidoro Miranda*
Executive Vice President, Cement
John Piecuch*
Executive Vice President, North America(1)
Philippe Rollier
Executive Vice President, North America(2)
Jean-Marie Schmitz
Executive Vice President, Morocco

** Members of the Executive Commitee.*
*** As of April 15, 2001; until January 2001: Olivier Legrain was Executive Vice President, Specialty Products.*
(1) Until May 2001.
(2) From May 2001.

Honorary chairmen

Jean Bailly
Jean François
Olivier Lecerf

Auditors

Statutory Auditors

Deloitte Touche Tohmatsu
Cogerco Flipo

Deputy Auditors

Jean Decup
BEAS

Board of Directors

Chairman

Bertrand Collomb

Vice Chairmen

Bernard Kasriel*
Jacques Lefèvre*

Directors

Michael Blakenham
Michel Bon
Guilherme Frering
Patrice le Hodey
Bernard Isautier*
Alain Joly
Jean Keller
Raphaël de Lafarge
Robert W. Murdoch
Lindsay Owen-Jones
Michel Pébereau
Hélène Ploix

**Proposed for re-election at the Annual General Meeting of May 28, 2001.*

International Advisory Board Members

Mong-Won Chung
Chairman, Halla Business Group (South Korea)
Alfonso Cortina
Chairman and Chief Executive Officer, Repsol YPF (Spain)
Bülent Eczacibasi(1)
Chairman, Eczacibasi Holding (Turkey)
Juan Gallardo
Chairman, GEUSA and Grupo Azucarero Mexico (Mexico)
Mohamed Kabbaj
Advisor to the King of Morocco
Chairman, Lafarge Maroc (Morocco)
David K.P. Li
Chairman and Chief Executive Officer, Bank of East Asia Ltd (Hong Kong)
Thierry de Montbrial
Founder and Director, French Institute for International Relations (France)
David Morton(1)
Former Chairman and Chief Executive Officer, Alcan Aluminium Ltd. (Canada)
James E. Perrella
Former Chairman and Chief Executive Officer, Ingersoll-Rand Company (United States)
William K. Reilly
President and Chief Executive Officer, Aqua International Partners (United States)
Henning Schulte-Noelle
Chairman of the Board of Management, Allianz AG (Germany)
Tadao Suzuki
President and Chief Executive Officer, Mercian Corporation (Japan)
Philippe de Woot(1)
Professor Emeritus of Strategic Management, Louvain Catholic University (Belgium)

(1) Until end 2000.

REFERENCE DOCUMENT

PERSONS RESPONSIBLE FOR THE ACCURACY OF THE REFERENCE DOCUMENT

To the best of our knowledge, the information presented in this reference document fairly reflects the current situation and includes all information required by investors to assess the net asset position, activities, financial solvency, results and future prospects of the issuer. We confirm that no information likely to have a material impact on the interpretation of these documents has been omitted.

The auditors' opinion on the fairness of the financial and accounting information does not extend to the legal information contained in this document, nor the economic information presented on pages 10 to 12, 35, 38, 44 to 47, 52, 62 and 63 thereof, identified by a (•). This information is communicated under the sole responsibility of Company management.

Paris, March 16, 2001.

Chairman and Chief Executive Officer

Bertrand Collomb

Auditors' opinion on the reference document
Year ended December 31, 2000

Deloitte Touche Tohmatsu
185, avenue Charles-de-Gaulle
B.P. 136
92203 Neuilly-sur-Seine cedex

Cogerco Flipo
9, avenue Percier
75008 Paris

As auditors of Lafarge and in accordance with COB. Regulation 98-01, we reviewed the financial and accounting information presented in the reference document in accordance with professional standards.

The reference document was prepared under the responsibility of Mr. Bertrand Collomb, Chairman and Chief Executive Officer of Lafarge. It is our role to issue an opinion on the fairness of the financial and accounting information contained therein, it being noted that the economic information identified by an asterisk (•) in the reference document does not constitute such information and is not, therefore, covered by our opinion.
According to the type of financial and accounting information presented, our auditing procedures described below involved verifying the consistency of the information contained in the report with the financial statements on which we issued an opinion, assessing the fairness of other historical information and, with respect to other forecast information and depending on the period covered, assessing whether the assumptions adopted represent an acceptable basis for such forecasts and/or verifying the quantified translation of these assumptions.

Historical financial and accounting information

The statutory and consolidated financial statements for the years ended December 31, 1999 and 1998, approved by the Board of Directors, were audited by Deloitte Touche Tohmatsu and Mr. Michel Rosse in accordance with professional standards applicable in France and unqualified audit reports issued.

The statutory and consolidated financial statements for the year ended December 31, 2000, approved by the Board of Directors, were audited by us in accordance with professional standards applicable in France and an unqualified audit report issued. The following observation was made "without qualifying the opinion presented in our report we would draw your attention to Note 1.L.) to the consolidated financial statements for the year ended December 31, 2000 presented in this reference document disclosing the change in accounting method resulting from the application, with effect from January 1, 2000, of the new regulation issued by the Accounting Regulation Committee applicable to consolidated financial statements."

Our procedures on the other historical financial and accounting information in the reference document involved, in accordance with professional standards applicable in France:
- for that information not subject to pro forma adjustments, verifying the fairness of this information and, where appropriate, its consistency with the statutory and consolidated financial statements presented in the reference document,
- for that information subject to pro forma adjustments, assessing whether the methods adopted are consistent and represent a reasonable basis for this information, verifying the quantified translation of these methods, sat-

isfying ourselves as to the consistency of the accounting methods adopted in preparing this information with that used in the production of the most recent historical financial statements audited or subject to limited review and, where appropriate, verifying the consistency of this information with the pro forma financial statements presented in the reference document.

Forecast financial and accounting information

Our procedures on forecast financial and accounting information involved verifying whether the calculations were performed in accordance with the assumptions presented in the reference document, without assessing the economic objectives or relevance of these assumptions.

Conclusion on the reference document

Based on these procedures, we have no comment to make as to the fair presentation and consistency of the financial and accounting information presented in the reference document.

As regards the forecast financial and accounting information contained in the reference document, we would emphasize that this information is, by its very nature, uncertain and that actual results can on occasions differ significantly from forecast information presented.

As regards the pro forma information contained in this reference document, we would emphasize that this information is intended to translate the impact on historical financial and accounting information of the performance, at a date prior to its actual or reasonably expected performance, of a given operation or event. This information is not, however, necessarily representative of the financial position or results which would have been recorded had the operation or event taken place at a date prior to its actual date or that reasonably expected.

Neuilly-sur-Seine and Paris, March 16, 2001

The Auditors

Deloitte Touche Tohmatsu

Arnaud de Planta

Jean Paul Picard

Cogerco Flipo

Henri Lejetté

(This is a free translation of the original French text for information purposes only)

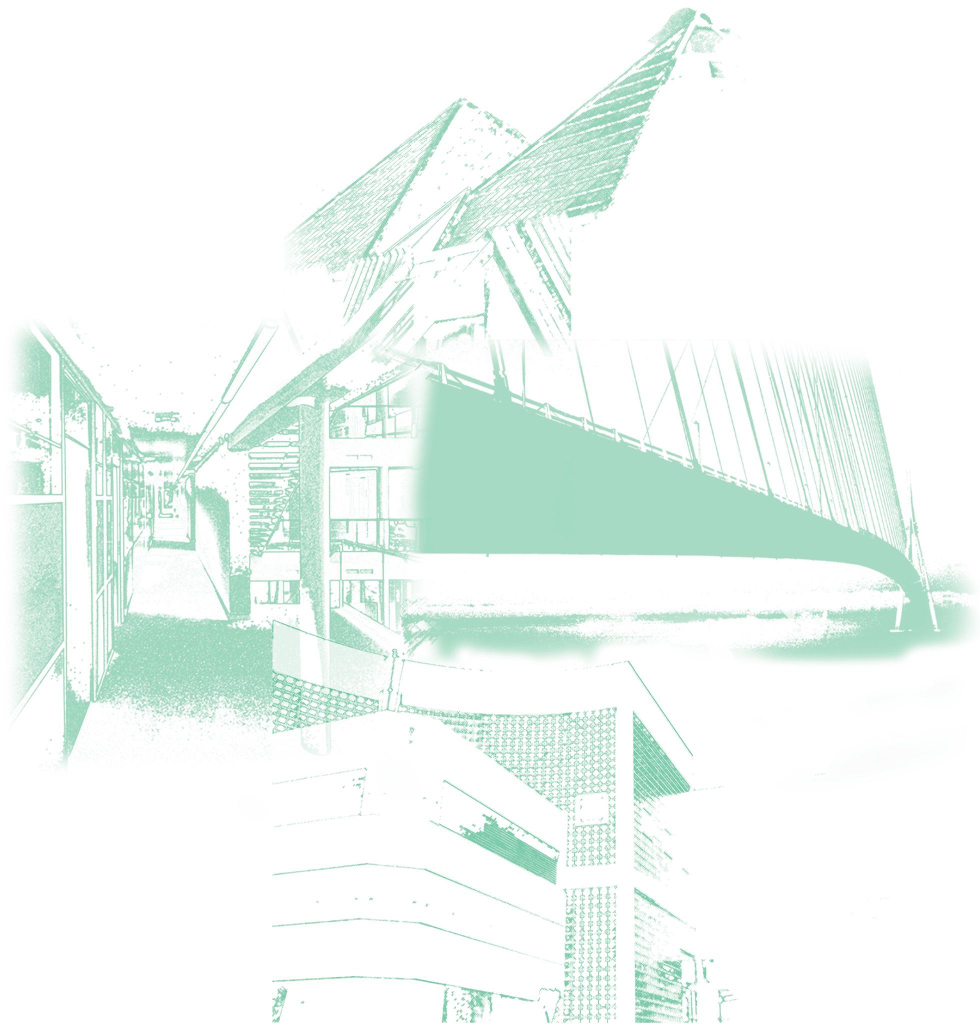
CROSS-REFERENCE TABLE

(COB Regulation 98-01)

This Annual Report having been filed as the reference document, the cross-reference table presented below identifies the principal headings of application instruction 98-02 issued by the Commission des Opérations de Bourse (COB) and refers readers to the corresponding pages of the Annual Report.

COB

Pursuant to Regulation 98-01, the *Commission des Opérations de Bourse* (COB) registered on March 16, 2001 this reference document under the number R. 01-049. This document may only be used in connection with a financial operation where accompanied by a prospectus approved by the COB. This reference document was prepared by the issuers and is the responsibility of its signatories. Registration, performed after review of the relevance and consistency of the financial information presented on the Company's position, does not imply authentication of the financial and accounting information presented.



LAFARGE

ANNUAL REPORT 2000

LAFARGE

Materials for building our world

S.A. with share capital of 3,174,883,475 French francs
Registered office: 61, rue des Belles Feuilles
BP 40 - 75782 Paris cedex 16 - France
Telephone: (+33) 1 4434 1111 - Fax: (+33) 1 4434 1200
542 105 572 RCS Paris
www.lafarge.com

This report, printed on recycled paper whitened without chlorine,
was produced by the Lafarge Group Communications Department.

Free translation of the original French text for information only.
English text: Nouvel Angle, Audrey Frank, Deloitte Touche Tohmatsu.

Production: Ecocom.

Photos: Lafarge photo libraries, Philippe Couette, Laurent Rothan, Laboratoire
de recherche des monuments historiques, Ziegler, Bruno Mazodier, Philippe Giraud/Terres du Sud,
Marc Carbonare, Nicolas Robin, Mark Edwards, Jean-Marie Monthiers, Greta,
Guillaume Maucuit-Lecomte, Patrick Lefèvre, Jean Gaumy/Magnum Photos,
WWF-Canon/Susan A. MAINKA,