

# Annual Report 1980

Canada Cement Lafarge Ltd.



# Financial Highlights

	1980	1979	Increase (Decrease)
Sales	\$711,136,000	\$618,297,000	15%
Net earnings before extraordinary items	\$ 23,461,000	\$ 36,249,000	(35%)
Funds generated from operations	\$ 65,589,000	\$ 75,082,000	(13%)
Working capital	\$ 99,296,000	\$ 87,645,000	13%
Long term debt	\$186,730,000	\$169,395,000	10%
Shareholders' equity	\$381,037,000	\$306,393,000	24%
Common shares outstanding	18,583,462	18,582,662	—
Number of common shareholders	6,259	6,461	(3%)

## Per Common Share

Net earnings — first quarter	\$ (.28)	\$ (.28)	—
— second quarter	\$ .12	\$ .50	(76%)
— third quarter	\$ .71	\$ 1.07	(34%)
— fourth quarter	\$ .41	\$ .60	(32%)
	<u>\$ .96</u>	<u>\$ 1.89</u>	<u>(49%)</u>
Extraordinary items	<u>\$ (.14)</u>	<u>—</u>	<u>—</u>
	<u>\$ .82</u>	<u>\$ 1.89</u>	<u>(57%)</u>
Funds generated from operations	\$ 3.23	\$ 3.98	(19%)
Dividends paid	\$ .80	\$ .70	14%
Shareholders' equity	\$ 14.99	\$ 15.03	—
Return on shareholders' equity	6.4%	13.1%	

Valuation day values of the Corporation's common and preference shares were as follows:  
 Common shares: \$11.66      Preference shares: \$19.75

### Front cover photograph:

Inside a rotary kiln, temperatures reach 1,350°C (2,460°F) in order to produce the chemical change required in the making of cement.

### Inside front cover:

View of the Bay of Quinte, Lake Ontario from the Canada Cement Lafarge Research Laboratory near Belleville, Ontario.

# The Company

We began manufacturing cement in 1909 under the name Canada Cement Company, Limited. In 1927, a successor company with the same name took over the operation.

Expansion and conversion of manufacturing processes followed. Additional facilities were built and companies already in the cement manufacturing business were acquired.

In 1929 and 1930, a direct involvement in the distribution aspect of the industry was begun with the purchase of two cement carrying ships. These vessels provided service along the St. Lawrence River and the Great Lakes.

It is interesting to note that the period between 1933 and 1939 was marked by the conversion of CCL's plants from dry to wet process to facilitate handling of materials. Today, the conversion back to dry process is the trend because of the high cost of energy.

Research by the company during the early depression years brought about a new cement formula resistant to sulphates. The new product, "Kalicrete", was put into production in 1931.

Production increased from 646,000 tonnes in 1909 to 1,882,000 tonnes in 1948. Manufacturing facilities once again were expanded, but the demand for cement soon overtook the industry's capacity and cement had to be

imported from Europe to satisfy Canadian customers.

Modernization of plants and building of new facilities continued in various regions of the country throughout the fifties and sixties. Investment in related areas also began. This program of ready-mix, concrete product, paving, and construction acquisitions allowed the company to be involved in the complete cycle of cement production through to its end product — concrete.

A merger with Lafarge Canada Limited followed in 1970, the new name being Canada Cement Lafarge Limited (CCL). The combined resources of the two companies, deployed in a decentralized organization, resulted in expanded manufacturing facilities, a stronger financial base, improved marketing resources, and a greater ability to carry out research and development. This development has enabled CCL to maintain its leading position in the Canadian Cement Industry.

Expansion into the United States began in 1973 with the setting up of a company in the southeast. The Citadel Cement Corporation was started as a joint venture equally financed by CCL and Lone Star Industries Incorporated of Greenwich, Connecticut.

In 1975, further U.S. expansion

took place when Anchor Wate joined CCL. With this development, a plant at Bellechasse, Louisiana was acquired, giving the company capacity in pipeline testing, cleaning, anti-corrosion, and concrete coating.

Two years later, in 1977, the joint venture with Lone Star was terminated, with CCL acquiring two cement plants at Demopolis and Birmingham, Alabama.

A third significant investment in CCL's U.S. program took place in 1978 when a 24,000 ton capacity cement handling terminal in Oswego, New York was purchased. This move facilitated improved servicing of our customers in Western New York State.

## Cement Operations

Canada Cement Lafarge maintains its position as one of North America's leading producers of cement with a rated productive capacity of 6,275,000 tonnes per year. The manufacturing is carried out at nine cement plants while three cement finishing plants and strategically located distribution terminals in Canada and the United States enable CCL to supply the construction industry with a wide range of high quality cements on demand. The five regional offices of the company are supplemented by cement sales offices in all major Canadian cities.

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Registered Office of the Company, 606 Cathcart Street, Montreal Friday the 8th of May, 1981 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 & Co.

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.

Sales Offices			United States
Canada			
Halifax, N.S.	Ottawa, Ont.	Saskatoon, Sask.	Atlanta, Ga.
Moncton, N.B.	Toronto, Ont.	Calgary, Alta.	Mobile, Ala.
Quebec, Que.	Winnipeg, Man.	Edmonton, Alta.	New Orleans, La.
Montreal, Que.	Regina, Sask.	Vancouver, B.C.	Syracuse, N.Y.
		Kamloops, B.C.	
Producing And Finishing Plants			United States
Canada			
Brookfield, N.S.	Bath, Ont.	Exshaw, Alta.	Demopolis, Ala.
Havelock, N.B.	Woodstock, Ont.	Edmonton, Alta.	
Montreal East, Que.	Fort Whyte, Man.	Kamloops, B.C.	
Saint-Constant, Que.	Saskatoon, Sask.	Richmond, B.C.	
Storage and Distribution Terminals			United States
Canada			
Albany, P.E.I.	Whitefish River, Ont.	Comox, B.C.	Grand Forks, N.D.
Chatham, N.B.	Thunder Bay, Ont.	Fort St. John, B.C.	Atlanta, Ga.
Quebec, Que.	Regina, Sask.	Fort Nelson, B.C.	Bainbridge, Ga.
Montreal, Que.,	Calgary, Alta.	North Vancouver, B.C.	Mobile, Ala.
- (Dock 96).	Clinton, B.C.	Victoria, B.C.	Birmingham, Ala.
Ottawa, Ont.		Prince George, B.C.	New Orleans, La.
Toronto, Ont.			Oswego, N.Y.
			East Cambridge, Mass.

Employment for up to five thousand people is provided by CCL and its subsidiaries...employment in a variety of disciplines and professions related to construction, and the manufacturing and marketing of cement, concrete, and concrete products, aggregates, and other products and services necessary to the construction industry.

Corporate headquarters are located in Montreal, Quebec. Five regional offices are located in Halifax (Atlantic Region), Montreal (Quebec Region), Toronto (Ontario Region), Calgary (Western Region), and Vancouver (Pacific Region).

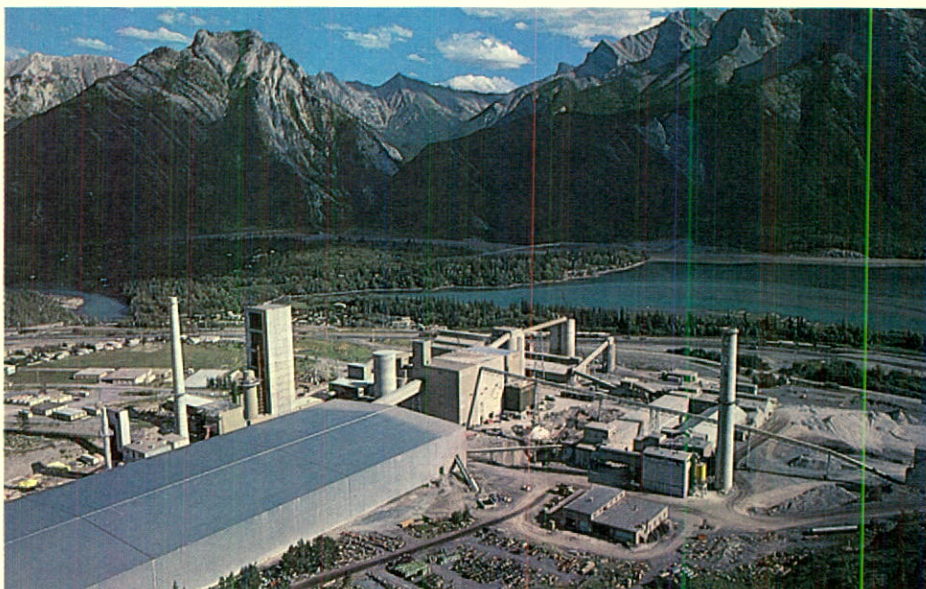
Addresses of all CCL's manufacturing and finishing plants, storage and distribution facilities as well as the sales offices appear on page 1 of this Annual Report. The Company's operations in concrete, construction, and other allied industries are to be found on the following pages.

Citadel Cement Corporation, a CCL subsidiary, operates a cement plant at Demopolis, Alabama as well as a terminal in Birmingham, Alabama. Other distribution and storage facilities are located at Atlanta and Bainbridge, Georgia; Mobile, Alabama; New Orleans, Louisiana; and Oswego, New York. The rated productive capacity of the U.S. operation is 750,000 tons or about 1% of total industry capacity in the United States.

This U.S. distribution network was enhanced by the purchase this year of a fleet of cement barges and terminal facilities at New Orleans, Louisiana. This provides Citadel with the capacity to deliver our product to customers bordering on the Gulf of Mexico.

In addition to Normal Portland Cement, the basic ingredient in concrete, CCL manufactures a variety of special cements under the brand name of "Canada-Lafarge". These include Sulphate-Resisting Cement (Kalicrete), Masonry Cement, XXX High Early Strength Cement, and Oil Well Cements.

Also available are special cements such as Low-Heat and Low-Alkali cements for some types of construction work and Ciment Fondu.



*Aerial view of Canada Cement Lafarge's Plant at Exshaw, Alberta where an expansion has just been completed.*

## Concrete, Construction, And Other Operations

Cement manufacturing has always been Canada Cement Lafarge's principal activity, however, since 1961, operations have expanded to include the production and marketing of ready-mixed concrete, aggregates, asphalt, precast and prestressed concrete, concrete block, concrete pipe, and pipe coating materials. CCL's subsidiaries are also involved with road building, paving, and other types of construction.

### Subsidiaries

Canfarge Ltd. and its divisions and subsidiaries is involved in concrete and construction operations country-wide. In Calgary, Alberta, Conmac, a division of Canfarge, operates two ready-mixed concrete and asphalt plants, a ready-mixed plant at Fort MacMurray, and portable plants where needed. Conmac is involved in road, curb, gutter, and sidewalk construction and sells aggregates throughout Alberta and Saskatchewan.

Another division operating in the Western Region of Canada is Canada Concrete, with ready-mixed concrete plants in Regina and Saskatoon. Aggregates are also quarried and sold by Canada Concrete.

Alberta Concrete Products Company Limited with headquarters in Edmonton, is a large partly-owned subsidiary. Alberta Concrete is engaged in an aggregate, concrete, and concrete products operation as well as asphalt and road construction work in Alberta in conjunction with its wholly-owned subsidiaries, Crown Paving and Engineering Ltd., Crown Aggregates, and Lethbridge Concrete Products Ltd.

Lafarge Concrete, a subsidiary, operates ready-mixed concrete plants on the West Coast and on Vancouver Island. Lafarge also sells aggregates and produces concrete blocks and concrete pipe.

Permanent Concrete is a division of Canfarge which operates nine commercial ready-mixed concrete plants in Eastern Ontario. Some of these plants also produce asphalt. Permanent also has ready-mixed concrete plants at Sept Iles, Quebec and at Moncton and Saint John, New Brunswick. It also operates aggregate quarries at Brockville and Cornwall, Ontario; Blagdon, New Brunswick; and at Folly Lake, Nova Scotia.

Pipeline weights are produced by

Permanent Concrete at its Edmonton plant and at job site locations in Western Canada and Ontario. Anchor Wate, whose head office is located in Houston, Texas, operates a pipe coating plant at Belle Chasse, Louisiana. In addition, Permanent has two ready-mixed concrete plants at Houston, Texas.

In 1980, Canada Cement Lafarge increased its investment in Standard Industries Ltd. with headquarters in Toronto, Ontario. This company supplies the construction industry with aggregates, ready-mixed concrete, concrete pipe and block, and other products. Standard also operates as a paving contractor.

Standard Industries Ltd. carries out its operations in South-Western Ontario, Nova Scotia, and Northern New York State. In February 1979, it acquired Little Giant Products, Inc., a fork-lift equipment manufacturer located in Peoria, Illinois, with branches in California and Belgium.

Richvale Block and Ready Mix, another division, operates five ready-mixed concrete plants and two concrete block plants in the Toronto, Ontario area. Richvale is a prominent supplier of ready-mixed concrete and autoclave concrete block in Metropolitan Toronto as well as in the Thornhill and Newmarket areas of Ontario.

Francon, a large division, operates ready-mixed concrete and asphalt plants and markets aggregates and



*A Conmac truck delivers concrete to a project site in Calgary, Alberta. Conmac is a division of Canfarge, a subsidiary of Canada Cement Lafarge.*

offers construction services in the Province of Quebec. Francon also is engaged in road construction throughout Quebec, in addition to building dykes and dams at the James Bay Project. In Montreal, Francon is a leader in precast and prestressed concrete with products such as concrete floor slabs, panels, columns, bridge girders, railway ties, and a variety of other precast concrete items.

A large ready-mixed concrete plant in Montreal is operated by Lafarge

Béton. Lagacé, another division of Canfarge, is involved in ready-mixed concrete, asphalt, and aggregates also in the Montreal area. Dominion Ready-Mix Inc. (now known as Béton Canfarge Inc.), is the Quebec City subsidiary.

#### **Associated Companies**

Supercrete Inc., with headquarters in Winnipeg, Manitoba, is another important associated company. It is involved primarily in ready-mixed concrete, aggregates, and concrete products in Manitoba and Alberta.

Construction St-Paul in Quebec, operates an aggregate, ready-mixed concrete, and construction business in the Eastern Townships region of the Province.

In 1975, a 33% interest was acquired in Lafarge Conseils et Etudes, the parent company of Lafarge Consultants Ltd., a Canadian organization formed to provide consulting engineering services to the Company and other clients. In addition, Canada Cement Lafarge has minority interests engaged in the manufacture and marketing of products and services required by the construction industry.



*Concrete pipe is loaded aboard barges by an Anchor Wate crane at Belle Chasse, Louisiana. Anchor Wate is part of Canfarge's Permanent Concrete Division.*

# Report to the Shareholders



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

We are pleased to present the Annual Report of the Company for the year ended December 31, 1980.

## **Operating Results**

Operations in 1980 resulted in net earnings of \$23,461,000 (96¢ per common share) compared to \$36,249,000 (\$1.89 per common share) in 1979. These results do not include a net extraordinary loss of \$2,539,000 in 1980 due to the closure in September 1980 of Citadel's Birmingham cement plant, partly offset by a gain on an insurance settlement. There were no extraordinary items in 1979.

The reduction in earnings was attributable to the combined effect of adverse economic conditions which persisted through most of the year and work stoppages by hourly rated employees, at some of our Canadian cement plants, which restricted operations during the latter part of 1980.

Overall construction activity in Canada remained at approximately the same level as in 1979. Non-residential construction was strong in 1980, par-

ticularly in the energy-related sector which increased significantly over the 1979 level. The non-energy sector also increased although at a slower pace. Housing market activity, however, with approximately 160,000 units started in 1980, registered its lowest level in thirteen years due to record high mortgage rates and slow growth of real disposable income.

In the United States, the decrease in housing starts was even more severe particularly in the North-Eastern States.

Cement consumption in Canada is estimated to have declined by nearly 6%. In the United States the fall was an average of 11%, with some large regional disparities as illustrated by two states which account for a significant share of our export business: Michigan had a 30% drop while Florida, with a 13% growth, registered the largest year-to-year increase.

The Company's performance in 1980 was influenced by the reduction in the demand for cement and related

products. After two years of growth, shipments of cement and clinker from our Canadian plants in 1980 decreased 11% from the year earlier with most of the reduction occurring in shipments to destinations in the Northern United States, where cement consumption dropped more than the national average.

Domestic shipments also declined, but less than the industry, with a resulting slight improvement in overall market share. Shipments from Citadel's cement plants in Alabama were also below last year. The closure of the Birmingham plant, which was originally constructed in 1923, and the acquisition of large terminal facilities in New Orleans have, however, significantly improved this subsidiary's competitive position.

Sales volume of ready-mixed concrete by our various subsidiary companies showed little change from the 1979 level. Higher sales in the Vancouver and Montreal metropolitan areas were offset by lower construction

activity in Ontario and the effect of a two month construction trade strike in Alberta.

The above factors, together with price increases on most products, would have resulted in a consolidated sales figure practically equal to that of 1979. The reported increase to \$711,136,000 in 1980 from \$618,297,000 a year earlier was entirely attributable to the consolidation of Standard Industries Ltd., which became a subsidiary in April 1980.

Pretax earnings, which include Standard Industries for the first time, were \$45,920,000 representing 6.5% of sales compared to 9.3% in 1979. The main factors explaining the decline can be summarized as follows:

- Most significant is the already mentioned reduction in sales volume of cement. Production volume dropped even more as operations at some of our Canadian cement plants were restricted by strikes. Market requirements were met as the production shortfall at these plants was made up by drawing down inventories, shipping from distant plants, or purchasing from other cement producers. The pretax effect of the net additional costs associated with the strike was estimated to be \$8 million in 1980.
- Most cost factors increased significantly during the year, including the cost of fuel, which at our cement plants was up an average of 15%. These higher costs were generally recovered through selling price increases except in Citadel's market area due to severe competitive pressure.
- 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 interest rates on borrowings other than fixed rate debentures.

Equity income and minority interest showed large fluctuations in 1980 from their respective 1979 levels. These again arose mostly from the consolidation of Standard Industries. Earnings from other associated companies were generally lower than in 1979.

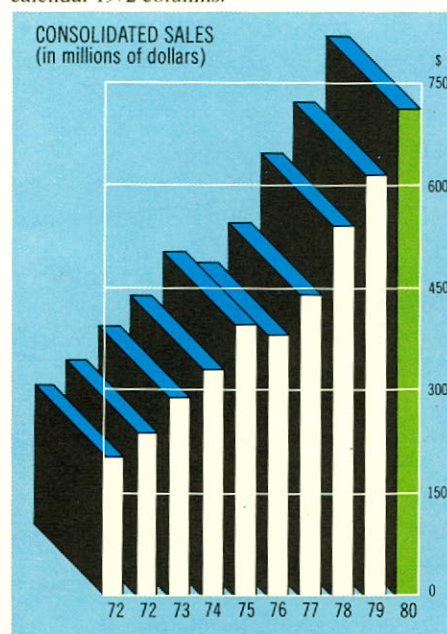
### Capital Expenditures

In 1980, net capital expenditures amounted to \$101.7 million, the highest level by far in the Company's history. The largest amount was spent on the completion of the expansion of our cement plant at Exshaw, Alberta. The new 600,000 tonne capacity kiln was fired in early March 1981, three months later than originally planned due to delays resulting from strikes. The new production will supply the Western market and eliminate costly transfers of cement from other regions.

Further significant expenditures in 1980 were the purchase by Citadel of a large terminal facility in New Orleans, the acquisition of a fleet of barges, and the construction of loading facilities at

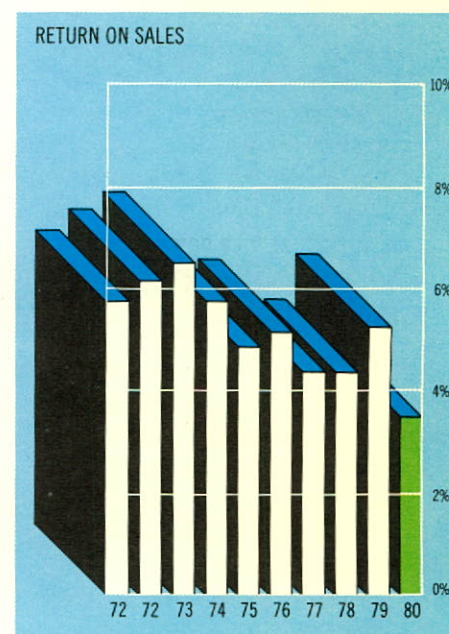
### Ten Year Financial Highlights

**Note:** The following six charts cover the years ended April 30, 1972 and December 31, 1972 through 1980. The four month period January 1 to April 30, 1972 is therefore included in both the fiscal and calendar 1972 columns.

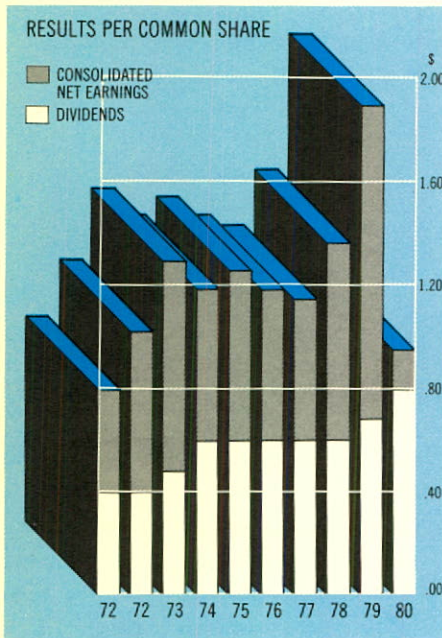


*Crushing of raw materials in a hammermill... the first stage in the cement manufacturing process.*

the Demopolis plant. These investments have significantly increased Citadel's capacity to serve markets in the Gulf Coast area in an economical and efficient manner. The Demopolis plant will also supply the markets formerly



Return on sales is based on earnings before equity in net earnings of associated companies, minority interest and extraordinary items.



Consolidated net earnings excludes extraordinary items.

served by our plant at Birmingham, where production of cement ceased in late 1980 but ample storage capacity remains available.

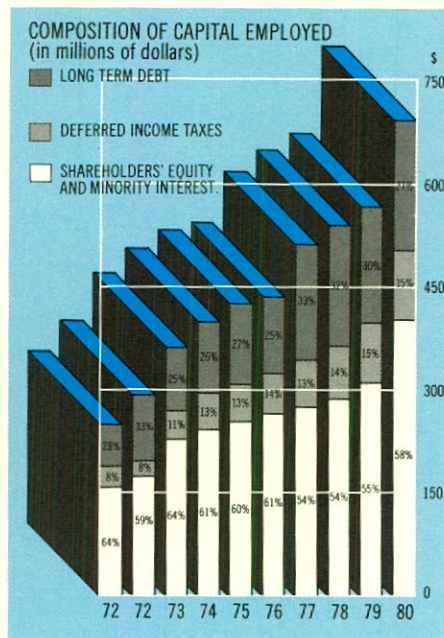
In 1981, with the Exshaw plant completed early in the year, the capital expenditure program is expected to be less than half the 1980 level. It will concentrate on productivity improvements and environmental concerns.

### Financial Position

Funds generated from operations which amounted to \$65.6 million together with the net proceeds from the issue of convertible preferred shares for \$73.8 million were the main sources of funds in 1980. Major cash outlays included our \$101.7 million capital expenditure program as previously described and the payment of \$20 million of dividends on common and preference shares.

The balance sheet at year end reflects the above as well as the consolidation of Standard Industries Ltd. Working capital improved \$11.7 million to \$99.3 million while the ratio of current assets to current liabilities at year end was 1.62 to 1 compared to 1.75 to 1 at the beginning of the year.

Long term debt represents 27% of total invested capital compared to 30%



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

at the start of the year primarily because of the increase in equity capital resulting from the convertible preferred share issue. The Company is presently completing arrangements for \$100 million of new lines of medium and long-term bank credit which would replace the \$45 million of such credit lines available at year end.

### Dividends

Quarterly dividends were paid on both the common and first preference shares for the thirtieth consecutive year in 1980. A first dividend of 50.73¢ per share was paid on August 31, 1980 on the convertible second preference share followed by a regular quarterly dividend of 29.25¢ on November 30, 1980.

### Employee Relations and Personnel

Labour agreements at our Canadian cement plants expired at various dates throughout 1980. At December 31, 1980 employees at four plants had accepted the Company's offer, two of them without a strike. At the same date, employees at four other plants were still on a strike which had started in early September. In January 1981, work stoppages began at two additional plants in British Columbia. These stri-

kes were all settled in mid-March, 1981 with agreements extending to various dates between October 31, 1982 and June 30, 1983. At the time of writing, the agreement for hourly workers at St. Constant had not been concluded. Negotiations were proceeding at the conciliation stage.

Five of our cement plants operated without a lost-time injury compared to four in 1979. While recognizing this achievement, we believe that continued and greater efforts in accident prevention are necessary.

The In-House Management Training Program implemented in 1979 for middle management of the Company was continued in 1980 with twenty-four managerial employees from cement, concrete, and construction operations attending. It is planned to continue this program in 1981, and to further extend supervisory training with emphasis on technical as well as human resources management.

### Board of Directors and Officers

The Hon. James Sinclair, having reached the Company's mandatory retirement age for a Director, will not stand for re-election at the upcoming Annual Meeting of Shareholders. Mr. Sinclair served as President and later as Chairman of Lafarge Canada since 1960. He joined our Board in 1970 as Deputy Chairman, a position he held until 1973. We wish to thank him for his contribution to the many decisions which have shaped the course of both companies over the span of 21 years.

The position of Vice-President and General Manager, Western Region left vacant as a result of the untimely death on March 29, 1980 of Mr. D.G. Griffin, was filled with the appointment of Mr. J.R. Maze, who had similar responsibilities in the Atlantic Region. He was in turn replaced by Mr. D.F.G. Lovett, formerly Vice-President and General Manager, Lafarge Concrete on the west coast.

Increased emphasis on the management of concrete and construction activities resulted in the creation of the position of Vice-President, Concrete and Construction. Mr. D.J. Costantini,



who has held various management positions with Francon, was appointed to that position in June 1980.

Mr. R.M. Johnson, Vice-President and Assistant to the President; Dr. W.S. Weaver, Vice-President, Research and Development; and Mr. J.V. Tittley, Manager, Corporate Communications, have retired in recent months. All three had served the Company for over 30 years and will be remembered for their contribution to the development of the Company's affairs during that period.

### Outlook

While the Company has, over the last few years, taken some major steps to position itself favourably in the market, the economic environment and more specifically the pace of construction activity will continue to have a major impact on the realization of its profit potential. This section attempts to give a perspective on the behaviour, past and expected, of the major components of the demand for cement and related products.

As the graphs on page 20 of the report illustrate, overall construction activity in Canada has been practically flat during the last part of the seventies and so has cement consumption. Resi-

dential construction spending as well as housing starts have been facing a downward trend. The main growth factor in recent years has been energy-related construction and this partly explains the westward shift of construction activity to those provinces heavily involved with resource development.

In the United States, where the pace of construction activity is more dependent on housing, there has been a levelling off since 1978. Non-residential construction has increased in real terms since 1978, but the slowdown in the residential sector has more than offset this outcome.

Growth in the construction industry in Canada during the eighties is linked to the degree of confidence that private and business investors have that the economy can recover. It is also affected by the behaviour of interest rates, as well as by such longer term prospects as resource development and population shifts. During the eighties, housing will suffer from a slowdown in household formation. Demographic forces, however, dictate a level of housing starts higher than that of the first year of the decade. A comeback in the housing market, in response to

tight vacancy situations, is expected in 1981 and 1982.

The pace of non-residential construction is dependent on the timing and magnitude of large energy-linked projects. We are confident that a kind of reasonable resolution of the differences between Ottawa and the provinces over the energy policy will allow this country to realize its enormous potential in terms of energy and natural resource development. We, therefore, are looking for good growth prospects on the Canadian construction scene during the eighties.

Demand for cement will also be strong in the export markets as underlying demand for construction in the United States, particularly new housing, will increase the chronic shortage of cement produced domestically. The Company's Canadian cement plants are well positioned to take advantage of such opportunities. Furthermore, the redeployment of Citadel's assets make it an excellent base from which to enhance our position in the United States and to build up our share of this attractive market.

For these reasons, we are confident that the business climate in North America during the eighties will allow the Company to reap the benefits of the large investments made during the seventies and help provide a satisfactory return on the capital invested by our shareholders.

### Acknowledgements

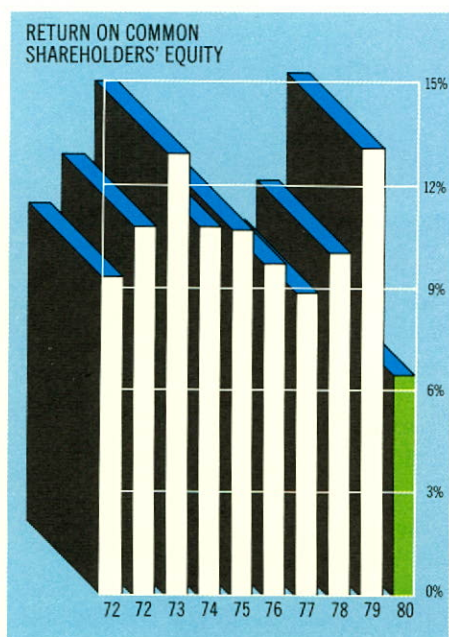
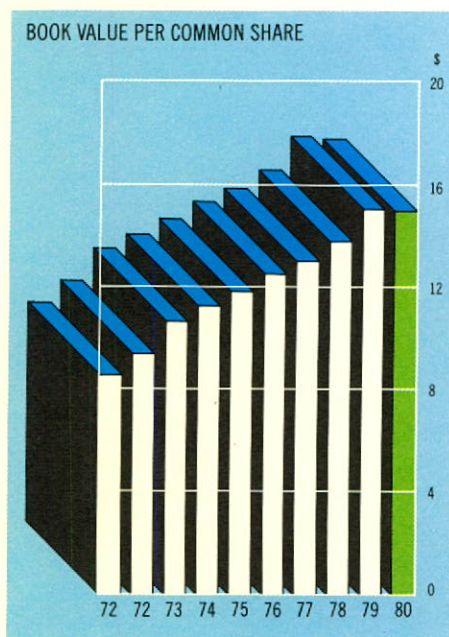
In closing, we would like to express our appreciation for the efforts of our employees during the year and thank our many customers, suppliers and shareholders for their continuing support.

ON BEHALF OF THE BOARD:

JOHN D. REDFERN  
President and Chief Executive Officer

PETER M. McENTYRE  
Chairman of the Board

Montreal, Quebec, April 3, 1981.



The return on common shareholders' equity is based on consolidated net earnings before extraordinary items.

# Energy



*15 million volts of electrical energy light up the night sky... a reminder that there are still technical frontiers to conquer in the harnessing of energy.*

Energy. Rarely has such a small word made such a major impact on so many individuals and countries. In Canada, we are only just beginning to count the cost of being the highest per capita energy user of all the major industrialized countries (see chart 1).

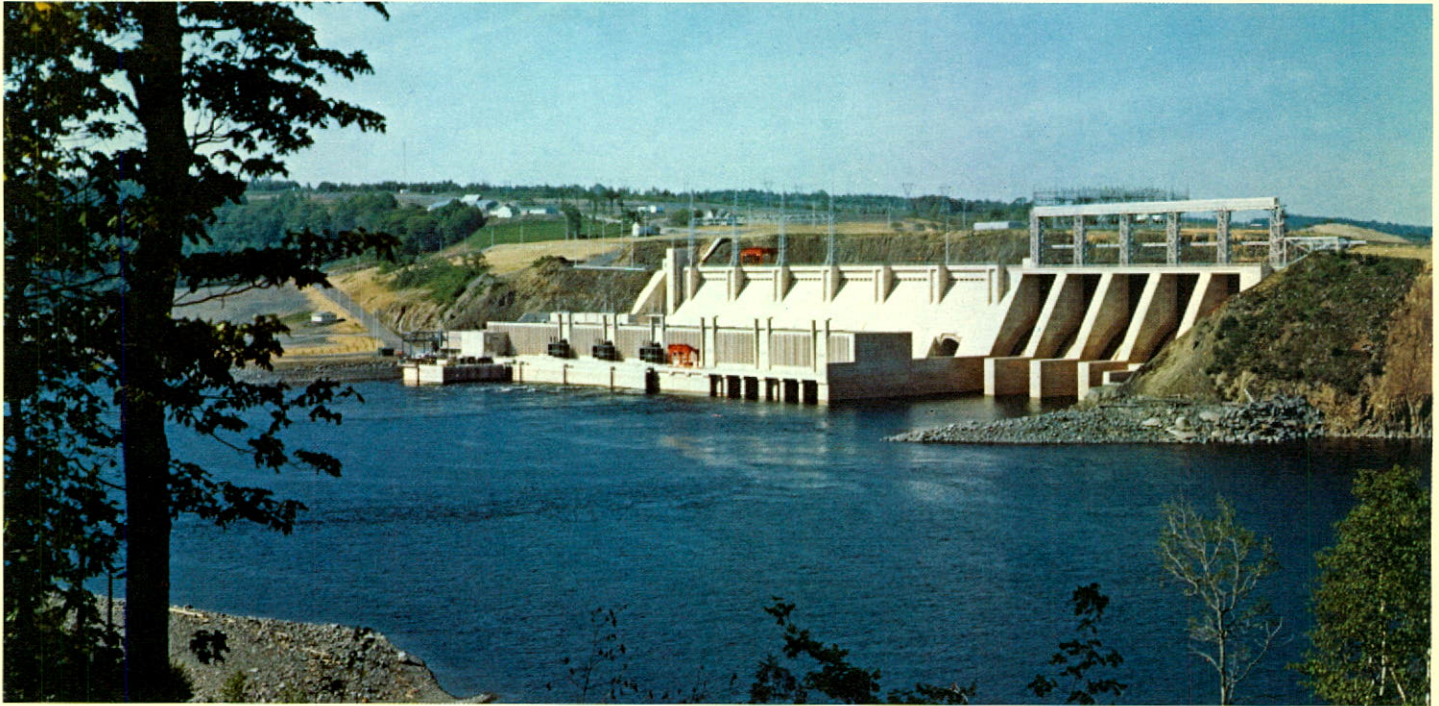
As we compare ourselves with world neighbours, we have cause for concern: Sweden, with a climate not unlike ours, consumes 25% less energy than Canada. Countries with higher per capita incomes than those of Canada such as the United States, Sweden, and West Germany consume less energy per capita than we do. This fact speaks strongly in favour of serious endeavours towards Canadian energy self-sufficiency as well as elimination of unnecessary energy use.

Real income growth dropped steadily over the period from 1973 to 1980 with forecasts of a mild recovery for 1981 and 1982. This factor provided the stimulus for initiating on-going technological developments relating to energy production, substitution, and conservation.

The shift of wealth to the oil and gas producing provinces contributed to the change in economic growth and industrial expansion, especially in Western Canada: the discovery and development of oil sands, heavy oil, and coal in Alberta; heavy oil and uranium in Saskatchewan; and gas and coal in British Columbia. As well, there were discoveries of natural gas off Nova Scotia and oil off Newfoundland.

This greater fiscal independence from the federal authorities lent momentum to earlier Quebec demands for autonomy and there was an increased cry from the Western Provinces for fundamental changes in Canada's structure as a country. This trend was magnified by provinces' fears that their traditional jurisdictions were in danger of erosion. Central Canada (i.e. Ontario & Quebec) were no longer the powerful provincial leaders they once were.

Up until now, Canadians have been protected from the full direct effects of increases in international oil prices by a government subsidy program and our



Canada Cement Lafarge's products find their way into many hydro electric projects such as this dam at Mactaquac, New Brunswick.

own internal supply potential. At the beginning of 1980, Canadians were paying less than half of world prices for oil (see chart 2). This unnatural situation has lulled Canadians into a false sense of security and has been a major factor in the continuing high consumption of energy by Canadians.

Fortunately for Canada, many of us are waking up to the fact that the days of cheap energy are past. Every time we fill up the gas tank of the family car or pay the monthly heating bill, we are jolted out of our complacency even at 50% of world costs.

As a manufacturer of cement, and therefore a large consumer of energy, Canada Cement Lafarge is aware of the high cost of energy and the necessity of energy conservation for both individuals and corporations.

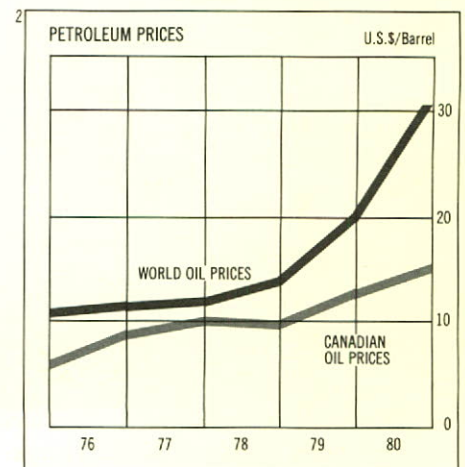
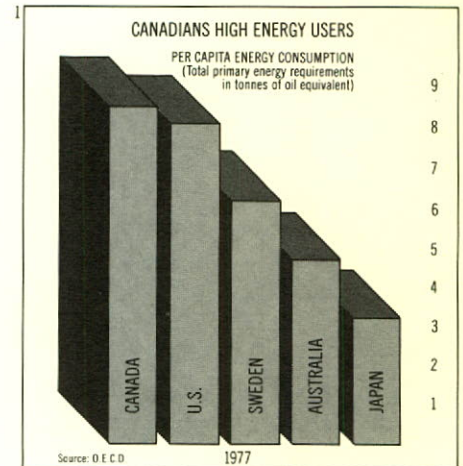
A principal and a secondary source of energy is required for our industry: the one to heat the raw materials in huge kilns at 1,350°C (2,460°F) to produce the chemical changes integral to the cement-making process and the other — electrical energy for motors which drive large grinding mills to prepare raw materials and the finished product.

The vast energy requirements of this operation, mainly of raw drying and heating the kilns, represents a significant portion of the total costs of producing cement. In 1980, we spent \$37.6 million to purchase approximately 17,600 terajoules of fuel for this purpose alone. To the individual Canadian, that is the equivalent of heating 330,000 Canadian homes for one year (based on StatCan figures for 1979).

In the same year, we spent \$12.5 million on 560,000 megawatts of hydroelectric power to manufacture cement. That quantity of power would light 145,000 Canadian homes in 1979 over a period of one year.

This level of energy consumption is a powerful motivator for anyone to take action. At Canada Cement Lafarge, we have been investigating ways to produce more cement using less energy. As well, we have been studying the possibility of new sources of energy.

Both wet and dry processes are used in the manufacture of cement. The dry process operation requires about 20% to 30% less energy consumption than a wet process operation. This difference in energy consumption is a major





*A decreasing amount of fuel oil is being used to produce cement at Canada Cement Lafarge—part of our effort towards conserving energy.*

reason why most cement companies are using the “dry process” in more recently-constructed plants. It was also a main factor which influenced Canada Cement Lafarge to invest \$4 million to convert older kilns at the Exshaw plant from a wet to dry process, in 1976, when the plant was undergoing modernization and expansion of its production facilities.

Another energy-saving measure is the adoption of preheaters. The purpose of a dry-process preheater unit is to recycle hot air that would otherwise be wasted by transferring heat from the kiln exhaust gases to the raw kiln feed prior to its entry into the kiln.

During passage through the preheater, the raw feed is heated and partially calcined. The preheater effectively reduces kiln burning time, conserves kiln fuel, and significantly increases productivity.

However, widespread adoption of preheaters is not feasible in some locations due to the composition of the raw materials. Restrictions on the alkali content of some cements, in many cases, preclude the effective use of preheaters in the manufacturing process.

The chemical process that converts raw materials into cement clinker is one of the few processes in which fuels with a higher sulphur content can be used, without producing sulphur dioxide that is harmful to the environment. Rather than being discharged into the atmosphere, essentially all of the sulphur is absorbed into the product so that when used in concrete, it remains workable for a longer period of time.

Use of higher sulphur fuels would not of itself reduce the amount of energy consumed by the cement industry, but it would make best use of the plentiful supply of these resources without environmental damage. This would conserve scarcer lower-sulphur fuels for other purposes.

Canada Cement Lafarge is fully aware of the urgent need to further reduce the consumption of energy and to further improve the efficiency of its energy use. Wherever possible, altera-



*The rotary kiln at Canada Cement Lafarge's plant in Kamloops, British Columbia.*

tions are being made to the manufacturing process to achieve these goals without compromising the quality of the final product.

At the same time, the company is carefully studying, and where possible implementing, major technological changes that will guarantee significant long-term gains in energy efficiency.

For example, alterations can be made in the quarrying and materials handling operations. Careful selection of raw materials can improve the efficiency of the burning process in the kiln.

How is Canada Cement Lafarge's concern for saving energy reflected in recent times? In 1973, 29% of our production in Canada was dry process. By 1980, 70% was dry process operation.

Another example of our concern for energy-efficient plants can be seen at Kiln # 5 in Exshaw, Alberta. This facility represents today's most technically-advanced process available.

Canada Cement Lafarge's objective to reduce energy consumption is reflected in the decline of thermal con-

sumption from about 6,200 megajoules/tonne of clinker in 1973 to about 4,800 megajoules/tonne in 1980, representing an improvement of approximately 23% during the past seven years. This has been due to several factors:

- closing of obsolete facilities (Belleville, Hull, Montreal East: 1973-76);
- wet to dry process conversion at Exshaw during 1976;
- added "dry-process" capacity at St. Constant (kiln 2-1975), Brookfield (kiln 2-1978), and Exshaw (kiln 5-1980);
- operation improvements at several plants in recent years.

It is useful to compare how Canada Cement Lafarge fares relative to the Canadian and American cement industries with regard to energy efficiency. For the period 1973 to 1978, not only was the Canadian Cement Industry more energy-efficient in comparison with the United States, but within Canada, CCL was below the industry's energy consumption

level. The positive implications of this attention to energy saving by the Company enabled Canada Cement Lafarge to partially combat the effects of inflation.

Research in all areas of cement manufacturing to reduce energy consumption is being pursued by our Corporation. Some of the methods currently under consideration are: experimentation with chemical additions to the raw materials to lower processing temperatures and modification of equipment design to reduce the electrical energy consumption in the grinding process. Studies to utilize industrial waste materials such as slags and fly ashes to reduce the total energy required to manufacture concrete are also underway.

Knowledge of every aspect of the cement manufacturing process is being advanced daily at Canada Cement Lafarge. After our seventy years in the business, we are proud to have had a part in the evolution of cement making from its beginnings in Canada as a craft to the high technology industry it is today.

# Canada Cement Lafarge Ltd.

## Consolidated Statement of Earnings

For the year ended December 31, 1980  
(in thousands of dollars)

	<u>1980</u>	<u>1979</u>
Sales .....	\$711,136	\$618,297
Costs and expenses:		
Cost of sales and other operating expenses .....	557,576	467,155
Depreciation and depletion .....	33,489	28,868
Selling, general and administrative expenses .....	57,108	46,366
Interest on bank and other short term debt, less income from short term investments .....	3,445	2,427
Interest on long term debt .....	<u>13,598</u>	<u>15,867</u>
	<u>665,216</u>	<u>560,683</u>
Earnings before the undernoted items .....	45,920	57,614
Income taxes .....	<u>20,368</u>	<u>24,633</u>
	25,552	32,981
Equity income .....	<u>54</u>	<u>4,119</u>
	25,606	37,100
Minority interest .....	<u>2,145</u>	<u>851</u>
Net earnings before extraordinary items .....	23,461	36,249
Extraordinary items (Note 5) .....	<u>2,539</u>	<u>—</u>
Net earnings .....	<u>\$ 20,922</u>	<u>\$ 36,249</u>
Net earnings per common share:		
Before extraordinary items .....	<u>\$ 0.96</u>	<u>\$ 1.89</u>
After extraordinary items .....	<u>\$ 0.82</u>	<u>\$ 1.89</u>

## Consolidated Statement of Retained Earnings

For the year ended December 31, 1980  
(in thousands of dollars)

	<u>1980</u>	<u>1979</u>
Balance at beginning of year .....	\$199,495	\$177,424
Net earnings .....	<u>20,922</u>	<u>36,249</u>
	<u>220,417</u>	<u>213,673</u>
Dividends—		
First preference shares .....	1,170	1,170
Second preference shares .....	3,999	—
Common shares .....	14,866	13,008
	<u>1,243</u>	<u>—</u>
Expenses related to issue of second preference shares (net of income taxes of \$823) .....	21,278	14,178
	<u>\$199,139</u>	<u>\$199,495</u>
Balance at end of year .....		

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



## Consolidated Balance Sheet

as at December 31, 1980  
(in thousands of dollars)

### Assets

	1980	1979
<b>CURRENT ASSETS:</b>		
Short term securities, at cost (which approximates market value) .....	\$ 7,265	\$ 2,086
Accounts receivable .....	129,127	105,408
Inventories .....	119,108	93,188
Prepaid expenses .....	4,941	3,731
	<u>260,441</u>	<u>204,413</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Long term receivables .....	9,901	3,730
Marketable securities held in Preference Dividend Maintenance Fund, at cost .....	2,340	2,340
Investments in associated companies .....	10,908	38,202
	<u>23,149</u>	<u>44,272</u>
<b>FIXED ASSETS (Note 2) .....</b>	<b>560,037</b>	<b>425,078</b>
<b>DEFERRED CHARGES AND INTANGIBLE ASSETS:</b>		
Unamortized debt financing expense .....	1,502	1,727
Excess of cost of investment in subsidiaries over net tangible assets at dates of acquisition .....	5,952	5,952
Unrealized loss on translation of long term debt .....	2,629	2,651
	<u>10,083</u>	<u>10,330</u>
	<u><b>\$853,710</b></u>	<u><b>\$684,093</b></u>

### Liabilities

<b>CURRENT LIABILITIES:</b>		
Bank indebtedness and other short term borrowings .....	\$ 60,905	\$ 18,072
Accounts payable and accrued liabilities .....	79,008	75,597
Income and other taxes payable .....	11,256	18,200
Current portion of long term debt .....	9,976	4,899
	<u>161,145</u>	<u>116,768</u>
<b>LONG TERM DEBT (Note 3) .....</b>	<b>186,730</b>	<b>169,395</b>
<b>DEFERRED INCOME TAXES .....</b>	<b>105,617</b>	<b>85,755</b>
<b>MINORITY INTEREST .....</b>	<b>19,181</b>	<b>5,782</b>
<b>SHAREHOLDERS' EQUITY (Note 4):</b>		
Capital Stock-		
First preference shares .....	18,000	18,000
Second preference shares .....	74,988	—
Common shares .....	88,910	88,898
	<u>181,898</u>	<u>106,898</u>
Retained earnings .....	199,139	199,495
	<u>381,037</u>	<u>306,393</u>
	<u><b>\$853,710</b></u>	<u><b>\$684,093</b></u>

ON BEHALF OF THE BOARD:

J.D. Redfern, President & Chief Executive Officer  
P.M. McEntyre, Chairman of the Board

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

# Canada Cement Lafarge Ltd.

## Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1980  
(in thousands of dollars)

	<u>1980</u>	<u>1979</u>
FINANCIAL RESOURCES WERE PROVIDED BY:		
Net earnings before extraordinary items .....	\$ 23,461	\$ 36,249
Depreciation and depletion .....	33,489	28,868
Deferred income taxes .....	4,672	11,015
Other .....	<u>3,967</u>	<u>(1,050)</u>
Funds generated from operations .....	65,589	75,082
Net proceeds from issue of preference shares .....	73,757	—
Proceeds from issue of long term debt .....	<u>16,566</u>	<u>4,000</u>
	<u>155,912</u>	<u>79,082</u>
FINANCIAL RESOURCES WERE APPLIED TO:		
Additions to fixed assets — net .....	101,681	71,685
Reduction in long term debt .....	16,160	10,144
Extraordinary items (as affecting working capital) .....	181	—
Investment in associated companies .....	25	1,611
Investment in subsidiary companies .....	241	2,567
Increase in long term receivables .....	5,938	296
Dividends — Preference shares .....	5,169	1,170
— Common shares .....	<u>14,866</u>	<u>13,008</u>
	<u>144,261</u>	<u>100,481</u>
Increase (decrease) in working capital .....	11,651	(21,399)
Working capital at beginning of year .....	<u>87,645</u>	<u>109,044</u>
Working capital at end of year .....	<u>\$ 99,296</u>	<u>\$ 87,645</u>

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

## Auditors' Report

To the Shareholders of  
Canada Cement Lafarge Ltd.:

We have examined the consolidated balance sheet of Canada Cement Lafarge Ltd. as at December 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Canada Cement Lafarge Ltd. and those subsidiaries and associated companies of which we are the auditors, was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied upon the reports of the auditors who have examined the financial statements of a subsidiary company and associated companies.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montréal, Québec  
April 3, 1981.

PRICE WATERHOUSE & CO.  
Chartered Accountants





## Notes to Consolidated Financial Statements

as at December 31, 1980

### Note 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

#### Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all subsidiary companies. The Corporation also holds share interests of between 33% and 50% in various associated companies engaged primarily in the manufacture and sale of ready-mixed concrete, other concrete products and aggregates. The Corporation accounts for these investments under 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 and companies accounted for on the equity basis is allocated in accordance with the fair value of the underlying assets as at the dates of investment. The excess of the cost of such investments over the values so allocated, which amounts to \$5,952,000 for consolidated subsidiary companies, does not, in the opinion of management, require amortization at this time.

#### Foreign Currency Translation

The accounts of foreign subsidiaries included in the consolidated financial statements are translated into Canadian dollars at the rate of exchange prevailing on the balance sheet date for current assets, current liabilities and long term debt, at historical rates for fixed and other assets and liabilities, and at the average rate for the year for revenues and expenses except for depreciation which is at historical rates. Unrealized gains or losses on the translation of long term debt are amortized over the term of the debt.

#### 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.

#### Segmented Information

It is the view of management that the Corporation and its subsidiaries operate within one dominant industry segment — the manufacture, distribution and use of cement and cement products and the production of stone aggregate for use in ready-mixed concrete or sale or use in construction work — and conducts its operations within one geographic territory comprising Canada and the United States.

#### 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 deferments, which arise principally from the excess of capital cost allowance claimed over the depreciation recorded in the accounts.

#### Inventories

Inventories, which consist mainly of cement, raw materials, supplies and repair parts, are carried at the lower of cost (generally average cost) or 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 – FIXED ASSETS

	Land	Buildings, Plants and Equipment	Construction in Progress	Total
	<i>(in thousands of dollars)</i>			
As at December 31, 1980				
Cost .....	\$76,342	\$716,266	\$100,806	\$893,414
Accumulated Depreciation and Depletion .....	8,311	325,066	—	333,377
Net Book Value .....	<u>\$68,031</u>	<u>\$391,200</u>	<u>\$100,806</u>	<u>\$560,037</u>
As at December 31, 1979				
Cost .....	\$45,261	\$587,851	\$ 48,740	\$681,852
Accumulated Depreciation and Depletion .....	6,125	250,649	—	256,774
Net Book Value .....	<u>\$39,136</u>	<u>\$337,202</u>	<u>\$ 48,740</u>	<u>\$425,078</u>

# Canada Cement Lafarge Ltd.

## Note 3 — LONG TERM DEBT

	December 31	
	1980	1979
	<i>(in thousands of dollars)</i>	
Canada Cement Lafarge Ltd. —		
Sinking Fund Debentures:		
6¼%, Series A, maturing in 1986 (for which the sinking fund requirements are \$676,000 in 1982 and \$750,000 annually 1983 to 1985).....	\$ 6,676	\$ 7,501
9½%, Series B, maturing in 1990 (for which the sinking fund requirements are \$631,000 in 1982, \$900,000 annually for 1983 and 1984 and \$1,300,000 annually 1985 to 1989).....	15,531	16,555
8¾%, Series C, maturing in 1992 (for which the sinking fund requirements are \$1,014,000 in 1982, \$1,200,000 annually 1983 to 1986 and \$1,800,000 annually 1987 to 1991).....	26,214	27,091
11¼%, Series D, maturing in 1995 (for which the sinking fund requirements are \$927,000 in 1982 and \$1,000,000 annually 1983 to 1994).....	13,927	14,833
9¾%, Series E, maturing in 1997 (for which the sinking fund requirements are \$1,497,000 in 1982, \$1,600,000 annually 1983 to 1988 and \$2,400,000 annually 1989 to 1996).....	38,297	40,000
7½%, Series F, maturing in 1988 (for which the sinking fund requirements are \$295,000 in 1983 and \$325,000 annually 1984 to 1987).....	5,597	6,085
Notes payable, including \$2,680,000 payable in U.S. funds, maturing in equal annual instalments from 1981 to 1988, bearing interest at varying rates up to a maximum of ¾% above prime.....	12,064	13,508
Notes payable under a \$25 million revolving bank credit, bearing interest at prime plus ¼%.....	15,000	—
Citadel Cement Corporation —		
U.S. \$28,125,000 of 9¾% Senior Notes maturing in equal annual instalments of U.S. \$1,875,000 from 1981 to 1995.....	33,601	35,040
Standard Industries Ltd. —		
Bank term credit (secured) repayable \$500,000 annually with the balance due in 1985 and bearing interest at 1% above prime.....	7,500	—
Other debt (of which \$11,900,000 is secured by pledged assets).....	22,299	13,681
	<u>196,706</u>	<u>174,294</u>
Less portion due within one year included in current liabilities.....	9,976	4,899
	<u>\$186,730</u>	<u>\$169,395</u>

(a) The Corporation has available a \$20 million nine year term bank credit which can be drawn down in whole or in part up to May 31, 1981. No portion of this credit was in use at December 31, 1980.

The Corporation is presently completing arrangements for a new \$100 million medium and long term revolving credit with its principal bankers which would in part replace the \$25 million revolving bank credit and the \$20 million term credit described above.

(b) Payment requirements on long term debt during the next five years are as follows:

Year Ending December 31				
1981	1982	1983	1984	1985
<i>(in thousands of dollars)</i>				
\$9,976	\$10,848	\$10,736	\$11,845	\$15,691

(c) In addition to interest expense shown in the Consolidated Statement of Earnings, interest on short and long term debt of \$2,268,000 and \$3,926,000 respectively (nil and \$1,613,000 in 1979) was capitalized with respect to a cement plant under construction.

## Note 4 — SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

(a) As at December 31, 1980, the capital structure of the Corporation was as follows:

	Authorized	Outstanding	
		1980	1979
Preference shares.....	900,000	900,000	900,000
Second Preference shares issuable in series	Unlimited		
Series A (5,000,000 issued on March 25, 1980 for \$15.00 per share).....	5,000,000	4,999,200	—
Common shares.....	28,000,000	18,583,462	18,582,662

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

The Series A second preference shares (the "second preference shares") are entitled to a cumulative dividend of \$1.17 per share 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 one common share for each Series A share and thereafter on the basis of 0.9 of a common share for each Series A share. They are redeemable at the option of the Corporation at \$15.75 after August 31, 1985 and at reducing amounts thereafter to \$15.00 after August 31, 1990.



During the year, 800 Series A second preference shares were converted into 800 common shares of the Corporation. 4,999,200 common shares of the Corporation are reserved for the possible conversion of the Series A second preference shares.

- (b) Retained earnings include a reserve for Preference Dividend Maintenance Fund of \$2,340,000.
- (c) Earnings per common share are based on 18,582,935 shares, the weighted average number of shares outstanding during the year (1979 — 18,582,612 shares).

**Note 5 — EXTRAORDINARY ITEMS (in thousands of dollars)**

Provision for loss on the closure of a cement plant at Birmingham, Alabama (net of income taxes of \$1,350) .....	\$3,866
Gain arising from an insurance settlement on the involuntary disposal of leased assets (net of income taxes of \$450) .....	<u>(1,327)</u>
	<u>\$2,539</u>

**Note 6 — INVESTMENT IN STANDARD INDUSTRIES LTD.**

In April, 1980, the Corporation increased its interest in Standard Industries Ltd. from 49.99% to 73.63% by acquiring 1,498,852 common shares for a cash outlay of \$11,241,390. On consolidation, \$5,652,000, being the excess of the total investment, (\$37,460,000) as at April 30, 1980, over the book value of the net tangible assets acquired, has been assigned to fixed assets.

The following sets forth in summary form the effect of Standard Industries Ltd. on the consolidated balance sheet (in thousands of dollars):

	At acquisition date April 30, 1980	At December 31, 1980
Working capital .....	\$11,284	\$19,700
Fixed assets .....	67,669	65,859
Other assets .....	982	932
	<u>79,935</u>	<u>86,491</u>
Long term debt .....	16,349	15,754
Deferred income taxes .....	14,279	14,303
Minority Interest .....	11,847	13,106
	<u>42,475</u>	<u>43,163</u>
Net assets .....	37,460	<u>\$43,328</u>
Carrying value of original 49.99% investment .....	26,219	
Acquired for cash in 1980 .....	<u>\$11,241</u>	

The results of the operations of Standard Industries Ltd. have been included in the consolidated statement of earnings from May 1, 1980. Previously, the Corporation had included on an equity basis its 49.99% share of the earnings of Standard Industries Ltd.

Standard Industries Ltd. is engaged in the manufacture and sale of ready-mixed concrete and concrete products as well as in paving and road building, primarily in Ontario.

**Note 7 — 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 1980, sales and purchases amounted to \$16 million and \$11 million respectively.

The Corporation's transactions during 1980 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 \$949,000. In addition, the Corporation sold 1,660,000 Series A second preference shares to Lafarge Coppée at a price of \$15 per share.

**Note 8 — COMMITMENTS AND CONTINGENT LIABILITIES**

- (a) Payments under long term property, plant and equipment leases amounted to \$5,257,000 in 1980 (\$6,953,000 in 1979). Future minimum annual payments under leases in existence as at December 31, 1980, average \$4,800,000 for 1981 and 1982, \$3,000,000 for 1983 through 1985, and total \$13,800,000 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, 1980 would have increased by \$20.7 million, \$16.8 million, \$1.8 million and \$2.1 million (11¢ per common share) respectively; and
- (ii) the consolidated net earnings of the Corporation in 1980 would have increased by \$0.2 million (1¢ per common share).
- (b) 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, 1980 of \$22.5 million.

**Note 9 — STATUTORY INFORMATION**

Remuneration of eighteen directors in their capacity as directors was \$123,000 (\$118,000 in 1979) and of twenty-two senior officers was \$1,919,000 (nineteen senior officers \$1,560,000 in 1979). Three of the directors are also officers of the Corporation. None of the directors or officers received remuneration from the Corporation's subsidiaries.

# Ten Year Financial Summary

(in thousands of dollars)

	<i>Fiscal Year</i>	
	1980	1979
<b>NET EARNINGS</b>		
Sales .....	\$711,136	\$618,297
Cost and expenses:		
Cost of sales and operating, selling, general and administrative expenses .....	614,684	513,521
Depreciation and depletion .....	33,489	28,868
Interest on bank and other short term debt, less income from short term investments .....	3,445	2,427
Interest on long term debt .....	13,598	15,867
	<u>665,216</u>	<u>560,683</u>
Earnings before the undernoted items .....	45,920	57,614
Income taxes .....	20,368	24,633
	<u>25,552</u>	<u>32,981</u>
Equity Income .....	54	4,119
	<u>25,606</u>	<u>37,100</u>
Minority interest .....	2,145	851
Earnings before extraordinary items .....	23,461	36,249
Extraordinary items .....	2,539	—
Net earnings .....	<u>\$ 20,922</u>	<u>\$ 36,249</u>
<b>BALANCE SHEET</b>		
Working capital .....	\$ 99,296	\$ 87,645
Investments in associated companies .....	10,908	38,202
Fixed assets .....	560,037	425,078
Other assets .....	22,324	16,400
	<u>\$692,565</u>	<u>\$567,325</u>
Long term debt .....	\$186,730	\$169,395
Deferred income taxes .....	105,617	85,755
Minority interest .....	19,181	5,782
Shareholders' equity .....	381,037	306,393
	<u>\$692,565</u>	<u>\$567,325</u>
<b>OTHER INFORMATION</b>		
Funds generated from operations .....	\$ 65,589	\$ 75,082
Additions to fixed assets — net .....	101,681	71,685
Investments in associated companies .....	25	1,611
Dividends — Preference shares .....	5,169	1,170
— Common shares .....	14,866	13,008
Return on sales .....	3.6%	5.3%
Return on common shareholders' equity .....	6.4%	13.1%
<b>PER COMMON SHARE</b>		
Earnings before extraordinary items .....	\$0.96	\$1.89
Net earnings .....	0.82	1.89
Funds generated from operations .....	3.23	3.98
Dividends .....	0.80	0.70
Shareholders' equity at end of year .....	14.99	15.03
Range of market price during the year .....	10%-15	10-14%
Average number of shares outstanding (in thousands) .....	18,583	18,583

Notes:

(1) The accounts of wholly-owned subsidiary companies acquired during the ten year period are included only from their respective dates of acquisition. The accounts of a 51% owned subsidiary company acquired in 1968 are accounted for on the equity basis for 1972 and on a consolidated basis from 1973 on.

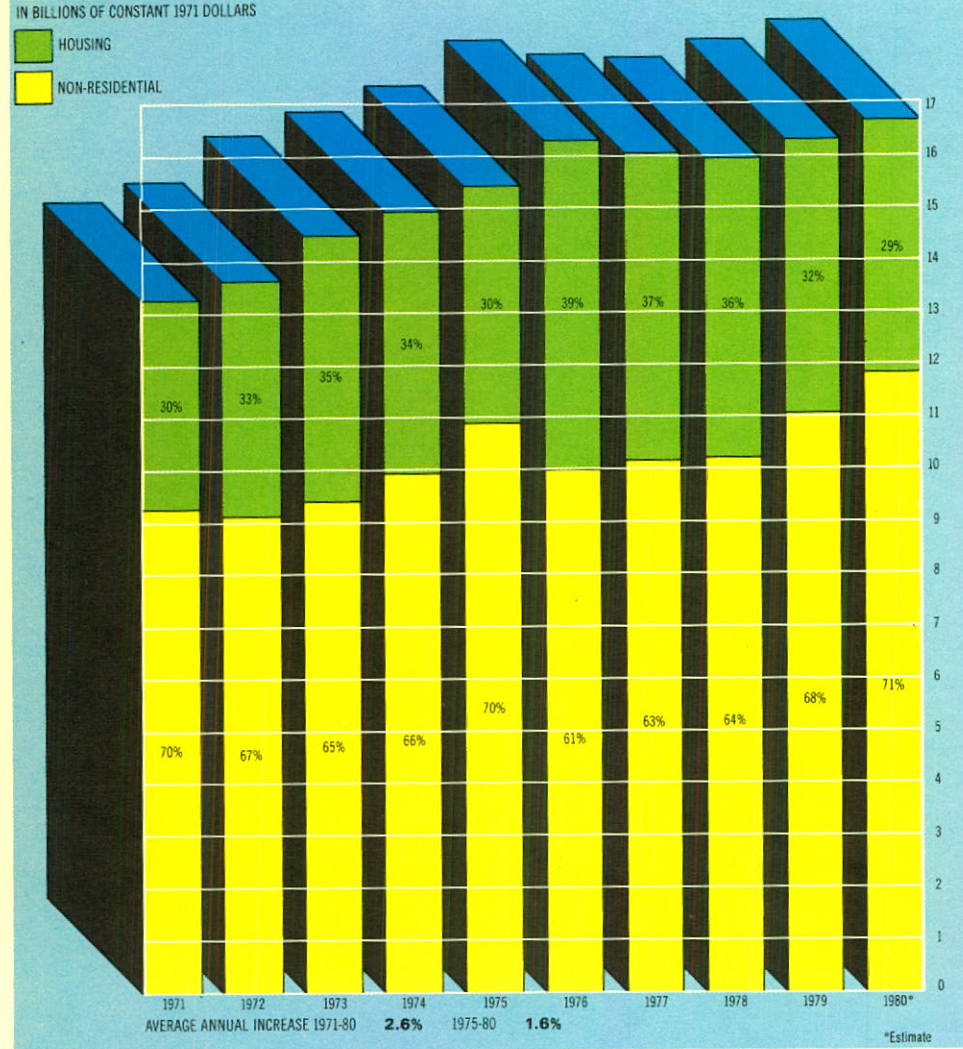


Ended December 31						Calendar Year	Fiscal Year
1978	1977	1976	1975	1974	1973	1972	Ended Apr. 30
							1972
\$535,337	\$439,686	\$384,799	\$398,919	\$330,734	\$292,815	\$237,631	\$203,071
453,370	372,129	318,979	335,796	272,400	237,885	192,266	165,767
24,567	21,186	19,265	17,631	16,967	14,802	13,364	11,108
2,671	2,704	1,465	444	839	(684)	(1,488)	(1,481)
13,849	10,032	10,337	8,652	5,744	5,111	5,034	4,528
494,457	406,051	350,046	362,523	295,950	257,114	209,176	179,922
40,880	33,635	34,753	36,396	34,784	35,701	28,455	23,149
17,515	14,320	15,124	16,702	15,692	16,602	13,757	11,327
23,365	19,315	19,629	19,694	19,092	19,099	14,698	11,822
3,570	3,403	3,799	5,274	4,522	2,513	2,103	1,529
26,935	22,718	23,428	24,968	23,614	21,612	16,801	13,351
474	275	251	631	357	323	—	—
26,461	22,443	23,177	24,337	23,257	21,289	16,801	13,351
—	—	—	—	—	1,415	423	1,143
\$ 26,461	\$ 22,443	\$ 23,177	\$ 24,337	\$ 23,257	\$ 22,704	\$ 17,224	\$ 14,494
\$109,044	\$ 83,839	\$ 54,391	\$ 56,760	\$ 43,797	\$ 51,229	\$ 51,404	\$ 37,437
34,884	32,931	71,644	66,302	60,806	51,970	23,033	22,159
378,057	378,479	293,246	287,149	276,726	240,037	207,552	181,734
17,570	16,231	14,106	14,743	15,540	17,351	9,976	8,233
\$539,555	\$511,480	\$433,387	\$424,954	\$396,869	\$360,587	\$291,965	\$249,563
\$175,169	\$168,404	\$109,667	\$115,946	\$103,654	\$ 89,959	\$ 95,115	\$ 68,677
75,100	68,372	59,488	55,855	52,677	41,373	23,439	21,224
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	159,662
\$539,555	\$511,480	\$433,387	\$424,954	\$396,869	\$360,587	\$291,965	\$249,563
\$ 57,321	\$ 49,542	\$ 43,687	\$ 41,556	\$ 48,321	\$ 51,996	\$ 29,575	\$ 25,470
24,145	28,829	25,362	28,054	53,656	40,224	33,844	13,702
—	5,487	2,614	1,203	5,166	30,568	295	(397)
1,170	1,170	1,170	1,170	1,170	1,147	682	910
11,150	11,150	11,150	11,150	11,150	7,356	4,646	6,194
4.4%	4.4%	5.1%	4.9%	5.8%	6.5%	6.2%	5.8%
10.1%	8.9%	9.7%	10.7%	10.8%	13.0%	10.8%	9.2%
\$1.36	\$1.14	\$1.18	\$1.25	\$1.19	\$1.29	\$1.03	\$0.80
1.36	1.14	1.18	1.25	1.19	1.38	1.05	0.88
3.02	2.60	2.29	2.17	2.54	3.25	1.85	1.59
0.60	0.60	0.60	0.60	0.60	0.47½	0.40	0.40
13.85	13.09	12.55	11.97	11.32	10.73	9.45	8.57
9-13¼	7%-9%	7¼-11%	8-12	8½-14%	10%-16¼	11¼-15	9½-13%
18,583	18,583	18,583	18,583	18,583	15,625	15,485	15,485

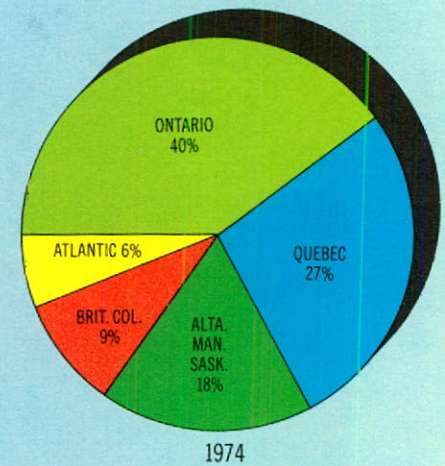
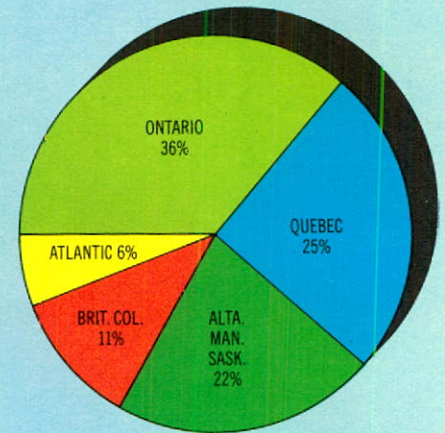
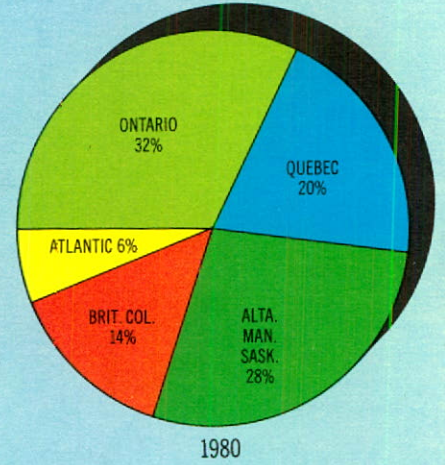
(2) The Corporation's fiscal year end was changed in 1972 from April 30 to December 31. The four month period from January 1 to April 30, 1972 is included in both fiscal and calendar year 1972 columns.

# Construction and Cement Consumption in Canada

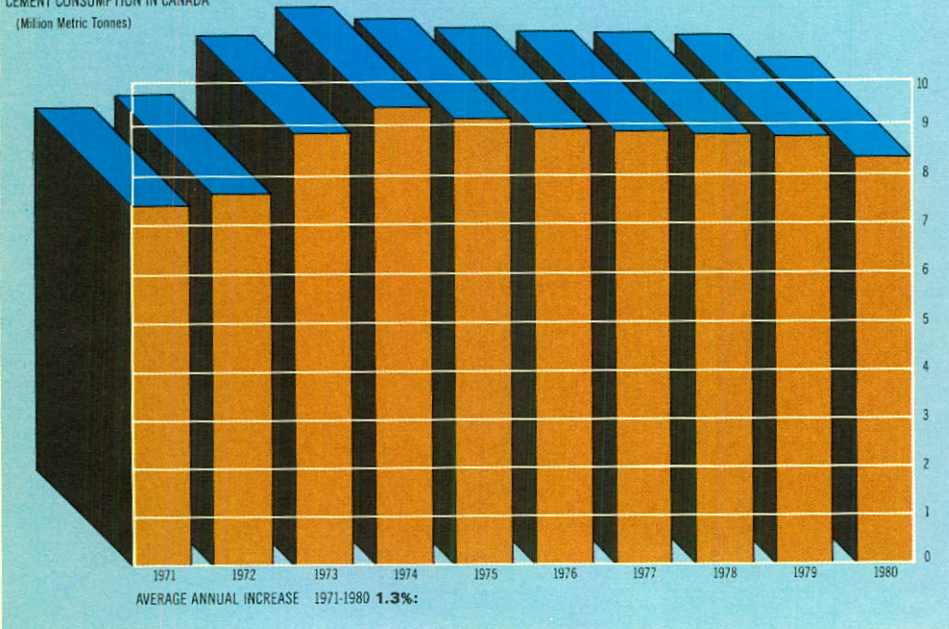
CONSTRUCTION INVESTMENT IN CANADA (EXCLUDING REPAIRS)



CEMENT CONSUMPTION BY AREA



CEMENT CONSUMPTION IN CANADA (Million Metric Tonnes)





The Management group photographed in the boardroom at Company headquarters in Montreal. Seated (l to r): M. L'Anglais, Vice-President & General Manager, Quebec Region; K.N. Bayne, Vice-President & General Manager, Ontario Region; P.M. McEntyre, Chairman of the Board; P. Jongeneel, Executive Vice-President, Finance; 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; P. Messier, Vice-President, Secretary & General Counsel; D.J. Costantini, Vice-President, Concrete & Construction Services; D.C. Hildebrand, Vice-President, Corporate Development; D. Beylich, Vice-President, Technical Services; P. Bavière, Vice-President & Comptroller; Dr. W.S. Weaver, Vice-President, Research & Development; W.H.J. Cameron, Vice-President, Personnel.

## Directors and Officers

### Directors

- \* Thomas J. Bell  
Chairman  
Abitibi-Price Inc.  
Toronto, Ont.
- R. Fraser Elliott, Q.C.  
Senior Partner  
Stikeman Elliott Robarts  
& Bowman  
Toronto, Ont.
- Edward M.S. Fisher  
President & General  
Manager  
The Enterprise Foundry  
Co. Ltd.  
Sackville, N.B.
- \* Jean François  
Vice-Chairman and  
Chief Operating Officer  
Lafarge Coppée  
Paris, France
- J. Taylor Kennedy  
Montreal, Que.
- Samuel M. Kinney, Jr.  
Partner,  
Hannoch, Weisman,  
Stern,  
Besser, Berkowitz &  
Kinney  
Newark, N.J., U.S.A.
- Olivier Lecerf  
Chairman & Chief  
Executive Officer  
Lafarge Coppée  
Paris, France
- \* Peter M. McEntyre  
President  
Comtrust Holdings Inc.  
Montreal, Que.
- David E. Mitchell  
President  
Alberta Energy Co. Ltd.  
Calgary, Alta.
- André Monast, Q.C.  
Partner  
Létourneau & Stein  
Québec, Que.
- Jerry E.A. Nickerson  
Chairman  
H.B. Nickerson & Sons  
Ltd.  
North Sydney, N.S.
- \* Patrick Nodé-Langlois,  
Executive Vice-President  
Lafarge Coppée  
Paris, France
- \* John D. Redfern  
President & Chief  
Executive Officer  
Canada Cement Lafarge  
Ltd.  
Montreal, Que.
- Patrick J.J. Rich  
President & Chief  
Executive Officer  
Aluminum Company of  
Canada Ltd.  
Montreal, Que.
- J. Ernest Richardson  
Vice-Chairman  
MacMillan Bloedel Ltd.  
Vancouver, B.C.
- Hon. James Sinclair  
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

### Officers

#### Corporate Management

- Peter M. McEntyre  
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
- Peter Jongeneel  
Executive Vice-President  
Finance
- Douglas C. Hildebrand  
Vice-President  
Corporate Development
- Ralph M. Johnson  
Vice-President &  
Assistant to the  
President  
(Retired Dec. 1/80)
- Pierre Messier  
Vice-President  
Secretary & General  
Counsel
- Donald S. McRae  
Vice-President &  
Treasurer
- Patrick Bavière  
Vice-President &  
Comptroller
- 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
- Dr. William S. Weaver  
Vice-President  
Research & Development  
(retired Feb. 6, 1981)
- G.T. Frew  
Assistant Secretary
- C.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



**Canada Cement Lafarge Ltd.**

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

