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Canada Cement Lafarge Ltd.
Annual Report 1981

Contents

Annual General Meeting

The Annual General Meeting will be held at the Registered Office of the Company, 606 Cathcart Street, Montreal Friday the 7th of May, 1982 at 10:00 o'clock in the forenoon.

Transfer Agent

Montreal Trust Company
Montreal, Toronto, Halifax, Winnipeg,
Calgary & Vancouver

Company shares

are listed on the Montreal and
Toronto Stock Exchanges.

Registrar

The Royal Trust Company

Auditors

Price Waterhouse

Version française

On pourra se procurer le texte
français de ce rapport annuel en
s'adressant au Secrétaire de la
société, B.P. 490 Succ. "B",
Montréal, Qué., H3B 3K3.

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The cover photograph of the North American continent illustrates the territory now served by Canada Cement Lafarge Ltd. following the acquisition of General Portland Inc. Photograph taken with permission of the Museum of Science and Technology, Ottawa, Ontario.

Financial Highlights

(in millions of Canadian dollars except per share amounts)

	1981	1980	%
Sales	\$ 916.3	\$711.1	29
Net earnings before extraordinary items	\$ 34.2	\$ 22.7	51
Funds generated from operations	\$ 93.7	\$ 64.8	45
Working capital	\$ 236.1	\$ 99.3	138
Long term debt	\$ 561.0	\$186.7	200
Shareholders' equity	\$ 551.1	\$387.7	42
Common shares outstanding	28,472,228	18,583,462	53
Number of common shareholders	6,060	6,259	(3)
Per Common Share			
Net earnings before extraordinary items	\$ 1.32	\$.91	45
Extraordinary items	\$.07	\$ (.14)	—
Net earnings	\$ 1.39	\$.77	81
Funds generated from operations	\$ 4.39	\$ 3.18	38
Dividends paid	\$.80	\$.80	—
Shareholders' equity	\$ 14.26	\$ 15.35	(6)
Return on shareholders' equity	8.6%	6.0%	42

Valuation day values of the Corporation's common and first preference shares were as follows:

Common shares: \$11.66

First preference shares: \$19.75

Report to the Shareholders

We are pleased to present the Annual Report of the Company for the year ended December 31, 1981. While the earnings of the Company improved significantly over 1980, the highlight of the past year was undoubtedly the acquisition of General Portland Inc. This \$400 million investment represents a major step in the achievement of the Company's objective of expanding its U.S. operations; with this acquisition, the Company has become the largest cement manufacturer in North America.

Expansion into the United States

The Company, the only national producer in Canada, is well represented from coast to coast and the objective of expanding its U.S. operations was based on the existing limitation to growth in the Canadian market. The United States, with its significantly larger consumption of cement and its similarities in customers, products, and business methods, provided the most logical area in which to concentrate the Company's efforts.

Entry into the United States started with exports of cement and clinker from several of the Company's plants across Canada. In late 1973 the Company made its first major investment in the U.S. portland cement industry with its participation in a joint venture, Citadel Cement. This investment was restructured in 1977 whereby the Company's 50% share interest was exchanged for a direct investment in certain of the joint venture's assets. As a result, Citadel became a subsidiary of the Company,



Peter M. McEntyre, Chairman of the Board and John D. Redfern, President and Chief Executive Officer.

with its principal asset, the Demopolis, Alabama cement manufacturing plant, completed in 1977 to serve primarily the markets of Alabama, Georgia, Louisiana and Mississippi. In 1980, Citadel purchased a large, deep water terminal in New Orleans and completed its new barging facilities to transport cement from Demopolis to New Orleans.

To expand from this base, the choice of selectively constructing new plant facilities was considered against the alternative of expansion by acquisition. The advantages of the latter - acquiring a major established position in several key markets and an experienced management group - led the Company to select this option.

Why General Portland?

The choice of General Portland followed many months of investigation by in-house personnel and by United States legal counsel and investment bankers, all of whom reviewed the alternatives available to enable the Company to achieve its strategic objectives.

This investigation concluded that General Portland possesses the qualities to meet these objectives:

- 1) Its plants and markets are located predominantly in the high-growth areas of the Southern U.S.
- 2) It possesses an experienced and dedicated group of management and employees.

- 3) Capacity was acquired at a price well below today's replacement cost. These plants will remain competitive by utilizing the combined expertise of the Company and General Portland, supplemented, as required, by the Company's affiliate, Lafarge Consultants and by the extensive research and testing facilities of the Lafarge Coppée Group.
- 4) General Portland's business philosophy reflects a dedication to the cement industry which is completely consistent with that of the Company.

The combined manufacturing and terminal facilities of General Portland and Citadel, which has now become an operating division of General Portland, provide a network of facilities to serve the Sun Belt area. In addition, with General Portland plants located in Ohio, Kansas, and Pennsylvania, and with continuing exports from our Canadian plants, the Company is well positioned to profit significantly from the anticipated increased demand for cement in the 1980's. Under a proposed settlement with the U.S. Federal Trade Commission, the Company is required to sell the General Portland Plant in Chattanooga, Tennessee, and the potential purchaser will have the option to purchase land near Chattanooga and certain distribution terminals.

Net Earnings

Net earnings in 1981 amounted to \$34.2 million (\$1.32 per common share) compared to \$22.7 million (\$0.91 per common share) in 1980. These earnings do not include an extraordinary gain of \$1.3 million (\$0.07 per common share) from an expropriation of land in 1981, or an extraordinary loss of \$2.8 million (\$0.14 per common share) in 1980 which resulted primarily from the closure of the Citadel cement plant in Birmingham, Alabama.

In 1981, the Company changed its method of accounting for foreign currency translation, and this change has been applied retroactively. Note 2 to the Consolidated Financial Statements gives additional detail. The Company believes the method now adopted more appropriately reflects the operating results of the Company, as it removes from earnings the effect of unrealized gains or losses on translation of foreign currency.

Over 90% of the shares of General Portland were acquired by late 1981, with the balance acquired in early 1982. The inclusion of General Portland's net earnings from November 13, 1981, the effective date of acquisition, did not have a material effect on the 1981 consolidated net earnings of the Company.

In both Canada and the United States, a combination of monetary restraints and large budget deficits has resulted in high and volatile interest rates, and the high cost of borrowed funds has placed severe constraints on overall economic activity.



The Company's fleet in the Pacific Region boasts tugboats such as this one, docked in Vancouver Harbour.

In Canada, housing starts made a comeback in the first half of 1981, but this recovery was eroded by the escalation of interest rates in the second half of the year. For the full year 1981, housing starts totalled 178,000 units, up 12% from the 159,000 starts in 1980, a year which recorded the lowest level since 1967. Non-residential construction also showed some improvement over 1980, with energy-related development again the mainstay of growth in this sector. With total construction up moderately, cement consumption is estimated to have increased by two percent.

In the United States, housing starts continued their downward trend to a level of 1,086,000 units, a decrease of 16% from 1980 and the lowest level of housing starts since 1946. The decrease in construction activity was most evident in the second half of the year, and resulted in a decline of 5% in cement consumption in the United States. With the exception of Texas, which is estimated to have increased 5% over 1980, cement consumption declined throughout the Sun Belt markets served by the Company.

The recent low level of construction, particularly in the residential sector, has created a backlog of demand which the Company is ideally positioned to satisfy in the years to come.

Net earnings for 1981 showed an improvement of \$11.5 million over 1980 net earnings of \$22.7 million. This improvement was attributable to the following factors:

- in Canada, the contribution from cement operations improved substantially as a result of the additional production from the recently expanded Exshaw, Alberta plant which replaced 1980 high cost transfers from other plants of the Company.

- cement demand remained strong in Alberta, offsetting a modest reduction in cement consumption in Eastern Canada, and improved margins were achieved in the majority of the Canadian markets.
- exports from the Company's Canadian manufacturing plants increased 16% over 1980.
- the contribution from concrete and aggregate operations in Canada increased significantly due to improved margins and sales volume, particularly in the Provinces of British Columbia and Ontario.
- in the United States, while total cement consumption in Citadel Cement's markets showed no improvement over 1980, its sales volume increased substantially as a result of further penetration in Louisiana, following the purchase of storage and dock facilities, on deep water, in New Orleans, and the completion of the barging system to transport cement from Demopolis to New Orleans. The impact of the increased sales volume was offset by depressed pricing in highly competitive markets.
- the above factors were partially offset by interest charges which rose to \$33.5 million from \$17.0 million in 1980, due principally to the financing of the General Portland acquisition in November 1981, higher prime bank rates, and the commencement of operations of the new kiln at Exshaw, where interest had previously been capitalized during the construction period.

Dividends

Earnings and earnings per share will be impacted in 1982 by a full year's increased interest charges, and

by the dilutive effect of the preferred and common stock issued in the second half of 1981. In view of these factors and the present uncertain economic situation, the Board of Directors deemed it prudent, at its February 5, 1982 meeting, to reduce the quarterly dividend on the common stock from \$0.20 to \$0.10 per share. This reduction also applied to the Series "B" convertible second Preference shares which are entitled to the same dividend as the common. These shares are all held by a subsidiary of Lafarge Coppée. A resumption of higher dividends will be a prime objective of the Board of Directors as economic conditions and earnings levels improve.

Capital Expenditures

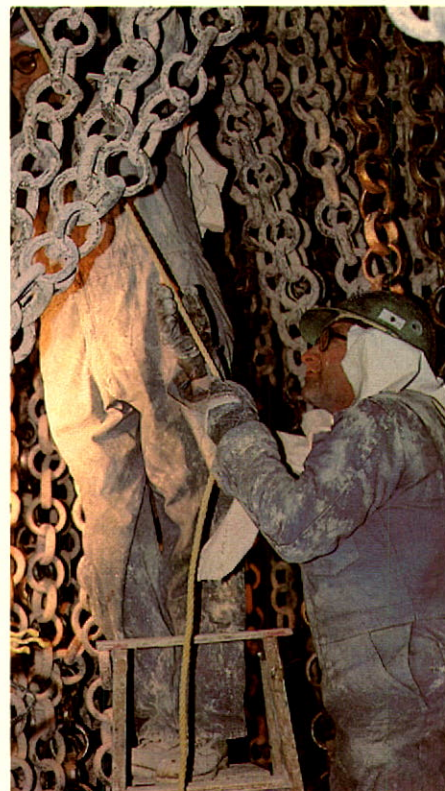
In 1981, net capital expenditures, other than for the acquisition of General Portland, totalled \$33.4 million and included the completion of the Exshaw Plant expansion and productivity and environmental improvements. Expenditures in 1982, including General Portland, are estimated to be less than \$60 million, a level below the depreciation expense for that year.

Employee Relations and Personnel

Lost-time injuries were reduced by twenty-eight percent in 1981. Seven of the Company's cement plants, all terminals, remote cement plant quarries, and research facilities operated without lost-time injury. A fatality recorded at the St. Constant Plant, marred what was otherwise an improved safety performance.

Positive steps were taken towards improving loss and accident prevention programs which should result in continuing the progress attained in 1981.

With the announcement of an agreement at the St. Constant cement plant in July 1981, following a four-



Maintenance workers carrying out repairs inside a cement kiln. The huge chains are used to improve heat transfer during the burning process.

month strike, the difficult round of cement negotiations which commenced in May 1980 was concluded. Efforts to improve communications and resolve mutual problems have been increased with the objective of achieving a productive labour relations climate that will benefit both the Company and its employees. Bargaining with respect to renewal of cement agreements in the Pacific and Western Regions (except Winnipeg) and at the Bath, Ontario Plant, will occur in the last quarter of 1982. These agreements will expire by the end of 1982, while other agreements will expire in June 1983.

A "Quality of Work Life" proposal was developed and endorsed by management and union representatives at our Exshaw, Alberta cement plant in February 1982, and the Company looks forward to improvements in employee relations resulting from this program. A Plant Organization Review has been undertaken for the purpose of ensuring continued existence of dynamic, successful manufacturing teams. Assessment and implementation are planned for 1982 and 1983.

Another successful in-house Management Development program took place in 1981 with twenty-two managerial employees from the cement, concrete and construction sectors in attendance.

In addition, supervisory training in both technical and interpersonal skills for 224 Corporate, Regional and Cement Manufacturing employees was conducted during 1981. Continuation of these programs will be emphasized in 1982.

Employees are the Company's greatest asset and the key to its future growth. We would like to thank them for their efforts over the past year and we look forward to better relations in 1982 as a result of improved communications and new programs of mutual interest.

Directors and Officers

Mr. J. B. Lendrum, Chairman and Chief Executive Officer of General Portland, was appointed a director of the Company on February 5, 1982, replacing Mr. P. Messier, who continues as Vice-President, Secretary and General Counsel, and who served as director on a temporary basis since the last Annual Shareholders' Meeting.

Mr. J.E. Richardson will not be standing for re-election to the Board in keeping with the mandatory retirement age policy. Since his election to the Lafarge Canada Ltd. Board in 1967 and to the Company Board in 1970, Mr. Richardson has been a continuing source of strength.

At the Annual Meeting of the Shareholders on May 7, 1982, we intend to propose that Mr. F.C. Wilkinson, Chairman & Chief Executive Officer of Wilkinson Company Ltd., Vancouver, B.C., be elected to the Board of Directors to replace Mr. Richardson.

Mr. R.W. Murdoch, who previously held management positions in the Lafarge Coppée Group in Canada and in France, and most recently as President of Lafarge Fondu International, has been appointed Executive Vice-President of the Company and is currently on assignment in Dallas to assist in the merger of the General Portland and Canada Cement Lafarge operations.

Mr. P. Bavière, previously Vice-President and Comptroller, has been appointed Vice-President, Finance of the Company replacing Mr. P. Jongeneel, who has been appointed

Senior Vice-President, Financial Control of Lafarge Coppée, North America. Mr. J. Poirier has been appointed Comptroller of the Company.

Outlook

Note 12 to the Consolidated Financial Statements shows the pro forma Consolidated Net Earnings of the Company on the assumption that the acquisition of General Portland had taken place on January 1, 1979 at the price of U.S. \$47.00 per share, and was financed by floating rate borrowings under the Company's revolving bank loan agreements and by the issue of preference and common shares.

The pro forma earnings per common share show that little or no reduction in earnings would have taken place in 1979 or 1980. The reduction in 1981 results from the sharp increase in interest rates, and a reduction in General Portland earnings which reflects the slow-down in economic activity and construction expenditures in many of its major markets.

The 1981 reduction was a known factor at the time of acquisition and can be viewed as the short-term price paid for the instant realization of the Company's long-term objective of expansion into selected U.S. markets.

The Company does not expect any immediate recovery from the low levels of construction expenditures and cement consumption experienced in 1980 and 1981. While inflation rates have moderated significantly in the United States, there is as yet little evidence of this trend in Canada, and the present high and unstable level of interest rates continues to have a serious depressing effect throughout North America.

On the positive side, the Company will experience further efficiencies from its expanded Exshaw Plant and the new Balcones, Texas Plant of General Portland, and some strengthening of construction activity is forecast for late 1982.

As a result, we are optimistic that 1982 earnings will show some improvement over the pro forma results for 1981, while falling short, for the reasons previously described, of the \$1.32 per common share actually earned in 1981.

Economists and business leaders cannot generally agree on the duration or severity of the current business recession . . . there is, however, agreement that when the upturn does materialize, the Sun Belt states and Western Canada should once again enjoy above-average growth rates. The Company believes that the strategic location of its plants in Canada and the United States, together with the expertise and commitment of its employees, will be reflected by significant earnings growth as the economy and the construction industry in North America reach the higher levels anticipated for the early and mid 1980s.

Acknowledgements

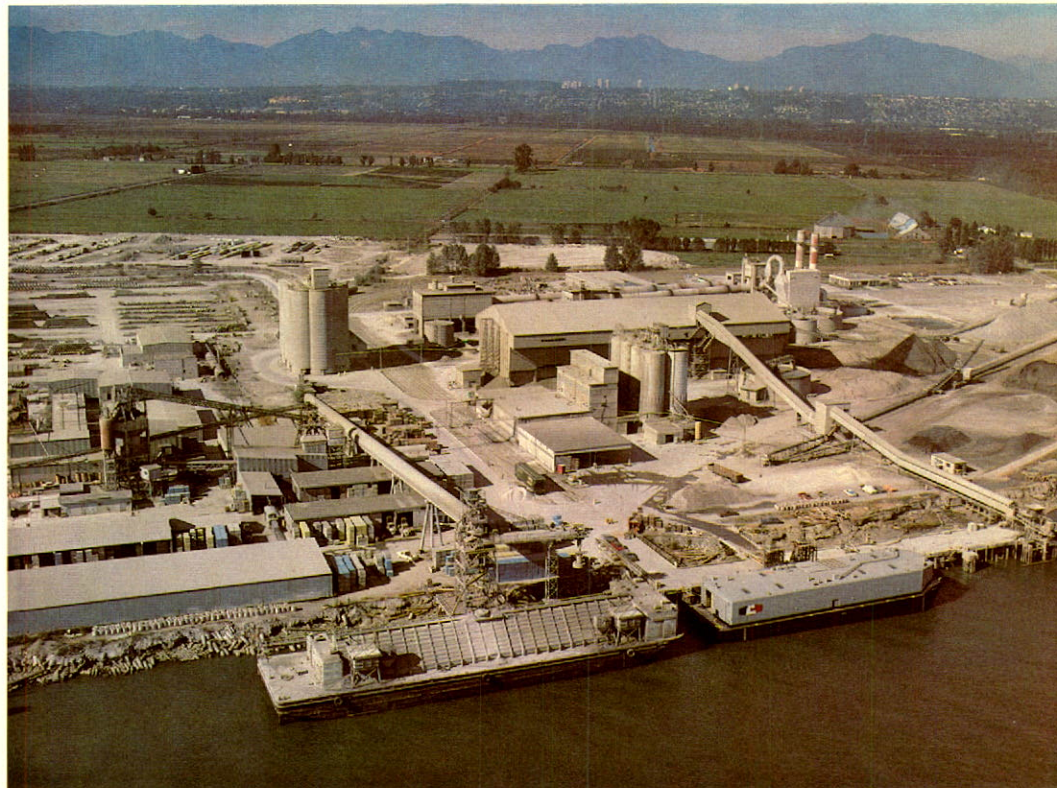
We would like to express our appreciation and thank our many customers, suppliers and shareholders for their continuing support.

ON BEHALF OF THE BOARD:

JOHN D. REDFERN
President and Chief Executive Officer

PETER M. McENTYRE
Chairman of the Board

Montreal, Quebec, April 2, 1982



Cement barges such as those shown above at the Richmond, British Columbia Plant, are part of the Company's delivery system on the West Coast.

Canada Cement Lafarge Ltd.-

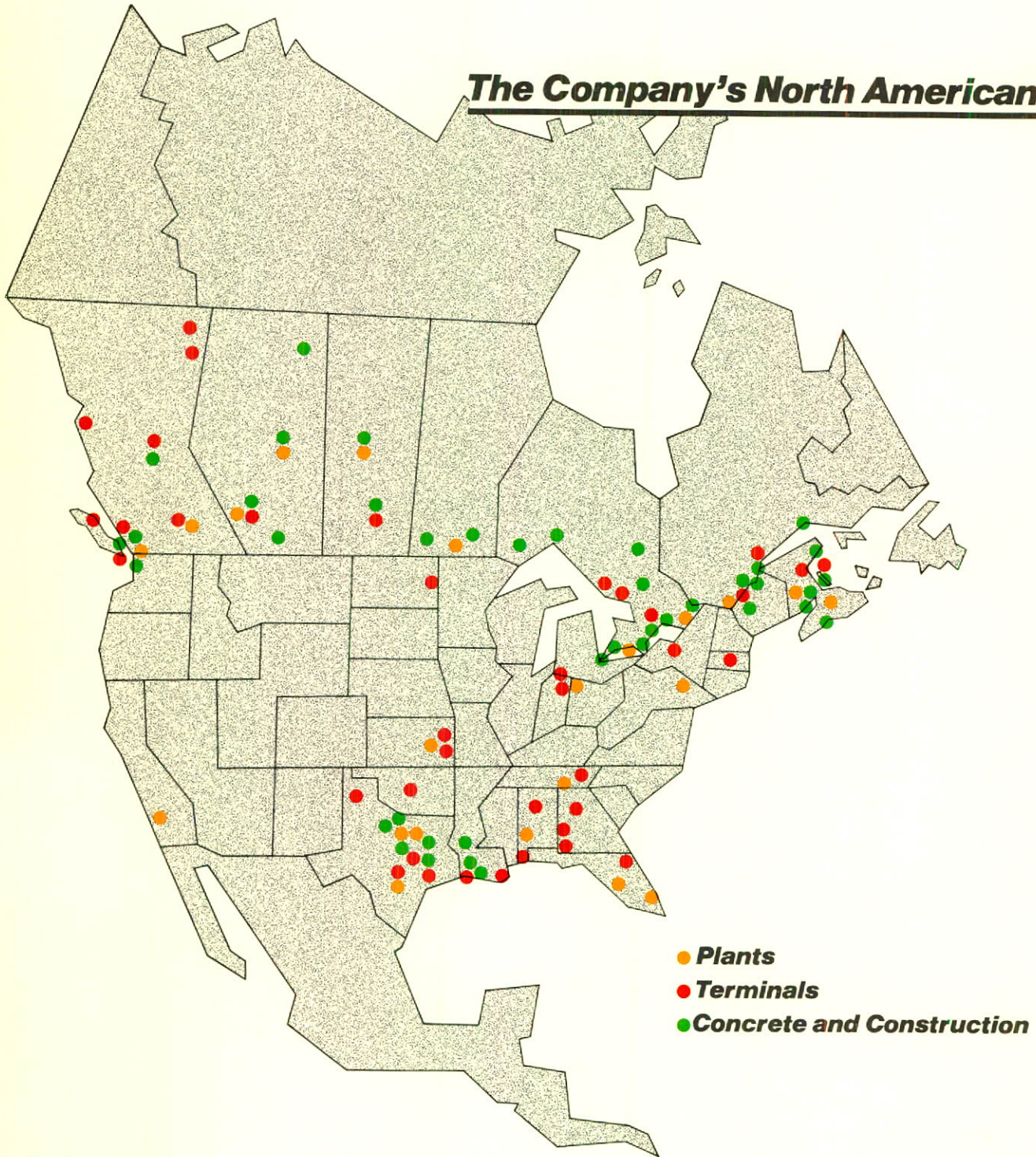
serving North America coast to coast



Brookfield Plant, Nova Scotia



The Company's North American network



General Portland Inc.,

newest member of Canada Cement Lafarge Ltd.

General Portland is one of the largest manufacturers of cement in the U.S. with a total annual productive capacity of 6,003,000 tonnes which is 7% of U.S. capacity. A network of ten plants exists: three in Texas, two in Florida, and one each in California, Ohio, Tennessee, Kansas, and Pennsylvania. With the Demopolis Plant in the Citadel Division, this brings the total number of U.S. plants to eleven.

Trinity Divisions

(Texas & Western Louisiana)

Balcones is the newest addition to General Portland's network of cement production facilities. Annual capacity of this single-kiln, dry-process plant is 839,000 tonnes.

This plant, the company's first preheater/precalciner operation, is adjacent to both rail and interstate highway transportation, which facilitates shipment of finished cement to the rapidly growing markets in Houston, Central Texas, and Western Louisiana.

The Dallas Plant, with an annual rated capacity of 431,000 tonnes, was built in the 1950s to replace a plant that had operated at the same site since 1909. In addition to portland and masonry cement, the Dallas Plant also produces a special oilwell cement called LITE WATE.

This special oilwell cement is used throughout Texas, Oklahoma and Louisiana by oilwell service companies in applications that call for low density, high yield slurries. The Dallas Plant is well positioned to continue to serve the rapid construction growth in the area as well as the ever-increasing oil and gas well drilling activities within its service range.

Class H oilwell cement, as well as Type I and Type II portland cements are manufactured by the Fort Worth operation. Demand for Class H is non-seasonal, and sales volume has kept pace with the record-breaking surge in oil and gas drilling activities in Texas, Western Louisiana, Oklahoma, and offshore.

Finish grinding capacity is sufficient to handle not only the clinker produced by the plant's three wet-process kilns, but also excess clinker that is trucked from the company's Dallas Plant. The Fort Worth Plant has a total capacity of 663,000 tonnes.

Oilwell cements are stored at the company's terminals in Amarillo, New Braunfels, and Houston, Texas; Lake Charles, Louisiana; and Edmond, Oklahoma.

Florida Division **(Florida)**

The Tampa Plant is the only General Portland facility that does not use limestone as its principal raw material. Instead, it uses aragonite, dredged from the ocean near the Bahama Islands, and transported by ship to the plant's deep-water dock.

A significant portion of the Tampa Plant's production is masonry and portland cements that are packaged and shipped in bags. Annual productive capacity of the Tampa Plant is 589,000 tonnes.

General Portland's Miami Plant, with a productive capacity of 479,000 tonnes, is strategically located to serve the demands of the fast-growing market in South East Florida.

This wet-process plant employs an unusual quarry operation. Limestone is harvested by dragline from the bottom of a lake adjacent to the plant. The shoreline is pattern-blasted, the shot rock recovered and placed in a primary crusher located on a floating barge.

After crushing, the material is pumped with water to the plant through a pipeline supported by pontoons.

California Division **(Southern California)**

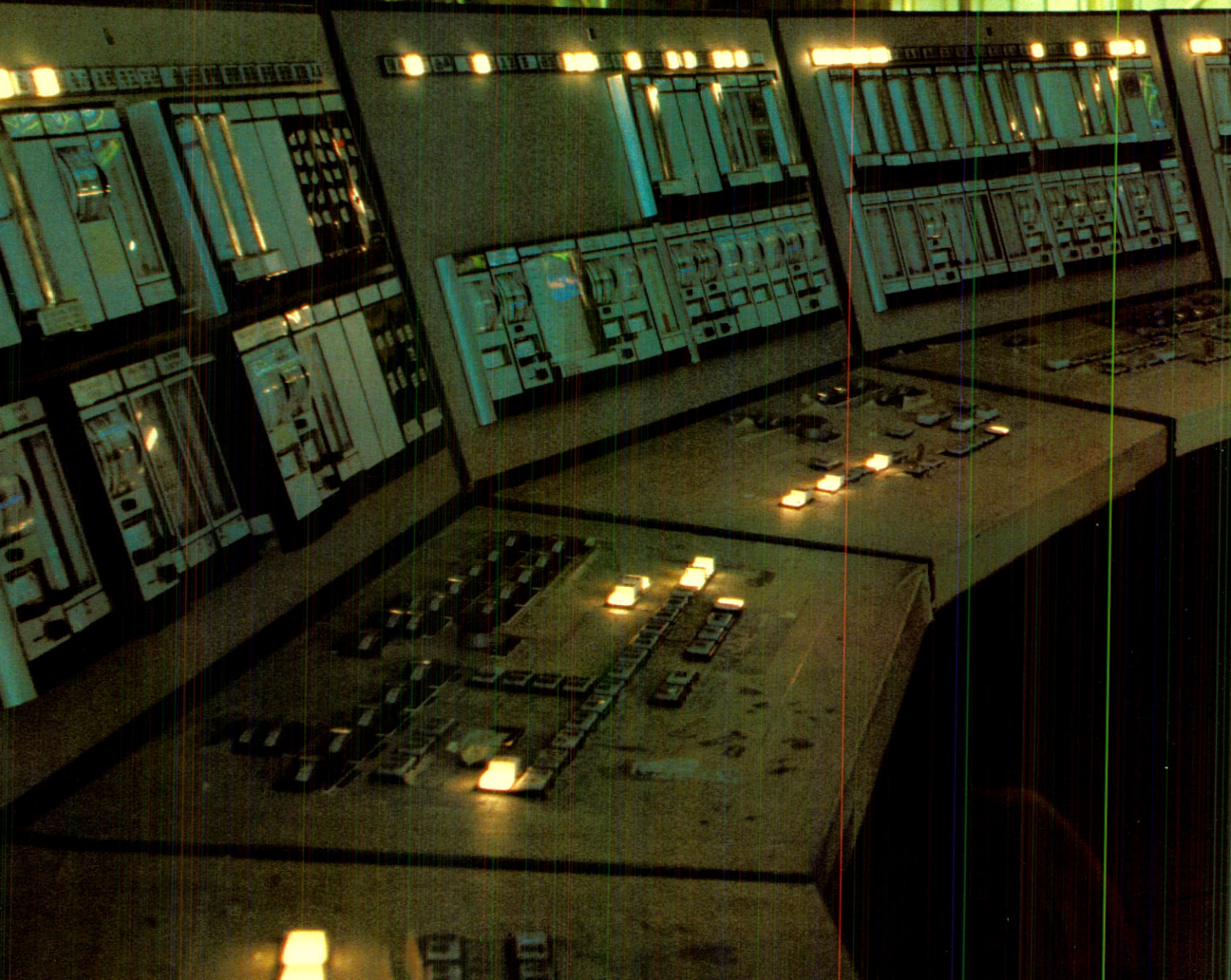
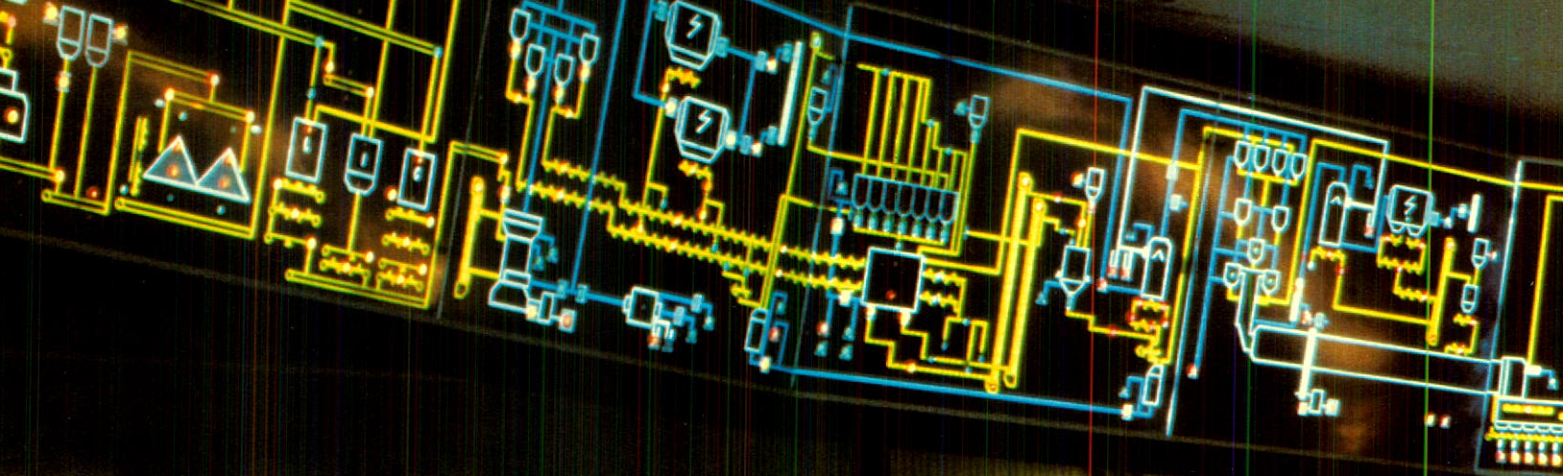
Los Robles is a one-kiln, dry-process plant with the capacity to produce 553,000 tonnes annually. Situated in the mountains between Los Angeles and Bakersfield, the Los Robles plant serves markets from the populous Los Angeles basin north through the rapidly developing San Joaquin Valley.

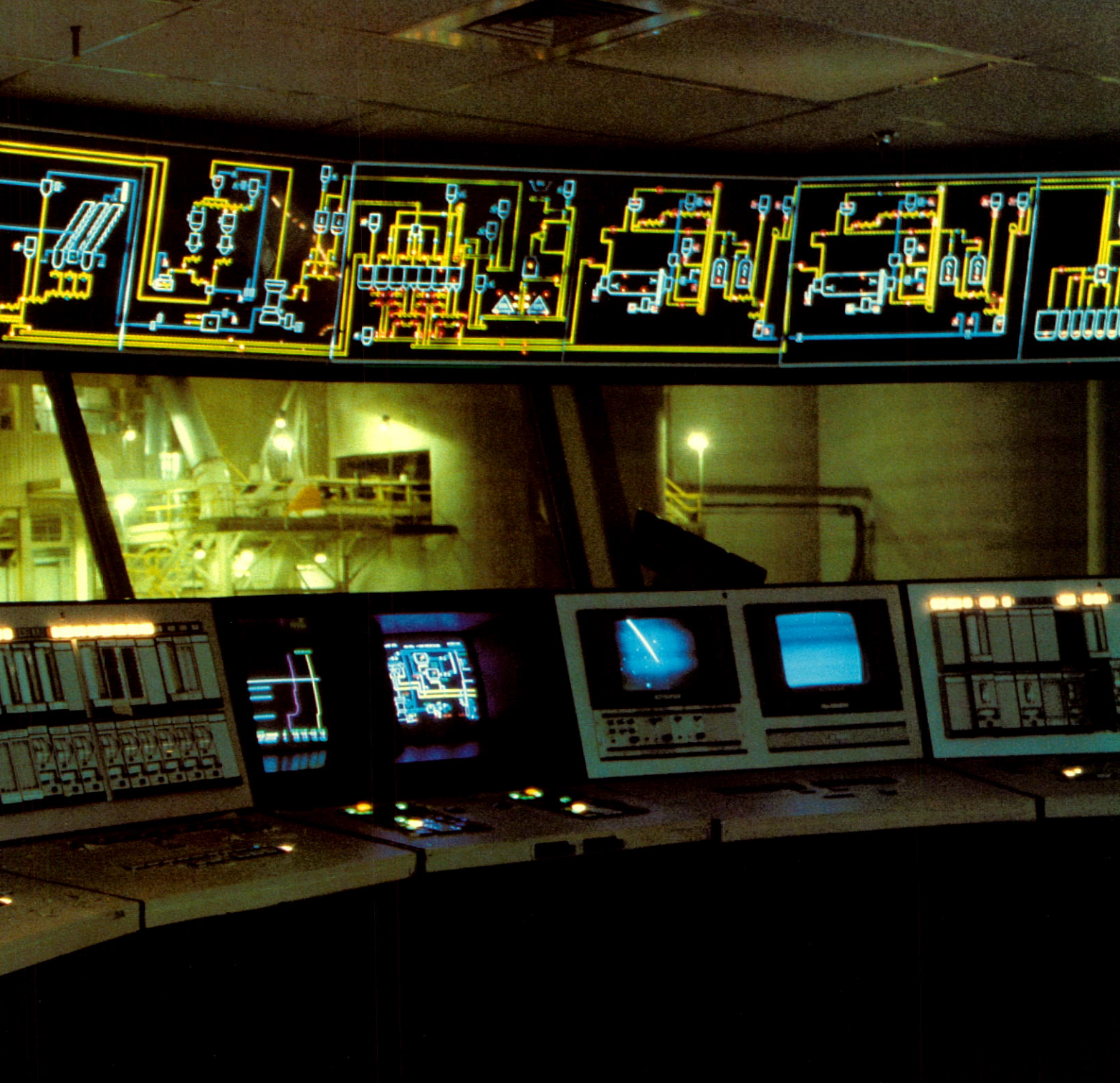
Peninsular Division **(Ohio, Indiana & Michigan)**

Located in northwestern Ohio just east of Fort Wayne, Indiana, the Paulding Plant serves cement users in Ohio, Indiana, and Michigan. This two-kiln, wet-process plant has an annual productive capacity of 503,000 tonnes.

The Paulding Plant operates a supplemental fuel facility that receives, tests, stores, and moves other industries' liquid waste materials to the kilns for burning. This innovation provides the plant with a source of relatively inexpensive energy, and does so in a way that has been applauded by environmental protection agencies as a responsible and effective way of disposing of waste products.

In its quarry a "benching" operation is carried out using a ten-yard hydraulic shovel. This process, also in use at CCL's Brookfield Plant, will result in a one hundred percent recovery of limestone, compared with an eighty-five to ninety percent previously recovered with a dragline, thereby extending the quarry's fifty-year reserves.





Acquisition of General Portland Inc. -

***the single most significant investment
ever made by the Company***

Signal Mountain Division
(Tennessee)

Nestled snugly in a valley beneath Signal Mountain, the 433,000 tonne capacity Chattanooga Plant, with two kilns, serves the construction markets in the eastern half of Tennessee and the northern portion of Georgia.

Marketing efforts are directed mainly to ready-mix concrete producers. As well, quantities of masonry cement, including high strength masonry cement, are sold.

Victor Division
(Kansas, Oklahoma & Missouri)

The Fredonia Plant, with an annual capacity of 369,000 tonnes, serves cement users in Missouri, as well as Kansas and Oklahoma.

Much of the cement produced is shipped to terminals like the Edmond, Oklahoma terminal just north of Oklahoma City for storage and subsequent distribution. This terminal, which also receives finished cement from General Portland's three Texas plants, has recently been expanded to increase the storage capacity.

Whitehall Division
(Eastern Pennsylvania, New Jersey, Metro New York & Western Connecticut)

The Cementon Plant, located in the Lehigh Valley of Pennsylvania, is a dry-process, three-kiln operation with an annual productive capacity of



The coal unloading system at the Forth Worth Plant, Texas.

726,000 tonnes. All three kilns are equipped with preheaters and are fueled by coal.

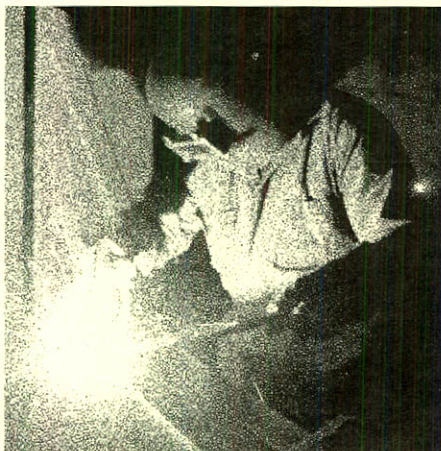
Citadel Division
(Georgia, Alabama, Mississippi & Louisiana)

The newest division in General Portland's operational network is Citadel with a one-kiln, dry-process plant located in Demopolis, Alabama. This 680,000 tonne facility is augmented by terminals in Birmingham and Mobile, Alabama; Bainbridge and Atlanta, Georgia and New Orleans, Louisiana.

Cement barges provide an important link between these terminals and customers bordering on the Gulf of Mexico.

Concrete and Construction
General Portland, with 2,300 employees, also markets construction aggregates in Texas and Louisiana, fly ash in Texas, and ready-mix concrete in the Dallas/Fort Worth area.

Employees
Both the Company and General Portland are acutely aware that people make the difference between success and failure of any enterprise. Over the years, this philosophy has



The protective mask worn by a Canada Cement Lafarge welder is a reminder of the importance of safety precautions in the Company's operations.

produced generations of loyal, skilled employees in both companies.

Canadian Operations
In Canada, the Company has, as a base, its strong national position in cement. Complementing these cement operations is its ownership in ready-mix concrete and related products operations in major centers across the country and its holdings and production of aggregates. In addition, the Company has investments in various related businesses.

Atlantic Region
The Atlantic Regional Office, located in Halifax, Nova Scotia, is headquarters for Canada Cement Lafarge's (CCL's) activities in the Atlantic Provinces. The trademark "Maritime Cement" is used in the Maritimes where, with the exception of Newfoundland, CCL has the only two producing plants.



The Balcones Oak symbolizes General Portland's commitment to environmental protection.

The manufacturing plants, located at Brookfield, Nova Scotia, and Havelock, New Brunswick, as well as terminals at Chatham, New Brunswick, and Albany, P.E.I., ensure our customers of prompt service throughout the region.

The Brookfield Plant, with annual productive capacity of 485,000 tonnes, specializes in producing Portland Type 10 cement, our largest selling product. The plant is located near one of the best limestone deposits in the country, which means that very few additives are necessary

Quebec Region

The distinguishing characteristic which strikes the observer immediately upon visiting the offices of CCL's Quebec Region is one of language. Operations are conducted in French, a reflection of the linguistic and cultural reality of Quebec.

The Quebec Regional Office, located in Montreal, co-ordinates sales offices and terminals in the Province and in the northeastern states of New England and is served by one manufacturing plant at St. Constant, with an annual productive capacity of 955,000 tonnes. The exporting potential of the St. Constant Plant is enhanced by CCL's ownership of facilities in Montreal Harbour.

The Quebec Region is also home to

five subsidiaries engaged in the concrete and construction business: Francon, Division of Canfarge Ltd.; Lafarge Béton Ltée; Béton Canfarge Inc.; Lagacé, Division of Canfarge Ltd.; and Béton St-Paul, Division of Canfarge Ltd.

These subsidiaries have been active in major projects in the Quebec Region, among them the Olympic Stadium, the James Bay Power Project, and recently the new Montreal Water Filtration Plant.

The Region and its subsidiaries employ 550 to 1500, including administrative and supervisory staff, as well as hourly workers and seasonal construction workers.

Ontario Region

Two producing plants (one at Bath, Ontario, and one at Woodstock, Ontario) and four terminals (Thunder Bay, Sudbury, Whitefish River & Toronto) make up the manufacturing and distribution strength of Canada Cement Lafarge's Ontario Region cement operations, which are headquartered at the Regional Office in Toronto.

The Bath plant, on deep water on the north shore of Lake Ontario, supplies bulk cement by boat, to Toronto and Whitefish River Terminals,

as well as to a terminal of a subsidiary company at Oswego, N.Y. on the south shore of lake Ontario.

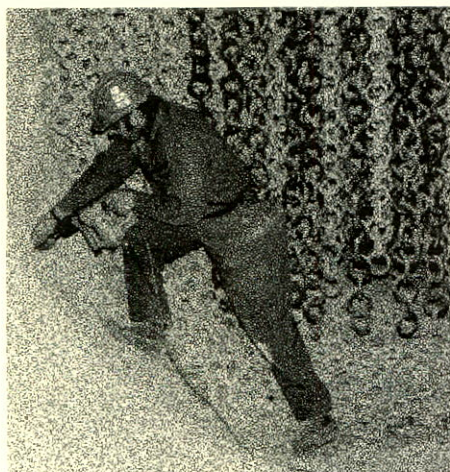
Woodstock plant produces a variety of cement types required by the market, and supplies these, in both bulk and bag, to the Ontario Region's customers.

Through its extensive ready-mix concrete, concrete block, concrete pipe, and aggregate businesses, the region is a major supplier to many large projects throughout Ontario. These operations are carried out by Standard Industries Ltd., Permanent Concrete, Division of Canfarge Ltd., and Richvale Block & Ready-Mix.

Although the economic health of Ontario was not exceptionally strong in 1981, because of national and international economic weakness, our Ontario Region stands strong and well positioned for the expected upturn in coming months.

Western Region

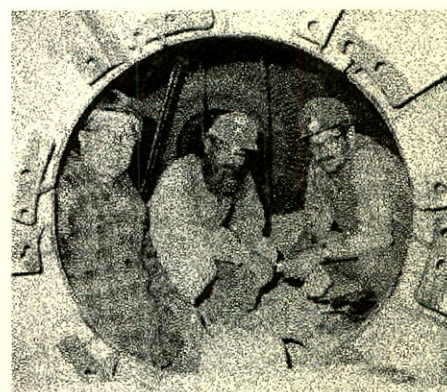
CCL's Western Region covers a wide geographical area, from Northwestern Ontario to Southeastern British Columbia, and includes



The chains inside a cement kiln provide an eye-catching background for a maintenance worker at Kamloops, British Columbia.



A loading hopper at the Balcones Plant, Texas.



Breaktime at the Brookfield Plant, Nova Scotia.

Manitoba, Saskatchewan, Alberta, and the Northwest Territories. Our producing plants at Exshaw, Alberta and Fort Whyte, Manitoba and grinding mills at Edmonton, Alberta and Saskatoon, Saskatchewan fulfill an increasing demand for cement in the area's booming economy.

The Exshaw Plant, in the Rocky Mountains 85 km west of Calgary, has undergone extensive modifications and expansions, culminating in the March 1981 firing of the new 600,000 tonne kiln. The plant's annual productive capacity is now 1,230,000 tonnes, CCL's largest.

The Fort Whyte Plant near Winnipeg, Manitoba, has an annual productive capacity of 565,000 tonnes. As well as being modernized over the years, Fort Whyte has been involved in the establishment of the Fort Whyte Nature Center, a wildlife sanctuary located on lakes created by excavation of clay near the plant.

The Region's subsidiary and associated companies in ready-mix, concrete products, and construction include Conmac Western Industries, Alberta Concrete Products Ltd., and Supercrete Incorporated.

These companies are strategically located to take full advantage of the expected upsurge in construction, when planned Western mega-projects get underway.

Pacific Region

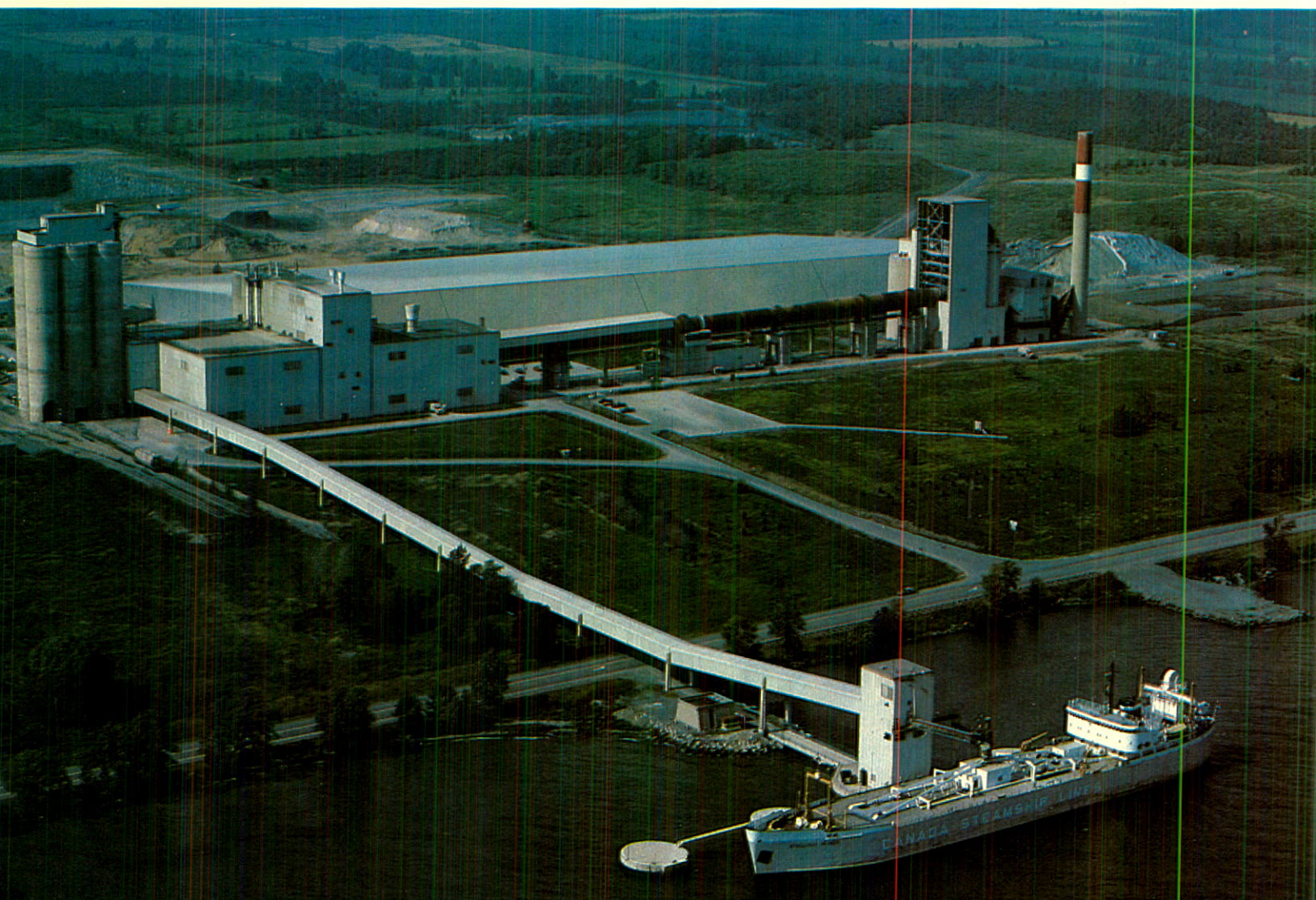
Vancouver is headquarters for the Company's Pacific Region. Its manufacturing plants are located at Richmond and Kamloops. Construction in British Columbia continued to be buoyant in 1981, and CCL supplied many large projects, not the least of these being the supply of cement for B.C. Hydro's Revelstoke Dam.

The English River loading cement at the Bath Plant, Ontario.

This \$1.2 billion dam will use over 2.3 million cubic metres of concrete spread over a period of three construction seasons. Construction on the main dam began in the summer of 1980 with the completion slated for the spring of 1984. The cement for the Dam and Powerhouse is being supplied by the Kamloops Plant.

A new Amphitheatre seating 60,000 is another major Vancouver project involving the Pacific Region's subsidiary Lafarge Concrete. The Stadium is located in British Columbia Place and will house the Province's major sporting and cultural events. Lafarge Concrete is supplying ready-mix, concrete block, sand, and gravel for the project.

Other projects which will be developed this year utilizing a large amount of cement are the Grain Elevators, Coal Port, and other harbour facilities to be built at Prince Rupert.



Financial Review

1.00 INTRODUCTION

1.01 Political forecast. In the general elections held in November 1981, Prime Minister Robert Muldoon's National Party was reelected with a majority of just one seat in New Zealand's unicameral Parliament. The National Party captured just 38.65% of the votes and 47 of the total 92 seats (compared with 50 in the 1978 elections), giving it only the slimmest edge over the opposition Labour Party, which won 38.89% of the votes and 43 seats. The party in power must supply a speaker for the House of Representatives from among its elected members, so the National Party's effective seats number 46. The Social Credit Political League, whose major policy aim is monetary reform, increased its share of the vote to 20.59% from 16.2% in 1978 but obtained only two seats because of New Zealand's lack of proportional representation.

The government's economic management—particularly of unemployment and inflation—remains the key issue (1.03). Prime Minister Muldoon's popularity has fluctuated since 1978, and opinion polls continue to show that support for Social Credit, led by the charismatic Bruce Beetham, has risen at the expense of the two larger parties. In spite of the National Party's meager majority, however, the Muldoon team is expected to remain in office for a full three-year term.

1.02 Attitude toward free enterprise. On the whole, New Zealand favors free enterprise but tends to overregulate. State intervention in industry is not expected to grow as long as the National Party remains in power, although the party does favor public-sector control in major undertakings.

The present government has liberalized some of the regulations affecting commercial enterprises and the administration of existing controls and guidelines concerning business. It has also established a Commerce Commission, which mainly functions to prevent cartels and monopolies from developing (4.00), and a Securities Commission, which examines any proposals involving public monetary subscription (11.04).

1.03 Market forecast. New Zealand achieved real GDP growth of nearly 4% in 1981/82 (ended March 31, 1982), thanks to increased exports (which, in turn, were largely due to unusually good weather) and additional government spending prior to the elections. The current fiscal year, however, is expected to show real economic growth of only 1% because of a sharp drop in external demand. Personal consumption expenditure is also forecast to slow substantially; it will climb by just 0.5% in 1982/83, vs an estimated gain of 2.5% in 1981/82, as a result of the year-long wage and price freeze imposed in June 1982 (5.00).

In its 1982/83 budget, the government increased the share of total tax revenues generated by indirect levies from 25% to 27.5%, largely by raising the rates on alcohol and tobacco by an average of 30%. Although business interests were disappointed that the new budget did nothing to stimulate investment, they hope that the promised substantial reductions in personal income tax will boost consumer demand and savings. In general, firms agree that the latest budget, taken in tandem with the wage and price freeze, has put in place some long-overdue measures to control inflation. After easing marginally from

almost 17% in 1980/81 to 15–16% in 1981/82, the inflation rate again accelerated in mid-1982. It is expected to slow starting early next year and should average about 15% for 1982/83. In announcing the budget, Prime Minister Muldoon reiterated earlier statements that the need to curb both inflation and inflationary expectations will be the major feature of New Zealand's economic policy over the short to medium term and claimed that he would not allow a wage and price explosion to occur after the freeze is lifted in June 1983.

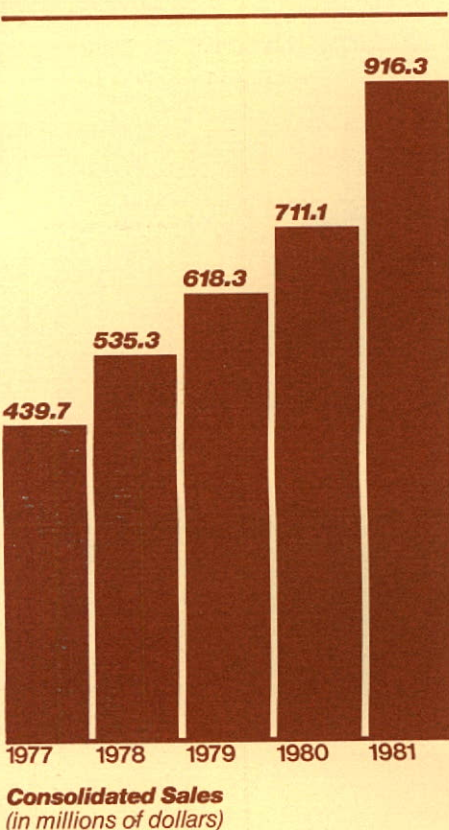
1.04 Currency outlook. Effective end-June 1982, the government introduced a new method of managing the New Zealand dollar. Rather than routinely adjust the unit on a monthly basis vis-a-vis a trade-weighted currency basket, the central bank now uses a more discretionary approach. Under the new system, monetary officials continue to monitor movements of the currencies of New Zealand's major trading partners and advise the government if changes in the dollar rate seem necessary. In September 1982, the exchange rate vis-a-vis the US dollar was NZ\$1.37:US\$1, vs NZ\$1.22:US\$1 a year earlier. New Zealand's current-account deficit widened from NZ\$1.525 billion in 1980/81 to NZ\$1.818 billion in 1981/82 and is expected to reach about NZ\$1.9 billion in the current fiscal year. A devaluation to NZ\$1.39–1.45:US\$1 could soon occur.

1.05 Attitude toward foreign investment. An upsurge of economic nationalism in the early 1970s led to a spate of regulations, restrictions and guidelines designed to allow foreign investment only in those activities deemed to be "in the national interest." The Labour government in power from 1972 to 1975 declared that ownership and control of New Zealand's resources should not "unwisely or unnecessarily be transferred to overseas residents."

With the National Party's return to power in 1975, the concept of free enterprise was reconfirmed, and, because of the chronic balance-of-payments problems plaguing New Zealand since that time, the perception of the national interest has been altered. The present government is more favorably disposed to foreign investment proposals than either the opposition Labour Party or the Social Credit Political League. The National Party's "think big" growth policy calls for large, capital-intensive, natural resource development projects, such as synthetic fuel plants and aluminum smelters; these require substantial foreign investment. The positive attitude toward foreign participation will continue as long as the National Party stays in power.

The Muldoon government is committed to further liberalization of foreign investment guidelines and their administration. For example, in 1979, the administration passed the controversial National Development Act aimed at simplifying the complicated planning provisions that often slow down the construction of major projects. The act provides for hearings and environmental reports to be completed within a prescheduled period of time and restricts avenues for objecting to planning decisions.

Projects that will introduce new technological skills, improve productivity, provide employment opportunities, establish new industries, utilize local resources or improve the country's foreign exchange position, either through export earnings or import savings, are welcomed. Foreign investment is discouraged



Sales

Total sales were \$916.3 million in 1981, compared with \$711.1 in 1980, an increase of \$205.2 million or 29 percent.

Cement sales increased by \$96 million or 33 percent during the year. Sales from Canadian operations increased by \$39 million with higher prices accounting for most of the improvement; shipments were up 2 percent with exports to the U.S. accounting for this volume increase. In the U.S. Citadel's sales volume improved substantially as a result of greater penetration in its market area, particularly Louisiana. General Portland's sales since acquisition date amounted to \$46 million and are included in the consolidated sales.

Sales of concrete, related products and revenue from construction increased by \$109 million or 26 percent. The increase is attributable to volume and price improvements in Ontario, Alberta and British Columbia, and to the full inclusion in 1981 of Standard Industries which became a subsidiary in April 1980 and Supercrete which became a subsidiary in November 1981.

Operating expenses

Cost of sales and other operating expenses were 26 percent higher in 1981 than in 1980 due to higher shipment levels and continuing inflation.

In 1981, cement production was adversely affected by work stoppages at six plants during most of the first quarter, while production at the Quebec plant was not resumed until July. All plants are presently working with labour agreements which expire between December 1982 and June 1983.

Labour and power costs were up 17 percent, while fuel costs

increased by some 25 percent; these three elements account for more than 60 percent of cement production costs. On the positive side, production increased at our recently expanded Exshaw cement plant, thereby enabling us to reduce high cost transfers from other plants of the Company.

Depreciation and depletion for 1981 increased by 33 percent compared to 1980, reflecting higher production volume at Exshaw and Citadel and, the full effect of Standard Industries and the pro-rata effect of General Portland.

Interest expenses

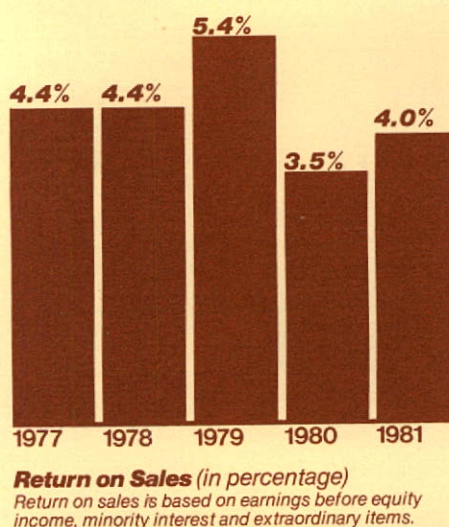
Interest charges in 1981 rose to \$33.5 million from \$17.0 million in 1980, due mainly to the financing of General Portland acquisition in November, higher prime bank rates and the start-up of operation of the new kiln at Exshaw, where interest had previously been capitalized during the construction period.

Income tax

Income taxes in 1981 amounted to \$23.9 million, an increase of 17 percent from 1980. Pre-tax earnings were higher by 33 percent. As outlined in NOTE 10 to the financial statements the effective tax rate dropped from 45.2 percent in 1980 to 39.7 percent in 1981.

Extraordinary items (net of income taxes)

Extraordinary income in 1981 of \$1.3 million resulted from a gain on expropriation of land. In 1980, an extraordinary loss resulted from the closure of a cement plant, partly offset by a gain on an insurance settlement on the involuntary disposal of assets.



Net earnings

Net earnings in 1981 amounted to 35.4 million or \$1.39 per common share compared to \$19.9 million or \$0.77 per common share in 1980. Except for the first quarter, where the seasonal nature of construction activity in Canada and strikes generated a net loss per common share of \$0.46 compared to a net loss of \$0.29 per common share for the previous year, the balance of 1981 has produced earnings per share higher than in the prior year.

1980-1979

Sales

Sales were \$711.1 million in 1980, compared with \$618.3 in 1979, an increase of \$92.8 million or 15 percent.

This increase was primarily attributable to the consolidation of Standard Industries Ltd., which became a subsidiary in April 1980. Shipments of cement and clinker from our Canadian plants in 1980 decreased 11 percent from the year earlier, while sales volume of ready-mix concrete showed little change from the 1979 level.

Net earnings

Net earnings, before extraordinary items, but including the results of Standard Industries for the first time, were \$19.9 million representing 3 percent of sales compared to 6 the decline can be summarized as follows:

- Most significant was the reduction in sales volume of cement. Production volume dropped even more as operations at some Canadian cement plants were restricted by work stoppages in the last quarter.
- Most cost factors increased significantly during the year, including the cost of fuel, which at the cement plants was up an average of 15 percent.
- Excluding the effect of Standard Industries, depreciation and depletion were lower, reflecting a reduced utilization of assets.

- Interest expense, excluding Standard Industries, was down \$2.8 million, as the proceeds from a \$75 million issue of convertible preference shares in March reduced the level of bank borrowings. This factor was partly offset by higher rates on bank borrowings.
- Equity income decreased considerably in 1980 as a result of the consolidation of Standard Industries and also, earnings from other associated companies were generally lower in 1980.
- A \$4.1 million extraordinary provision for loss on the closure of a cement plant at Birmingham, Alabama, was recorded in 1980.

1979-1978

Sales

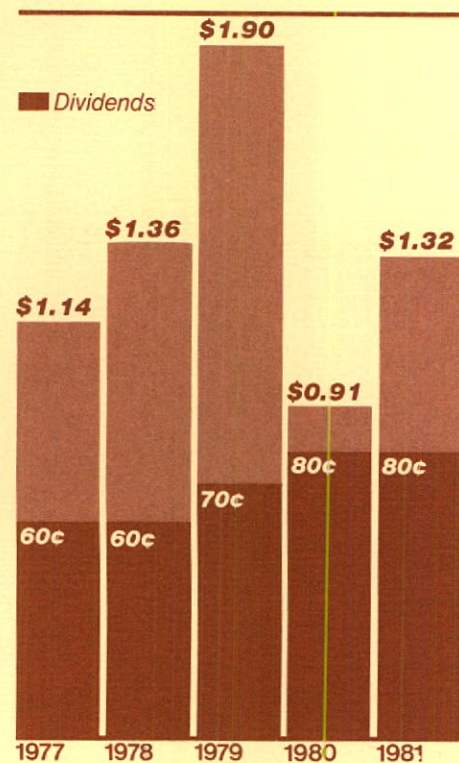
Sales were \$618.3 million in 1979, compared with \$535.3 million in 1978, an increase of \$83 million or 15.5 percent.

In 1979, shipments of cement and clinker from our Canadian plants increased by 7 percent for the second consecutive year. Exports alone increased by 27 percent to represent 22 percent of total volume sold. Shipments from Citadel Cement plants in Alabama were adversely affected by a decline in construction activity in the second half of 1979 and by lower sales to destinations outside of Citadel's natural market area which were particularly strong in 1978 due to an overall shortage of cement in the southern United States.

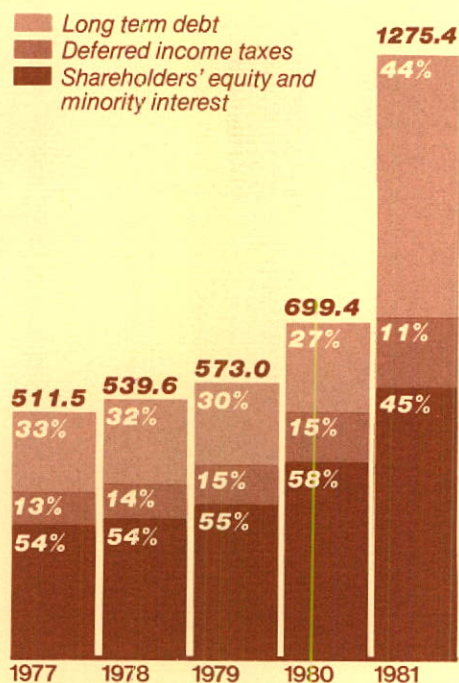
Sales volume of concrete products by our various subsidiary companies were generally lower than in 1978 as buoyant activity in Alberta was offset by reduced volumes in Montreal and Vancouver.

Net earnings

Net earnings were \$36.5 million or \$1.90 per common share compared to \$26.5 million or \$1.36 per common share in 1978.



Net Earnings per Common Share
(before extraordinary items)



Composition of capital employed
(in millions of dollars)

Capital employed represents the total assets of the Corporation (at net book value) minus current liabilities.



This improvement reflected higher cement sales volumes and prices and also the favorable impact on costs of running most plants at close to maximum practical capacity. In addition, progress made in fuel consumption efficiency and plant productivity helped reduce the impact of rising costs of energy and labour.

For these reasons, the increase in the cost of production of cement was kept at 7 percent, a figure significantly below the increase in the price of fuel at most plants and the contractual increase in hourly labour rates.

Depreciation and depletion expense rose by 19.5 percent to \$29.4 million reflecting increased production of cement and the first full year of depreciation on the new kiln at Brookfield, Nova Scotia.

Net interest expense on both short and long term borrowings increased by 11 percent mainly as a consequence of a significant rise in interest rates.

Financial position

The Company's working capital position increased by \$137 million during 1981 to \$236 million, and the resulting ratio of current assets to current liabilities at year end was 2.0 to 1 (compared to 1.6 to 1 at December 31, 1980). This strengthened position resulted mainly from issues of capital stock (\$156 million) and long-term debt (\$320 million) during 1981, less the purchase cost of General Portland, net of its own working capital of \$61 million.

Long-term debt represented 44 percent of total invested capital at year-end, compared to 27 percent at the beginning of the year, with the increase being primarily attributable to debt issued in connection with the acquisition of General Portland. Long-term debt repayments are expected to amount to \$74 million over the next three years.

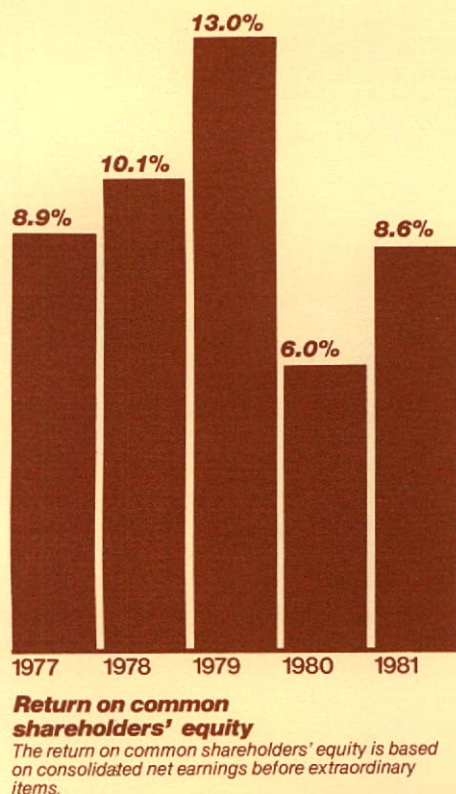
Further reductions in long-term debt may be initiated by the Company if financial circumstances warrant. About 62% of long-term debt is of a floating rate nature, some of which may be converted to a fixed rate basis if and when suitable financial market conditions develop.

Funds from operations are expected to provide the Company's principal source of capital in 1982. If 1981 results were restated to include General Portland on a full year basis, the pro forma funds provided from earnings and depreciation would have been approximately \$90 million. The Company currently expects that 1982 operations will generate a similar level of funds. Other sources of capital in 1982 may include proceeds from the planned sale of General Portland's cement plant and related assets at Chattanooga, Tennessee, as well as proceeds from the expected sale of other assets in both Canada and U.S., which are not essential to the Company's primary operations.

In recognition of current difficult economic conditions affecting the construction industry in both Canada and U.S., the dividend rate on the Company's common shares was reduced to \$0.10 quarterly effective February 1982.

If this rate is maintained throughout 1982, total dividend payments will amount to \$20 million. Capital expenditures are not expected to exceed \$60 million and long-term debt repayments should amount to \$11 million.

The Company has no material capital commitments (NOTE 14 to the financial statements), but may be required in certain circumstances to make additional investments in shares of its partly owned subsidiary and associated companies at 1981 of \$16 million. Its partly owned subsidiary and associated companies at an estimated aggregate cost at December 31, 1981 of \$16 million.



Management Responsibility for Financial Reports

The management of the Company has prepared and is responsible for the Consolidated Financial Statements and all other information included in this Annual Report. These statements have been prepared in accordance with generally accepted accounting principles, after restatement for the change in the method of accounting for foreign currency translation, applied on a consistent basis, and they necessarily include amounts which are based on estimates and judgements made with due consideration to materiality.

Management maintains a system of internal accounting controls which it believes provides reasonable assurance that Company policies and procedures are complied with, assets are safeguarded, and transactions are executed in accordance

with appropriate corporate authorization and recorded in a manner which permits management to meet its responsibility for the preparation of financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board. The committee meets with management, the external auditors and the internal auditors at least twice a year to satisfy itself that responsibilities are properly discharged and to review the financial statements.

The external auditors, Price Waterhouse, conduct an independent examination, in

accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Company system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board.

John D. Redfern
President & Chief Executive Officer

Patrick Bavière
Vice-President, Finance

Jean N. Poirier
Comptroller

Auditors' Report

To the Shareholders of Canada Cement Lafarge Ltd:

We have examined the consolidated balance sheets of Canada Cement Lafarge Ltd. as at December 31, 1981 and 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1981 and 1980 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1981 in accordance with generally accepted accounting principles, applied on a consistent basis after restatement for the change in the method of accounting for foreign currency translation as described in Note 2 to the financial statements.

PRICE WATERHOUSE
Chartered Accountants
Montréal, Québec
April 2, 1982.



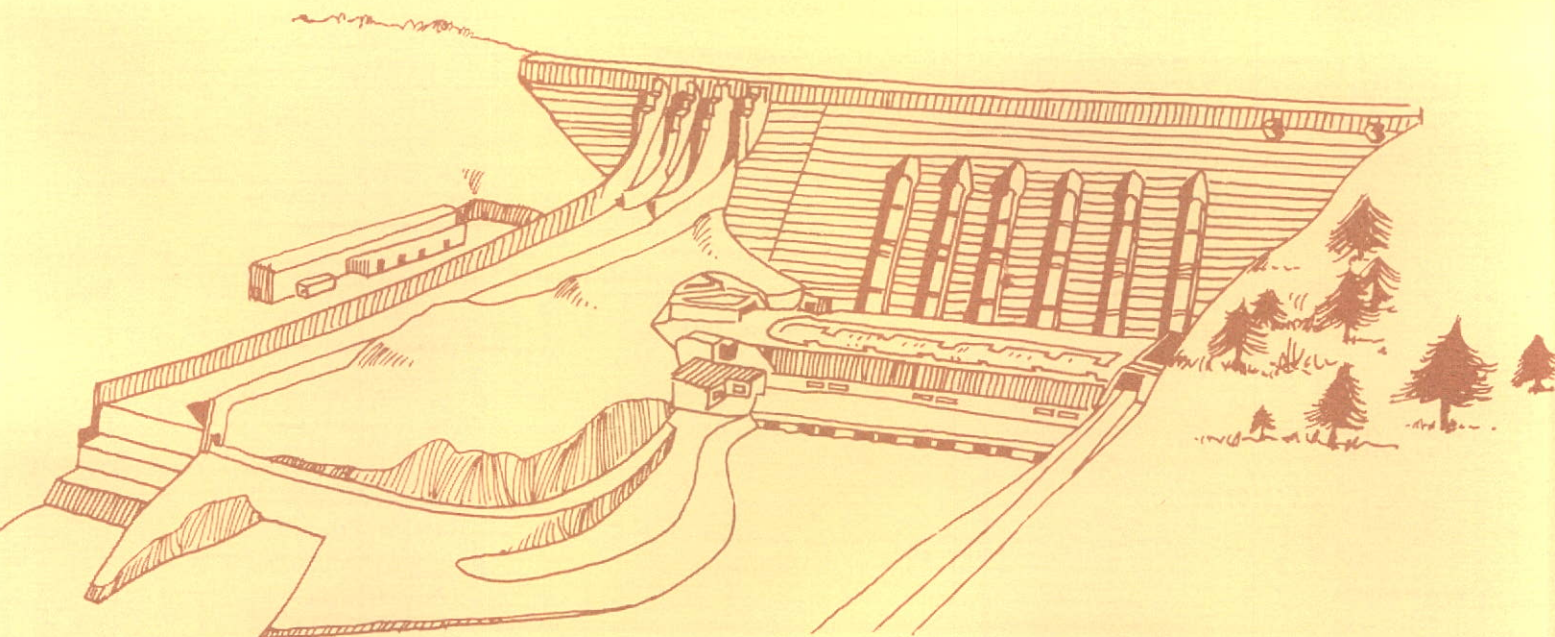
Revelstoke Dam in the Pacific Region

Consolidated Statement of Earnings

For the year ended December 31

(in thousands of Canadian dollars, except per share amounts)

	1981	1980	1979
		(restated - Note 2)	
Sales	\$916,312	\$711,136	\$618,297
Costs and expenses:			
Cost of sales and other operating expenses	701,305	557,970	466,382
Selling and administrative	76,295	57,108	46,366
Depreciation and depletion	45,092	33,905	29,369
	822,692	648,983	542,117
Income from operations	93,620	62,153	76,180
Interest expense (Note 9)	33,514	17,043	18,294
Earnings before the undernoted items	60,106	45,110	57,886
Income taxes (Note 10)	23,852	20,368	24,633
	36,254	24,742	33,253
Equity income	711	54	4,119
	36,965	24,796	37,372
Minority interest	2,815	2,145	851
Net earnings before extraordinary items	34,150	22,651	36,521
Extraordinary items (Note 11)	1,281	(2,752)	—
Net earnings	\$ 35,431	\$ 19,899	\$ 36,521
Net earnings per common share (Note 8 d)			
Basic:			
Before extraordinary items	\$ 1.32	\$ 0.91	\$ 1.90
After extraordinary items	\$ 1.39	\$ 0.77	\$ 1.90
Fully diluted:			
Before extraordinary items	\$ 1.23		
After extraordinary items	\$ 1.28		



Consolidated Balance Sheet

as at December 31
(in thousands of Canadian dollars)

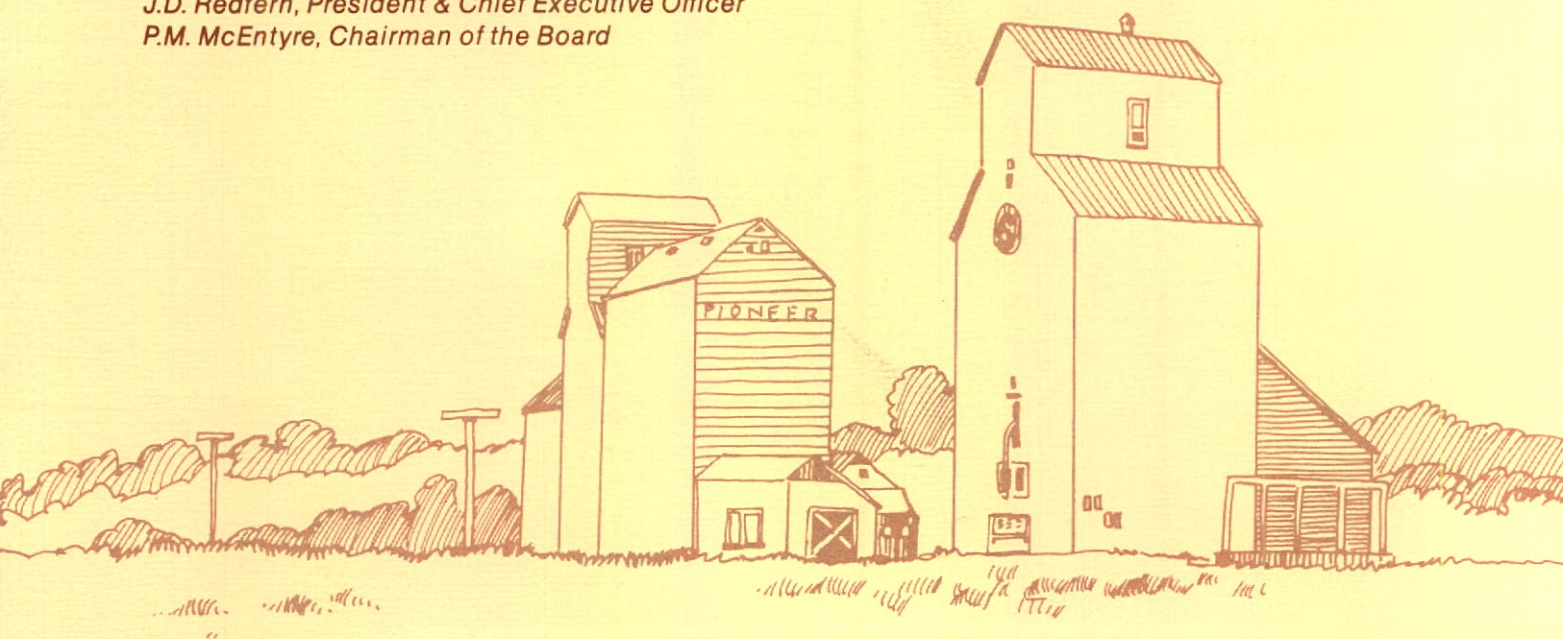
Assets

	1981	1980 (restated Note 2)
Current Assets:		
Cash and short term investments (Note 3)	\$ 73,135	\$ 11,154
Accounts receivable (Note 4)	214,865	129,127
Inventories (Note 5)	188,484	119,108
Prepaid expenses	5,041	4,941
	481,525	264,330
Investments and other assets:		
Long term receivables	23,974	9,901
Marketable securities held in Preference Dividend Maintenance Fund, at cost	2,340	2,340
Investments in associated companies	5,755	10,908
	32,069	23,149
	957,750	569,516
Fixed Assets (Note 6)		
Deferred Charges and Intangible Assets:		
Unamortized debt financing expense	2,290	1,527
Excess of cost of investment in subsidiaries over net tangible assets at dates of acquisition	47,228	5,952
	49,518	7,479
	\$1,520,862	\$864,474

On behalf of the Board:

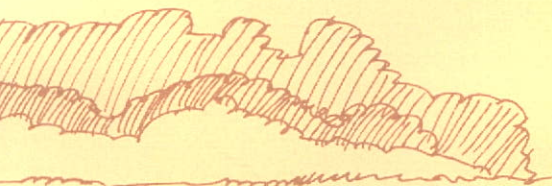
J.D. Redfern, President & Chief Executive Officer

P.M. McEntyre, Chairman of the Board



Liabilities and Shareholders' Equity

	1981	1980 (restated Note 2)
Current Liabilities:		
Bank indebtedness and short term borrowings	\$ 54,406	\$ 64,794
Accounts payable and accrued liabilities	159,936	79,008
Income and other taxes payable	19,928	11,256
Current portion of long term debt	11,149	9,976
	245,419	165,034
Long Term Debt (Note 7)	561,037	186,730
Deferred Income Taxes	142,149	105,803
Minority Interest	21,153	19,181
Commitments and Contingent Liabilities (Note 14)		
Shareholders' Equity (Note 8):		
Capital Stock-		
First preference shares	18,000	18,000
Second preference shares - Series A	74,937	74,988
Second preference shares - Series B	42,702	—
Common shares	202,643	88,910
	338,282	181,898
Retained earnings	210,111	198,388
Cumulative translation adjustments (Note 2)	2,711	7,440
	551,104	387,726
	\$1,520,862	\$864,474



Grain elevators are an everyday sight in the Company's Western Region.

Consolidated Statement of Changes in Financial Position

For the year ended December 31
(in thousands of Canadian dollars)

	1981	1980	1979
		(restated - Note 2)	
Financial resources were provided by:			
Net earnings before extraordinary items	\$ 34,150	\$ 22,651	\$ 36,521
Depreciation and depletion	45,092	33,905	29,369
Deferred income taxes	12,197	4,858	11,015
Other	2,279	3,425	(1,527)
Funds generated from operations	93,718	64,839	75,378
Net proceeds from issues of shares	156,012	73,757	—
Proceeds from issues of long term debt	319,618	16,566	4,000
Extraordinary items (as affecting working capital)	1,281	(181)	—
	570,629	154,981	79,378
Financial resources were applied to:			
Additions to fixed assets - net	33,406	101,025	71,837
Reduction in long term debt	26,952	16,160	10,144
Acquisition of General Portland Inc., less working capital acquired (Note 12 a)	334,660	—	—
Investment in subsidiary companies, less working capital acquired	8,233	241	2,567
Increase in long term receivables	5,886	5,938	296
Dividends - Preference shares	8,467	5,169	1,170
- Common shares	14,869	14,866	13,008
Other	1,346	(69)	1,755
	433,819	143,330	100,777
Increase (decrease) in working capital	136,810	11,651	(21,399)
Working capital at beginning of year	99,296	87,645	109,044
Working capital at end of year	\$236,106	\$ 99,296	\$ 87,645
Changes in components of working capital			
Current assets - Increase (Decrease)			
Cash and short term investments	\$ 61,981	\$ 5,179	\$(22,493)
Accounts receivable	85,738	23,719	18,524
Inventories	69,376	25,920	19,586
Prepaid expenses	100	1,210	(610)
	217,195	56,028	15,007
Current liabilities - Increase (Decrease)			
Bank indebtedness and short term borrowings	(10,388)	42,833	1,837
Accounts payable and accrued liabilities	80,928	3,411	24,218
Income and other taxes payable	8,672	(6,944)	7,023
Current portion of long term debt	1,173	5,077	3,328
	80,385	44,377	36,406
Increase (decrease) in working capital	\$136,810	\$ 11,651	\$(21,399)

Consolidated Statement of Retained Earnings

For the year ended December 31
(in thousands of Canadian dollars)

	1981	1980	1979
Balance at beginning of year			
As previously reported	\$199,139	\$199,495	\$177,424
Change in accounting policy (Note 2)	(751)	272	—
As restated	198,388	199,767	177,424
Net earnings	35,431	19,899	36,521
	233,819	219,666	213,945
Dividends—			
First preference shares	1,170	1,170	1,170
Second preference shares - Series A	5,846	3,999	—
Second preference shares - Series B	1,451	—	—
Common shares	14,869	14,866	13,008
Expenses related to issues of shares (net of income taxes of \$292 in 1981 and \$823 in 1980)	372	1,243	—
	23,708	21,278	14,178
Balance at end of year	\$210,111	\$198,388	\$199,767



The Ontario Region and a familiar Toronto landmark — the CN Tower.

Notes to Consolidated Financial Statements

As at December 31, 1981

(in thousands of Canadian dollars unless otherwise noted)

Note 1 - Summary of Principal Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The main differences between Canadian and United States generally accepted accounting principles as they affect the Corporation and its subsidiaries are described in Note 15.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all subsidiary companies. The Corporation accounts for share interests of between 20% and 49% in various associated companies by the equity method.

All acquisitions of subsidiary companies have been accounted for by the purchase method. The cost of the Corporation's investments in subsidiary companies is allocated in accordance with the fair value of the underlying assets as at the dates of investment. The excess of the cost of investments over the fair value of the assets on acquisitions made after March 31, 1974, is amortized on a straight line basis over periods not exceeding 40 years. On acquisitions made prior to April 1, 1974, this excess is carried at cost until such time as there may be evidence of diminution in value. Amortization of \$168 was charged to earnings in 1981 (nil in 1980 and 1979).

Foreign Currency Translation

The accounts of foreign subsidiaries included in the consolidated financial statements are translated to Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the exchange rate in effect at the balance sheet date and the statement of earnings is translated at the weighted average rate for the year. Gains or losses on translation are not included in the consolidated statement of earnings but are shown as a separate item in the shareholders' equity. Gains or losses on foreign currency transactions that are designated as hedges of a net investment in a foreign entity are reported in the same manner as translation adjustments.

Revenue Recognition

Revenue from sales of cement, ready-mixed concrete, concrete blocks and pipes, aggregates and miscellaneous products is recorded at the time the products are shipped to customers. Revenue from highway and street construction contracts is taken up on the basis of units of work completed. Revenue from indivisible lump sum contracts is taken up on the percentage of completion method. Losses, if any, are provided for in full as soon as they become evident.

Debt Financing Expenses

Costs incurred in issuing long term debt are amortized over the term of the debt issue to which they relate.

Income Taxes

Income tax expense includes provision for all taxes currently payable as well as for those which have been deferred to future years as a result of timing differences in the measurement of income for book and tax return purposes. The balance sheet provision for deferred income taxes reflects the cumulative effect of all such deferrals, which arise principally from the excess of depreciation claimed for tax purposes over the depreciation recorded in the accounts.

Investment tax credits are reflected in earnings in the year during which the related expenditures are made, except where timing of receipt of the benefit is not determinable.

Inventories

Inventories, which consist mainly of cement, raw materials, supplies and repair parts, are carried at the lower of cost (generally average cost) and net realizable value.

Fixed Assets

Fixed assets are carried at cost, which, in the case of major manufacturing plants, includes interest incurred during construction. Assets are depreciated over their estimated useful lives basically on the straight-line method, adjusted for certain categories in accordance with established criteria to reflect variations from normal utilization. Basic rates range from 2½% on certain buildings to 25% on light mobile equipment. Land includes depletable raw material reserves on which depletion is recorded on a unit of production basis.

Note 2 - Change in Accounting Policy

In 1981, the Corporation changed its method of accounting for foreign currency translation to the current rate method, whereby gains or losses on translation of foreign currency financial statements are shown in shareholders' equity rather than in a combination of the consolidated statement of earnings and the consolidated balance sheet as in prior years. This change has been applied retroactively to January 1, 1979. Had the previous method been applied, consolidated net earnings would have been \$0.06 per common share lower in 1981, \$0.05 per common share higher in 1980 and \$0.01 per common share lower in 1979.

Note 3 - Cash and Short Term Investments

	1981	1980
Cash	\$ 4,609	\$ 3,889
Term deposits (lower of cost and market value)	43,224	7,265
Term deposits reserved for the purchase of the balance of the shares of General Portland Inc. (Note 12)	25,302	—
	\$ 73,135	\$ 11,154

Note 4 - Accounts Receivable

	1981	1980
Trade receivables	\$209,796	\$124,154
Holdbacks	12,966	8,700
Provision for doubtful accounts	(7,897)	(3,727)
	\$214,865	\$129,127

Note 5 - Inventories

	1981	1980
Repair parts and supplies	\$ 62,673	\$ 45,133
Raw materials	39,012	24,178
Work in process	24,686	17,529
Finished goods	62,113	32,268
	\$188,484	\$119,108

Note 6 - Fixed Assets

	Land	Buildings, Plants and Equipment	Construction in Progress	Total
1981				
Cost	\$131,545	\$1,201,988	\$ 4,792	\$1,338,325
Accumulated depreciation and depletion	7,971	372,604	—	380,575
Net book value	\$123,574	\$ 829,384	\$ 4,792	\$ 957,750
1980				
Cost	\$ 76,650	\$ 727,191	\$ 100,811	\$ 904,652
Accumulated depreciation and depletion	8,315	326,821	—	335,136
Net book value	\$ 68,335	\$ 400,370	\$ 100,811	\$ 569,516

Note 7 - Long Term Debt

	1981	1980
Canada Cement Lafarge Ltd.-		
Sinking Fund Debentures:		
6¼%, Series A, maturing in 1986	\$ 5,776	\$ 6,676
9½%, Series B, maturing in 1990	14,738	15,531
8¾%, Series C, maturing in 1992	25,182	26,214
11¼%, Series D, maturing in 1995	12,919	13,927
9¾%, Series E, maturing in 1997	36,847	38,297
7½%, Series F, maturing in 1988	5,318	5,597
Term bank loans under revolving credit facilities totalling \$300 million, include \$85 million in U.S. funds, and are repayable between 1985 and 1993, bearing interest at varying rates up to 3/8% over prime	257,802	—
Term bank loans under revolving credit facilities, including \$20 million in U.S. funds, repayable in 1983 bearing interest up to a maximum of prime	58,718	—
Term bank loans, including \$2,360 repayable in U.S. funds, maturing between 1982 and 1988, bearing interest at varying rates up to 3/4% over prime	10,559	12,064
Term bank loans under revolving credit facilities, bearing interest at prime plus 1/4%	—	15,000
General Portland Inc. -		
U.S. \$28,000, 9.125% notes maturing in equal annual instalments of U.S. \$2,000 from 1982 to 1995	33,205	—
U.S. \$17,725 secured industrial revenue bonds maturing in various amounts between 1998 and 2010, bearing interest at varying rates up to a maximum of 9.875%, with sinking fund requirements beginning in 1989	21,020	—
U.S. \$13,200, 7.8% sinking fund debentures maturing in 1996	15,654	—
Citadel Cement Corporation -		
U.S. \$26,250, 9¾% notes maturing in equal annual instalments of U.S.\$1,875 from 1982 to 1995	31,130	33,601
Standard Industries Ltd. -		
Term bank loans (secured) repayable \$500 annually with the balance due in 1985 and bearing interest at prime plus 1%	7,000	7,500
Supercrete Incorporated -		
Term bank loans (secured) repayable \$1,200 annually and bearing interest at prime plus 3/4%	10,800	—
Other debt (of which \$9,000 is secured by assets)	25,518	22,299
	572,186	196,706
Less: portion due within one year included in current liabilities	11,149	9,976
	\$561,037	\$186,730

(a) The Corporation still has available under the \$300 million credit facilities, \$58 million which can be borrowed in Canadian or U.S. dollars, and of which, if borrowed in 1982, \$42 million would be repayable between 1986 and 1994 and \$16 million would be repayable in 1983 or 1984. In addition, General Portland Inc. has available a U.S. \$30 million line of credit which can be borrowed in U.S. dollars maturing from 1985 to 1989, with interest payable at a maximum of 108½% of prime. All or a part of this facility may be used to refinance certain of the revolving credit facilities outlined above.

(b) Payment requirements during the next five years, after the exclusion of U.S. \$30 million of bank loans due in 1983, for which refinancing is available, are as follows:

	Year ending December 31				
	1982	1983	1984	1985	1986
	\$11,149	\$47,364	\$15,910	\$53,549	\$51,073

Note 8 - Shareholders' Equity and Earnings Per Share

(a) As at December 31, the capital structure of the Corporation was as follows:

	Authorized	Outstanding	
		1981	1980
Preference shares	900,000	900,000	900,000
Second preference shares issuable in series	Unlimited		
Series A	5,000,000	4,995,800	4,999,200
Series B	7,256,392	2,951,100	—
Common shares	42,000,000	28,472,228	18,583,462

The Preference shares (the "first preference shares") are entitled to a cumulative dividend of \$1.30 per share per annum and are redeemable at the option of the Corporation at \$30 per share.

The Series A second preference shares are entitled to a cumulative dividend of \$1.17 per annum. They are convertible at the option of the holder into common shares of the Corporation any time prior to August 31, 1990 on the basis of 1.01 common share for each Series A share (but subject to conversion rate adjustments under certain conditions) and thereafter on the basis of 0.909 of a common share for each Series A share. Prior to November 7, 1981, they were convertible on the basis of 1 common share for each Series A share. They are redeemable at the option of the Corporation at \$15.75 per share after August 31, 1985 and at reducing amounts thereafter to \$15.00 per share after August 31, 1990.

The Series B second preference shares are entitled to a non-cumulative dividend equal to that paid on common shares of the Corporation and are redeemable at the option of the Corporation at \$14.47 per share. They are convertible into common shares of the Corporation on a one for one basis although up to November 30, 1981, this conversion ratio was subject to adjustment in the event of a public issue or rights offering of common shares of the Corporation. The entire issue of Series B shares was acquired by a subsidiary of Lafarge Coppée on August 20, 1981. It has been agreed that the conversion right will only be exercised to the extent necessary for Lafarge Coppée to maintain 54.78% ownership of voting shares of the Corporation. Following a rights issue, on November 27, 1981, 4,468,184 common shares were issued at a price of \$11.50 per share, and up to November 30, 1981 the Lafarge Coppée subsidiary converted a total of 4,305,292 Series B preference shares into 5,417,179 common shares of the Corporation.

(b) The details of share transactions during the year were as follows:

	1981		1980	
	Shares	Amount	Shares	Amount
Second preference shares - Series A				
Balance at beginning of year	4,999,200	\$74,988	—	\$ —
Issued on March 25, 1980 for \$15.00 per share	—	—	5,000,000	75,000
Converted into common shares	(3,400)	(51)	(800)	(12)
Balance at end of year	4,995,800	\$74,937	4,999,200	\$74,988
Second preference shares - Series B				
Issued on August 20, 1981 for \$14.47 per share	7,256,392	\$105,000		
Converted into common shares	(4,305,292)	(62,298)		
Balance at end of year	2,951,100	\$ 42,702		
Common shares				
Balance at beginning of year	18,583,462	\$ 88,910	18,582,662	\$88,898
Issued on November 27, 1981 for \$11.50 per share	4,468,184	51,384	—	—
Conversion of Series A shares	3,403	51	800	12
Conversion of Series B shares	5,417,179	62,298	—	—
Balance at end of year	28,472,228	\$202,643	18,583,462	\$88,910

6,835,010 common shares are reserved for the possible conversion of the Series A and Series B second preference shares.

Note 8 - Shareholders' Equity and Earnings Per Share (continued)

(c) Retained earnings include a reserve for Preference Dividend Maintenance Fund of \$2,340.

(d) Earnings per common share:

Basic earnings per common share are calculated on 19,425,609 shares, the weighted average number of shares outstanding during the year (1980 - 18,582,935 shares, 1979 - 18,582,612 shares). Fully diluted earnings per common share show the effect on earnings per common share which would result if the convertible preferred shares outstanding at the end of the year had been converted into common shares at the beginning of the year or at the time of issuance. Net earnings used in determining fully diluted earnings per share are increased by the amounts of dividends declared on the convertible preferred shares.

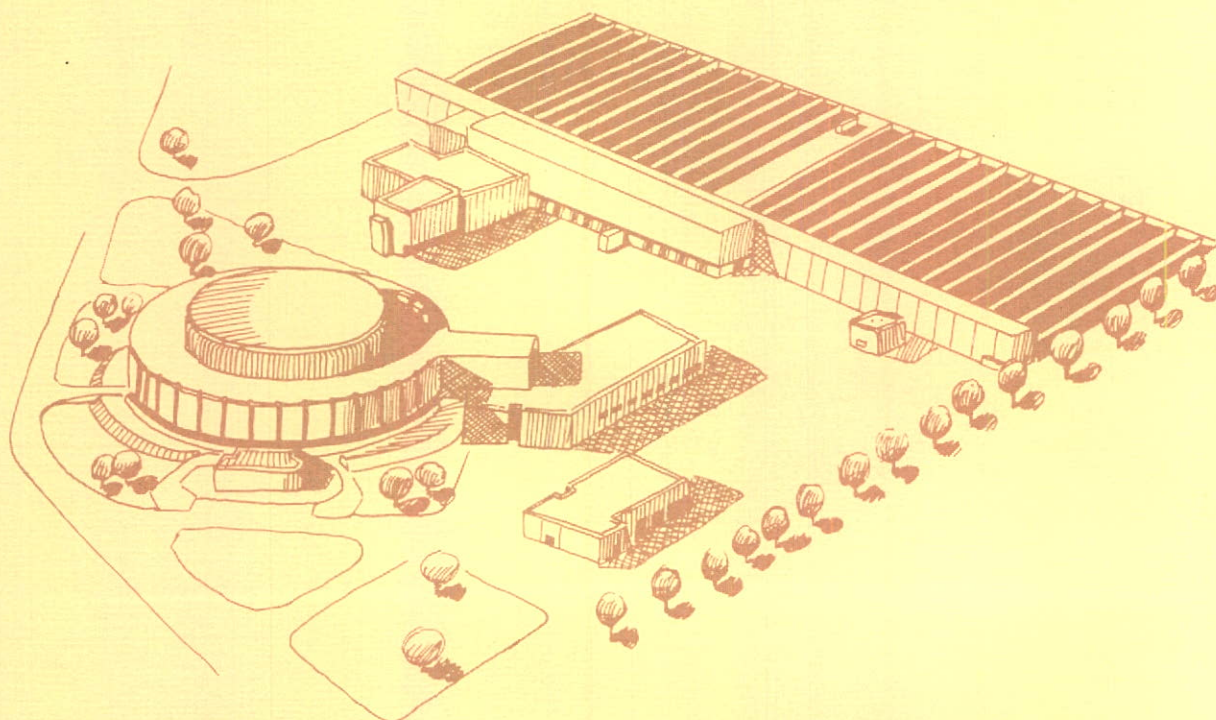
(e) Cumulative translation adjustments (Note 2):

	1981	1980	1979
Balance at beginning of year	\$7,440	\$5,242	\$6,307
Increase (decrease) during the year	(4,729)	2,198	(1,065)
Balance at end of year	\$2,711	\$7,440	\$5,242

Note 9 - Interest Expense

	1981	1980	1979
Interest on long term debt	\$30,399	\$17,524	\$17,480
Less: Amount capitalized	2,576	3,926	1,613
	27,823	13,598	15,867
Other interest expense	14,902	6,977	3,701
Less: Amount capitalized	2,778	2,268	—
	12,124	4,709	3,701
Investment income	6,433	1,264	1,274
Interest expense - net	\$33,514	\$17,043	\$18,294

Artist's conception of Montreal's new water filtration plant in the Quebec Region.



Note 10 - Income Taxes**The components of the provision for income taxes are as follows:**

	1981	1980	1979
Current			
Canadian - Federal	\$ 7,985	\$ 9,361	\$ 8,191
- Provincial	5,485	5,972	4,891
United States and other	(1,815)	177	536
	<u>11,655</u>	<u>15,510</u>	<u>13,618</u>
Deferred			
Canadian - Federal	12,504	3,767	8,525
- Provincial	3,514	2,441	2,490
United States and other	(3,821)	(1,350)	—
	<u>12,197</u>	<u>4,858</u>	<u>11,015</u>
Total	\$23,852	\$20,368	\$24,633

The deferred income tax provision arises from:

	1981	1980	1979
Excess depreciation for tax purposes	\$ 9,502	\$ 8,941	\$ 9,449
Business losses recoverable	(2,655)	(3,150)	(690)
Canadian investment tax credits	3,190	1,188	1,740
Other	2,160	(2,121)	516
	<u>\$12,197</u>	<u>\$4,858</u>	<u>\$11,015</u>

A reconciliation of the Corporation's effective income tax rate is as follows:

	1981	1980	1979
Canadian and United States federal income tax rates	46.0%	46.0%	46.0%
Canadian tax incentives for manufacturing and processing	(4.1)	(4.7)	(4.7)
Provincial income taxes, net of federal abatement	4.3	4.6	3.3
Inter-group income taxed at reduced rates	(3.8)	—	—
Canadian investment tax credits	(2.5)	(3.4)	(2.5)
Canadian inventory allowance	(1.3)	(1.7)	(8)
Canadian surtax	1.5	1.6	—
Other	(.4)	2.8	1.3
	<u>39.7%</u>	<u>45.2%</u>	<u>42.6%</u>

A subsidiary of the Corporation has, as at December 31, 1981, approximately \$9.5 million of operating losses and \$7.6 million of investment tax credits, for which the tax benefits have not been recognized in the financial statements.

Note 11 - Extraordinary items

	1981	1980
Gain on expropriation of land (net of income taxes of \$400)	\$ 1,281	\$ —
Provision for loss on the closure of a cement plant at Birmingham, Alabama (net of income taxes of \$1,350)	—	(4,079)
Gain arising from an insurance settlement on the involuntary disposal of leased assets (net of income taxes of \$450)	—	1,327
	<u>\$ 1,281</u>	<u>\$(2,752)</u>

Note 12 - Investment in subsidiary companies

(a) Acquisition of General Portland Inc.

As of November 13, 1981, the Corporation acquired a majority of the voting shares of General Portland Inc., a company engaged primarily in the manufacture and sale of cement in the United States. The acquisition was accounted for by the purchase method and the assets and liabilities have been consolidated as if the Corporation owned 100% on December 31, 1981. At that date, the Corporation owned 93.5% of the shares. The purchase was fully completed on January 4, 1982 with assets of \$25,302 being set aside in short term investments as of December 31, 1981 to cover the cost of the remaining shares and the offsetting liability therefor being reflected in accounts payable.

Details of the acquisition are as follows:

Working capital	\$ 61,213
Fixed assets	379,515
Other assets	9,148
Long term debt	(71,923)
Deferred income taxes	(23,259)
Fair value of net assets acquired	354,694
Excess of cost over fair value of assets	41,179
	<u>\$395,873</u>
Cost of shares tendered in 1981	370,571
Minority interest acquired in 1982	25,302
Total cash outlay	<u>\$395,873</u>

The inclusion of General Portland's earnings from November 13, 1981, did not have a material effect on the net earnings.

Assuming the purchase had taken place on January 1, 1979, at the same excess of cost over fair value of assets and financed by convertible preference shares, common shares and by bank borrowings at an average interest rate of 19% in 1981, 14% in 1980 and 11.5% in 1979, the pro-forma consolidated earnings of the Corporation would have been as follows:

	1981	1980	1979
Sales	\$1,261,516	\$1,076,453	\$ 943,171
Earnings before income taxes	\$ 43,429	\$ 64,036	\$ 90,314
Net earnings before extraordinary items	\$ 28,244	\$ 43,663	\$ 64,568
Extraordinary items	2,481	(595)	4,688
Net earnings	\$ 30,725	\$ 43,068	\$ 69,256
Net earnings per common share:			
Basic:			
Before extraordinary items	\$ 0.66	\$ 1.20	\$ 1.94
After extraordinary items	\$ 0.75	\$ 1.19	\$ 2.10
Fully diluted:			
Before extraordinary items		\$ 1.17	\$ 1.74
After extraordinary items		\$ 1.16	\$ 1.87

(b) Other acquisitions:

During the year, the Corporation increased its ownership to 100% in two associated companies and purchased a 100% interest in another company. These acquisitions included Supercrete Incorporated, a major Winnipeg-based producer of ready-mixed concrete, concrete products and aggregates. Total outlays, after deducting working capital acquired of \$1.5 million, amounted to \$8.2 million.

Note 13 - Related party transactions

The Corporation's transactions with its associated companies carried out in the ordinary course of business consist mainly of the sale of cement and the purchase of engineering and transportation services and concrete products. During 1981, sales and purchases amounted to \$15 million and \$9 million respectively (\$16 million and \$11 million respectively in 1980).

The Corporation's transactions during 1981 with its major shareholder, Lafarge Coppée, consisted of the exchange of technical and management know-how and the purchase of various services, at a net cost of \$897 (\$949 in 1980). In addition, interest of \$3,439 was paid on a \$105 million advance from Lafarge Coppée pending the issue of shares. On August 20, 1981, the Corporation applied this advance in payment of the entire issue of the Series B second preference shares. Details of this transaction are explained in Note 8 (a).

Note 14 - Commitments and contingent liabilities

(a) Payments under long term property, plant and equipment leases amounted to \$5,070 in 1981 (\$5,257 in 1980 and \$6,953 in 1979). Future minimum annual payments under leases in existence as at December 31, 1981, average \$6,300 for 1982 through 1984, \$2,800 for 1985 and 1986, and total \$14,800 for all subsequent years.

The Corporation has not given retroactive effect in its financial statements to capital leases entered into on or before December 31, 1978. Had retroactive effect been given to such capital leases, then:

(i) the fixed assets, liabilities, deferred income taxes and retained earnings of the Corporation as at December 31, 1981 would have increased by \$17.4 million, \$13.5 million, \$1.8 million and \$2.1 million respectively; and

(ii) the consolidated net earnings of the Corporation would have been unchanged in 1981 and would have increased by \$0.01 per common share in 1980 and \$0.03 per common share in 1979.

(b) The Corporation is party to several antitrust suits in the United States. These suits, certified as class actions, allege that the Portland Cement Association and substantially all United States cement producers, including Citadel Cement Corporation and General Portland Inc., conspired to fix, maintain and stabilize cement prices and seek unstated treble damages and injunctive relief. The Corporation has denied all the allegations against it and intends to vigorously defend these suits.

(c) Pursuant to a proposed settlement with the U.S. Federal Trade Commission, the Corporation is required to sell the General Portland cement plant located in Chattanooga, Tennessee. In addition, the eventual purchaser will have the option to purchase undeveloped acreage near Chattanooga and certain distribution terminals.

(d) Pursuant to various agreements the Corporation has the right and in certain circumstances may be required to make additional investments in shares of its partly owned subsidiary and associated companies at an estimated aggregate cost as at December 31, 1981 of \$15.6 million.

Note 15 - United States accounting principles

The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles. The main differences between Canadian and United States generally accepted accounting principles which affect the net earnings of the Corporation are as follows:

(a) Excess of the cost of investments over the fair value of the assets

The accounting treatment for this excess is similar under both Canadian and U.S. accounting principles except that under the Canadian practice, retroactive application was not mandatory to amounts already recorded in the accounts as of March 31, 1974.

(b) Leases

The accounting treatment for leases is similar under both the Canadian and U.S. accounting principles except that under Canadian practice, retroactive application was not mandatory to leases entered into on or before December 31, 1978.

(c) Investment tax credits

Under U.S. accounting principles, investment tax credits are recognized in the statement of earnings only when deducted for tax purposes while under Canadian practice, they can be recognized as earned.

(d) Extraordinary items

The items classified as "extraordinary" in the financial statements would not be so classified under U.S. accounting principles.

(e) Earnings per share

The difference between the basic earnings per common share required by Canadian practice and the primary earnings per common share used in the U.S. is that certain types of convertible preferred shares are considered common share equivalents in the U.S.

A reconciliation of net earnings as reported with net earnings determined in accordance with generally accepted accounting principles in the United States is set forth below:

	1981	1980	1979
Net earnings as reported	\$35,431	\$19,899	\$36,521
Amortization of the excess of the cost of investments over the fair value of the assets	(149)	(149)	(152)
Effect of lease capitalization	24	199	502
Reversal of investment tax credits earned but not yet realized	(829)	—	—
Net earnings in accordance with generally accepted accounting principles in the United States	\$34,477	\$19,949	\$36,871
Primary net earnings per common share in accordance with generally accepted accounting principles in the United States (see (e) above)	\$ 1.25	\$ 0.77	\$ 1.92

Note 16 - Pension plans

The Corporation and its subsidiaries have several pension plans covering substantially all of their employees. The total pension expense for 1981, 1980 and 1979 was \$8,551, \$7,149 and \$6,363 respectively, including a charge for past service costs, which are being amortized over periods ranging from 15 to 30 years. The Corporation makes annual contributions to the plans equal to the amounts accrued for pension expense.

Based on valuation data as of January 1, 1981, the actuarial present value of accumulated plan benefits totaled \$126,900, of which \$116,400 was for vested and \$10,500 for non-vested employees. The weighted average assumed rate of return used in determining the actuarial present value was 8%. Net assets measured at market value were \$141,800.



The Atlantic Region — where the pounding of the surf blends with the roar of new petroleum activity.

Note 17 - Segmented information

Since operations of the Corporation are closely integrated, industry segmentation is somewhat arbitrary. For purposes of this note, these operations have been divided into two segments: 1) cement, concrete and related products and 2) construction.

With the recently expanded scope of the U.S. operations, the Corporation now conducts its operations in two significant geographic segments: Canada and the United States.

It should be noted that while "identifiable assets" include in 1981 all assets of General Portland as at December 31, 1981, operating results attributable to General Portland Inc. are included only from November 13, 1981, the effective date of acquisition.

It should also be noted that the "identifiable assets" located in the United States more closely reflect replacement cost that do the assets of the Canadian operations carried at their historical cost.

(a) Industry segments

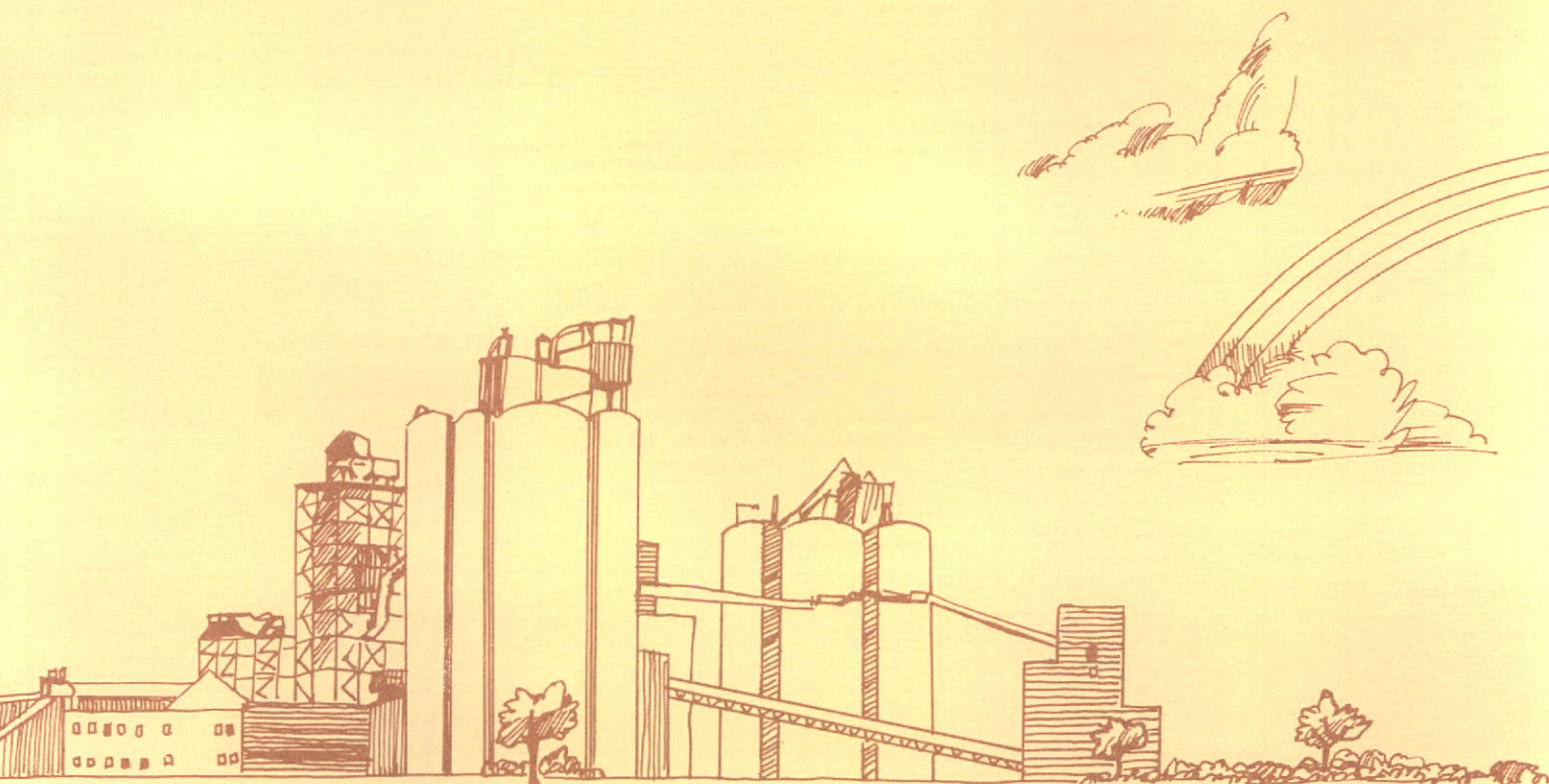
The cement, concrete and related products segment includes the manufacture of all types of cement, the production of ready-mixed concrete, precast and prestressed concrete components, concrete blocks and pipes and stone aggregates. The construction segment consists of road construction, production and sale of asphalt and sale and placement of reinforcing steel. Transfers of product between segments are generally accounted for on a basis that results in a fair profit being earned by each segment.

	Cement, concrete and related products	Construction	Total
1981			
Sales to customers	\$722,730	\$193,582	\$916,312
Inter-segment transfers	13,207	—	13,207
Total revenue	\$735,937	\$193,582	\$929,519
Segment operating income	\$102,359	\$ 12,692	\$115,051
Unallocated operating expenses			21,431
Income from operations			\$ 93,620
	Identifiable assets	Capital expenditures	Depreciation expense
Cement, concrete and related products	\$1,424,195	\$ 31,127	\$ 40,816
Construction	83,723	2,779	4,182
Corporate and other	12,944	(500)	94
	\$1,520,862	\$ 33,406	\$ 45,092
	Cement, concrete and related products	Construction	Total
1980			
Sales to customers	\$533,416	\$177,720	\$711,136
Inter-segment transfers	15,007	—	15,007
Total revenue	\$548,423	\$177,720	\$726,143
Segment operating income	\$ 70,797	\$ 9,117	\$ 79,914
Unallocated operating expenses			17,761
Income from operations			\$ 62,153
	Identifiable assets	Capital expenditures	Depreciation expense
Cement, concrete and related products	\$771,121	\$ 92,614	\$ 30,076
Construction	80,497	8,309	3,696
Corporate and other	12,856	102	133
	\$864,474	\$101,025	\$ 33,905

Note 17 - Segmented information (continued)

(b) Geographic segments

	Canada	United States	Total
1981			
Sales			
To customers	\$775,233	\$141,079	\$ 916,312
Inter-segment (at market value)	11,606	2,035	13,641
Total sales	\$786,839	\$143,114	\$ 929,953
Segment operating income	\$111,208	\$ 1,811	\$ 113,019
Unallocated operating expenses			19,399
Income from operations			\$ 93,620
Identifiable assets	\$784,292	\$736,570	\$1,520,862
1980			
Sales			
To customers	\$637,865	\$ 73,271	\$ 711,136
Inter-segment (at market value)	10,223	1,353	11,576
Total sales	\$648,088	\$ 74,624	\$ 722,712
Segment operating income	\$ 77,314	\$ (453)	\$ 76,861
Unallocated operating expenses			14,708
Income from operations			\$ 62,153
Identifiable assets	\$707,669	\$156,805	\$ 864,474



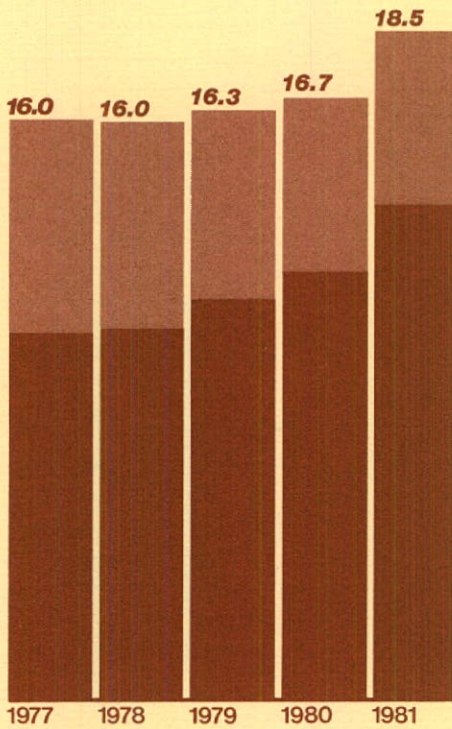
The Balcones Plant, a General Portland's newest in New Braunfels, Texas.

Ten Year Financial Summary

Fiscal Year
 Ended December 31
 (in thousands of dollars)

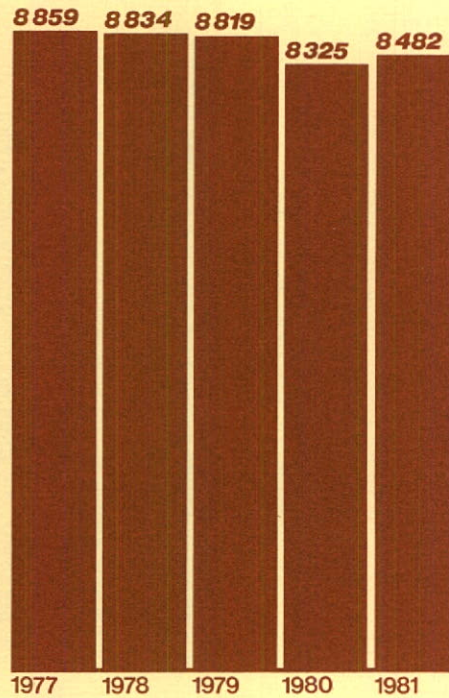
	1981	1980	1979
Net Earnings			
Sales	\$ 916,312	\$711,136	\$618,297
Cost and expenses:			
Cost of sales and operating, selling and administrative	777,600	615,078	512,748
Depreciation and depletion	45,092	33,905	29,369
	822,692	648,983	542,117
Income from operations	93,620	62,153	76,180
Interest on long term debt	27,823	13,598	15,867
Other interest expense, net of investment income	5,691	3,445	2,427
Earnings before the undernoted items	60,106	45,110	57,886
Income taxes	23,852	20,368	24,633
	36,254	24,742	33,253
Equity Income	711	54	4,119
	36,965	24,796	37,372
Minority interest	2,815	2,145	851
Earnings before extraordinary items	34,150	22,651	36,521
Extraordinary items	1,281	(2,752)	-
Net earnings	\$ 35,431	\$ 19,899	\$ 36,521
Balance Sheet			
Working capital	\$ 236,106	\$ 99,296	\$ 87,645
Investments in associated companies	5,755	10,908	38,202
Fixed assets	957,750	569,516	433,356
Other assets	75,832	19,720	13,773
	\$1,275,443	\$699,440	\$572,976
Long term debt	\$ 561,037	\$186,730	\$169,395
Deferred income taxes	142,149	105,803	85,861
Minority interest	21,153	19,181	5,782
Shareholders' equity	551,104	387,726	311,938
	\$1,275,443	\$699,440	\$572,976
Other Information			
Funds generated from operations	\$ 93,718	\$ 64,839	\$ 75,378
Additions to fixed assets - net	33,406	101,025	71,837
Investments in associated companies	349	25	1,611
Dividends — Preference shares	8,467	5,169	1,170
Dividends — Common shares	14,869	14,866	13,008
Return on sales	4.0%	3.5%	5.4%
Return on common shareholders' equity	8.6%	6.0%	13.0%
Per Common Share			
Earnings before extraordinary items	\$1.32	\$0.91	\$1.90
Net earnings	1.39	0.77	1.90
Funds generated from operations	4.39	3.18	3.99
Dividends	0.80	0.80	0.70
Shareholders' equity at end of year	14.26	15.35	15.33
Range of market price during the year	10% - 16½%	10% - 15	10-14%
Average number of shares outstanding (in thousands)	19,426	18,583	18,583

	1978	1977	1976	1975	1974	1973	1972
	\$535,337	\$439,686	\$384,799	\$398,919	\$330,734	\$292,815	\$237,631
	453,370	372,129	318,979	335,796	272,400	237,885	192,266
	24,567	21,186	19,265	17,631	16,967	14,802	13,364
	477,937	393,315	338,244	353,427	289,367	252,687	205,630
	57,400	46,371	46,555	45,492	41,367	40,128	32,001
	13,849	10,032	10,337	8,652	5,744	5,111	5,034
	2,671	2,704	1,465	444	839	(684)	(1,488)
	40,880	33,635	34,753	36,396	34,784	35,701	28,455
	17,515	14,320	15,124	16,702	15,692	16,602	13,757
	23,365	19,315	19,629	19,694	19,092	19,099	14,698
	3,570	3,403	3,799	5,274	4,522	2,513	2,103
	26,935	22,718	23,428	24,968	23,614	21,612	16,801
	474	275	251	631	357	323	—
	26,461	22,443	23,177	24,337	23,257	21,289	16,801
	—	—	—	—	—	1,415	423
	\$ 26,461	\$ 22,443	\$ 23,177	\$ 24,337	\$ 23,257	\$ 22,704	\$ 17,224
	\$109,044	\$ 83,839	\$ 54,391	\$ 56,760	\$ 43,797	\$ 51,229	\$ 51,404
	34,884	32,931	71,644	66,302	60,806	51,970	23,033
	378,057	378,479	293,246	287,149	276,726	240,037	207,552
	17,570	16,231	14,106	14,743	15,540	17,351	9,976
	\$539,555	\$511,480	\$433,387	\$424,954	\$396,869	\$360,587	\$291,965
	\$175,169	\$168,404	\$109,667	\$115,946	\$103,654	\$ 89,959	\$ 95,115
	75,100	68,372	59,488	55,855	52,677	41,373	23,439
	4,965	4,524	4,175	3,953	3,355	3,009	-
	284,321	270,180	260,057	249,200	237,183	226,246	173,411
	\$539,555	\$511,480	\$433,387	\$424,954	\$396,869	\$360,587	\$291,965
	\$ 57,321	\$ 49,542	\$ 43,687	\$ 41,556	\$ 48,321	\$ 51,996	\$ 29,575
	24,145	28,829	25,362	28,054	53,656	40,224	33,844
	-	5,487	2,614	1,203	5,166	30,568	295
	1,170	1,170	1,170	1,170	1,170	1,147	682
	11,150	11,150	11,150	11,150	11,150	7,356	4,646
	4.4%	4.4%	5.1%	4.9%	5.8%	6.5%	6.2%
	10.1%	8.9%	9.7%	10.7%	10.8%	13.0%	10.8%
	\$1.36	\$1.14	\$1.18	\$1.25	\$1.19	\$1.29	\$1.03
	1.36	1.14	1.18	1.25	1.19	1.38	1.05
	3.02	2.60	2.29	2.17	2.54	3.25	1.85
	0.60	0.60	0.60	0.60	0.60	0.47½	0.40
	13.85	13.09	12.55	11.97	11.32	10.73	9.45
	9-13¼	7½-9¾	7¼ - 11¾	8-12	8½ -14¾	10¾-16¼	11¼-15
	18,583	18,583	18,583	18,583	18,583	15,625	15,485

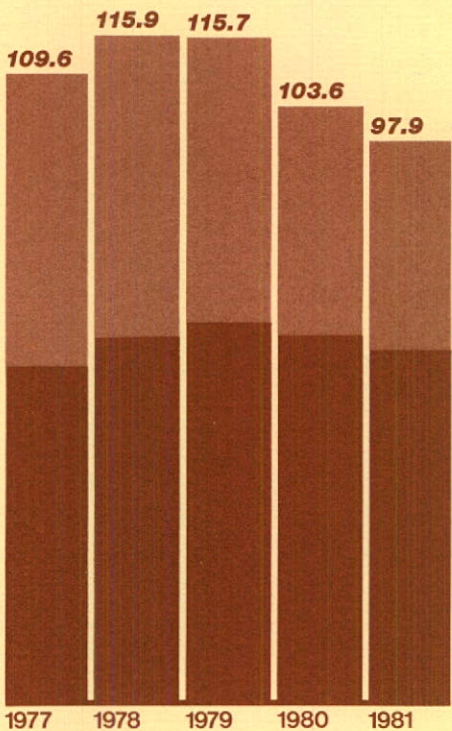


Construction Expenditures in Canada
(excluding repairs)
(in billions of constant 1971 dollars)

■ Residential
■ Non residential

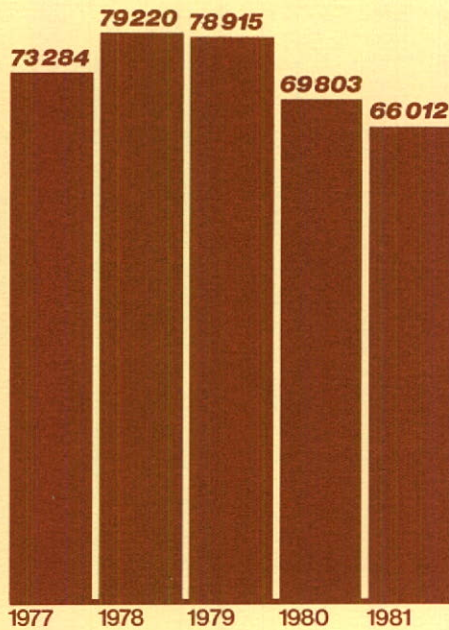


Total Cement Consumption in Canada
(in millions of metric tons)



New Construction Activity in the United States
(Value put in place, billions of constant 1972 dollars U.S.)

■ Residential
■ Non-residential



Total Cement Consumption in the United States
(in millions of metric tons)

Canada

Sales Offices

Halifax, N.S.
Moncton, N.B.
Quebec, Que.
Montreal, Que.
Ottawa, Ont.
Toronto, Ont.
Winnipeg, Man.
Regina, Sask.
Saskatoon, Sask.
Calgary, Alta.
Edmonton, Alta.
Vancouver, B.C.
Kamloops, B.C.

Producing and Finishing Plants

Brookfield, N.S.
Havelock, N.B.
St. Constant, Que.
Bath, Ont.
Woodstock, Ont.
Fort Whyte, Man.
Saskatoon, Sask.
Edmonton, Alta.
Exshaw, Alta.
Kamloops, B.C.
Richmond, B.C.

Storage and Distribution Terminals

Albany, P.E.I.
Chatham, N.B.
Quebec, Que.
Montreal, Que.
Ottawa, Ont.
Toronto, Ont.
Whitefish River, Ont.
Sudbury, Ont.
Regina, Sask.
Calgary, Alta.
Fort St. John, B.C.
Fort Nelson, B.C.
Comox, B.C.
Victoria, B.C.
North Vancouver, B.C.
Prince George, B.C.
Prince Rupert, B.C.

United States

Sales Offices

Dallas, TX
Houston, TX
Tampa, FL
Los Angeles, CA
Fort Wayne, IN
Chattanooga, TN
Wichita, KS
Whitehall, PA
Atlanta, GA
Mobile, AL
New Orleans, LA
Syracuse, NY

Producing and Finishing Plants

New Braunfels, TX
Fort Worth, TX
Dallas, TX
Tampa, FL
Miami, FL
Los Robles, CA
Paulding, OH
Chattanooga, TN
Fredonia, KS
Cementon, PA
Demopolis, AL

Storage and Distribution Terminals

Amarillo, TX
Houston, TX
Oswego, NY
Grand Forks, ND
Edmond, OK
Iola, KS
Olathe, KS
Lake Charles, LA
Atlanta, GA
Bainbridge, GA
Columbus, GA
Mobile, AL
Birmingham, AL
Knoxville, TN
Fort Wayne, IN
Elkhart, IN
Jacksonville, FL
East Cambridge, MA

Directors and Officers

Directors

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Toronto, Ont.

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Senior Partner; Stikeman, Elliott,
Robarts & Bowman, Toronto, Ont.

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President & General Manager,
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Sackville, N.B.

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Vice-Chairman and Chief Operating
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Paris, France

J. Taylor Kennedy

Montreal, Que.

Samuel M. Kinney, Jr.

Partner; Hannoeh, Weisman, Stern,
Besser, Berkowitz & Kinney,
Newark, NJ

Olivier Lecerf

Chairman & Chief Executive Officer,
Lafarge Coppée,
Paris, France

James B. Lendrum

Chairman and Chief Executive
Officer, General Portland Inc.,
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President,
Comtrust Holdings Inc.,
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David E. Mitchell

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Partner, Létourneau & Stein,
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Chairman,
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Paris, France

John D. Redfern*

President & Chief Executive
Officer, Canada Cement Lafarge
Ltd., Montreal, Que.

Patrick J.J. Rich

Presently Executive in Residence,
Harvard Business School,
and Vice-President, Europe,
Alcan Aluminium Ltd., Montreal, Que.
(Designated as of July 1, 1982)

J. Ernest Richardson

Vancouver, B.C.

Ronald D. Southern*

President, Atco Ltd., Calgary, Alta.

H. Richard Whittall*

Partner, Richardson Securities
of Canada, Vancouver, B.C.

*Member of the Executive Committee

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Chairman of the Board

H. Richard Whittall

Deputy Chairman of the Board

John D. Redfern

President and
Chief Executive Officer

Gilbert H. Liduena

Executive Vice-President,
Operations

Robert W. Murdoch

Executive Vice-President

Douglas C. Hildebrand

Vice-President,
Corporate Development

Patrick Bavière

Vice-President, Finance

Pierre Messier

Vice-President, Secretary &
General Counsel

Donald S. McRae

Vice-President & Treasurer

Daniel Beylich

Vice-President, Technical Services

William H.J. Cameron

Vice-President, Personnel

Dominic J. Costantini

Vice-President,
Concrete & Construction Services

Gordon F. Masson

Vice-President, Corporate Marketing

Jean N. Poirier

Comptroller

George T. Frew

Assistant Secretary

Clement J. Leslie

Assistant Treasurer

Regional Management

George Schotch

Vice-President & General Manager,
Pacific Region

J. Richard Maze

Vice-President & General Manager,
Western Region

Kenneth N. Bayne

Vice-President & General Manager,
Ontario Region

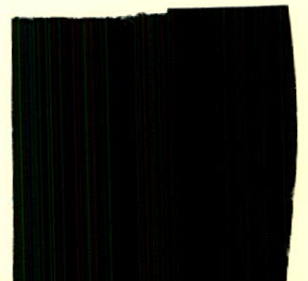
Marc L'Anglais

Vice-President & General Manager,
Quebec Region

David F.G. Lovett

Vice-President & General Manager,
Atlantic Region

► The Management group photographed in the boardroom at Company headquarters in Montreal. Seated (l to r): R.D. Anderegg, President, Citadel Cement Corporation; K.N. Bayne, Vice-President & General Manager, Ontario Region; P.M. McEntyre, Chairman of the Board; P. Jongeneel, Senior Vice-President, Financial Control of Lafarge Coppée, North America; J.D. Redfern, President and Chief Executive Officer; G.H. Liduena, Executive Vice-President, Operations; J.R. Maze, Vice-President & General Manager, Western Region; G. Schotch, Vice-President & General Manager, Pacific Region; D.F.G. Lovett, Vice-President & General Manager, Atlantic Region. Standing (l to r): D.S. McRae, Vice-President & Treasurer; G.F. Masson, Vice-President, Corporate Marketing; M. L'Anglais, Vice-President & General Manager, Quebec Region; P. Messier, Vice-President, Secretary & General Counsel; D.C. Hildebrand, Vice-President, Corporate Development; D.J. Costantini, Vice-President, Concrete & Construction Services; D. Beylich, Vice-President, Technical Services; W.H.J. Cameron, Vice-President, Personnel; P. Bavière, Vice-President, Finance.





Canada Cement Lafarge Ltd.

Corporate Office: 606 Cathcart, Montreal, Quebec H3B 1L7 (514) 861-1411